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Foreword

This is a remarkable book about a remarkable scandal that shook U.S. politics a quarter century ago. The Iran-Contra scandal gravely damaged U.S. national security interests in the late 1980s, but it has been largely forgotten by most U.S. citizens. The intrigues of President Ronald Reagan's spymaster, William Casey, and two of Reagan's national security advisors, Robert McFarlane and John Poindexter, were investigated by a presidential commission, the Congress, and an independent counsel, each of which apportioned blame. A few individuals, most notably Secretary of Defense Caspar Weinberger, were indicted for, convicted of, or pled guilty to misconduct and lying to cover up the scandal. President George H. W. Bush pardoned several of them in the closing days of his administration. Casey died before he could be summoned to testify. Reagan's role in the affair was downplayed, even excused because of his poor health, and gradually forgotten. In time Reagan became an iconic figure, credited by many as one of the great presidents of the twentieth century.

This book is based on years of meticulous research in declassified documents, diaries of senior officials including then Vice President Bush, and interviews. It explores and explains in more depth and texture than ever before the two intelligence operations that created the scandal. Malcolm Byrne has exposed the myths that have endured for decades about the scandal, and he has helped readers understand exactly why Reagan was willing to break the law and sell arms to a deadly enemy of the United States, Iran, just a few years after it held dozens of U.S. diplomats hostage.

This book demonstrates that rather than being on the margin of the intelligence operations in Central America and the Middle East that led to Iran-Contra, Reagan was at their center. He drove the policy process toward a secret opening with Iran because he was obsessed with freeing U.S. hostages taken by Iran's allies in Lebanon. Reagan's decisions, not some rogue operation run by Oliver North, led to the United States selling arms to Iran in return for promises, never entirely fulfilled, to free the hostages. Vice President Bush was also deeply involved in the policy process and kept fully informed on the efforts to free the hostages.

I was a CIA officer serving in the Middle East in the 1980s. The CIA officers killed by Iran's terrorists in Beirut, including Bob Ames and seven of his colleagues, were my friends. The CIA chief in Beirut, William Buckley, who was kidnapped, tortured, and murdered, was also a friend. I still remember the terrible days when Ames was killed and Buckley was taken hostage.

The United States was at war with Iran and its ally, Hezbollah, in the 1980s, at least in a clandestine war. In that war, the idea of trading arms for hostages with your enemy was bizarre from the start. Within the government, the entire project was kept carefully compartmentalized in large part to avoid expert scrutiny, inside the government and outside, of the tortured assumptions underlying the policy. Then it was implemented over the objections of the secretary of state and secretary of defense. Implementation was often done in a “keystone cops,” amateurish fashion. Bank accounts were misrecorded, deadlines ignored, and red lines blurred. Byrne’s riveting account reveals all the ugly details along with those responsible.

Casey and Reagan believed they had a valuable Iranian partner in a man who failed catastrophically every lie detector test he was administered. Casey’s senior advisors all told him the Iranian was a liar; he ignored their judgment and went ahead recklessly. Iran-Contra is a case study in how not to do foreign intelligence operations.

It is also a case study in how not to investigate scandal in the White House. The independent commission headed by Sen. John Tower went out of its way to excuse Reagan from responsibility and to put the blame on an out-of-control National Security Council staff. The congressional investigation produced a more accurate report but also avoided the issue of whether the president’s conduct warranted impeachment. The independent counsel took years to bring cases to trial. The redeeming virtue of the investigations, however, was they brought to light the mountains of documents and diaries this book uses to tell the story.

Behind the scenes Reagan had a crucial and enthusiastic partner in Israel. Israeli leaders, including Shimon Peres, desperately wanted to restore the cozy relationship Israel had with Iran before the shah was toppled, when the two states were aligned in a secret entente. Peres and his colleagues refused to believe the ayatollahs would not sooner or later come back to partnering with Israel, even though their professional intelligence officers told them this was a fantasy. Instead Israel became Iran’s critical arms supplier in the Iran-Iraq War and enticed the United States into joining it in the madness. U.S. diplomats and spies were told to turn a blind eye to Israeli arms shipments to Iran even before Reagan got into his own arms deals.

The congressional investigation avoided the Israeli angle as much as possible. So did the Tower Report and the independent counsel—it was too hot to handle. Here again this book sets the record straight. Israel helped Ayatollah Khomeini survive the Iran-Iraq War and persuaded Reagan to arm the Iranian regime. How deeply ironic it all seems today when Israel is Iran’s foremost enemy.

There are clear lessons to be learned in this book about intelligence operations and scandal. Congressional oversight is a good thing; it can help prevent disaster by exposing misconduct. But it can be undercut by partisan politics all

too easily. Disdain for Congress and unquestioning loyalty to the president, an all-too-common feature of many White House staffs, can produce a bunker mentality in which the country's best interests are lost in pursuit of "protecting" the president.

Compartmentalizing delicate and sensitive intelligence operations is also a good thing if done with care. But if compartmentalization becomes a means to keep a bad idea or an illegal program from exposure, then it is a trap that will come to haunt the nation.

The Iran-Contra affair had another legacy. Many of those involved in the 1980s policies or their investigation went on to play a key role in the administration of George W. Bush after 2000. Vice President Dick Cheney, for example, had been one of the members of Congress investigating the scandal in 1987. The abuse of power that lay at the heart of Iran-Contra was for these players only the legitimate use of executive powers. Many of the lies that led to Iran-Contra would be models for the deceptions that led to the misguided U.S. war on Iraq in 2003.

Malcolm Byrne's book is not only good history and an exciting tale of espionage and White House intrigue; it is a warning about the excesses of secrecy and partisanship in U.S. foreign policy. Too often we have been too eager to look forward after scandal breaks, not backward, and consequently have ignored the lessons of past abuses of power. This book offers a rewarding look backward, with lessons for looking forward.

Bruce Riedel





Preface: Settings for the Scandal

The Iran-Contra scandal occurred as the result of a particular—though by no means unique—mix of historical, political, institutional, and personal factors. The personalities—starting with President Ronald Reagan—are critical to the story. But it is equally useful to have a sense of the historical and political context of the affair prior to the Reagan administration entering office in January 1981: the key institutions of the national security establishment, the state of relations between the executive and legislative branches, the tense global environment, and finally Reagan's political outlook upon becoming the country's fortieth president. Each of these elements offers helpful context for understanding the origins, nature, and significance of the affair.

Laying the Institutional Foundations

The cold war established the framework for much of U.S. foreign policy from before the end of World War II at least until the end of the Reagan presidency. The “twilight struggle” particularly affected the development of U.S. national security institutions. Recognizing the emergence of the communist menace, Congress resolved to give the president tools to fend off the new threat. The legislative centerpiece of this concept was the National Security Act of 1947, which created several major entities: a unified military establishment (soon to be the Department of Defense), the Central Intelligence Agency (CIA), and the National Security Council (NSC). Each of these institutions helped shape the U.S. approach to the rest of the world. They also contributed to the bureaucratic and political dynamics that underlay Iran-Contra.

The Defense Department was not originally intended to play the lead in foreign policy, but its influence unsurprisingly swelled wherever U.S. military forces came into play, from the central European theater to regional conflicts such as the Korean and Vietnam Wars. U.S. military advisors were active across the third world, including in Iran during the time of the shah and in Central America for the latter half of the twentieth century. Their influence came directly into play during both the Iran and Contra episodes.

The CIA, an outgrowth of the Office of Strategic Services (OSS), was initially an intelligence-gathering and analysis organization with the core aim of preventing another Pearl Harbor. Within a year, President Harry Truman added to the agency a covert operations capability that could confront the Soviet camp

by means that were officially deniable and raised less risk of sparking open superpower conflict. Early CIA operations included planting propaganda and supporting armed resistance groups inside the communist bloc, which usually backfired badly. Soon, agency operatives were orchestrating clandestine political and paramilitary activities in Italy, France, Iran, Guatemala, and other countries. Reagan, like most of his predecessors, believed covert capability offered invaluable flexibility, not least on the domestic political front.

The NSC was envisioned as an advisory body for the president and consisted principally of the president himself, the vice president, and the secretaries of state and defense. Subsequent administrations added advisors, such as the chair of the Joint Chiefs of Staff, and temporary members. The NSC staff at first comprised just two permanent professionals with fewer than two dozen total staff, including clerical support, provisionally assigned from elsewhere.¹ Over time, presidents recognized the bureaucratic efficiencies and political benefits of giving the NSC staff assignments that would normally be within the purview of other agencies—whose personnel might not feel the same undivided loyalty to the president, as opposed to an agency head, that an NSC staffer would.

In 1964, President Lyndon Johnson set a precedent by sending his advisor, McGeorge Bundy, to Vietnam as a personal envoy. President Richard Nixon granted Henry Kissinger a starring role in White House diplomacy with China in the early 1970s, and President Jimmy Carter's advisor, Zbigniew Brzezinski, coveted a similar part. With presidential approval, both Kissinger and Brzezinski used the NSC apparatus to carry out secret initiatives outside normal channels. These precedents—usually occurring at the direct expense of the Department of State as the agency nominally in charge of U.S. foreign policy—opened the way for Reagan to authorize the NSC staff to take on more extensive operational activities, including but not solely during Iran-Contra.

Each of these new institutions grew steadily in size (with DOD and CIA personnel levels reaching into the thousands and budgets in the billions of dollars) as presidents sought expanded analytical and operational capacities along with more policy flexibility—typically in the name of confronting the communist threat. One of the tools of choice the executive branch exploited to impose control over these activities was official secrecy. The system of classifying national security information, of which modern usage in the United States dates to the 1940s, was intended to prevent sensitive data from falling into enemy hands. However, its political value at home was recognized early on. Gen. Leslie Groves, who directed the Manhattan Project during World War II, relied on the classification system to “keep knowledge from those who would interfere directly or indirectly with the progress of the work.” Groves's target was not foreign agents but the U.S. government—“Congress and various executive branch offices.”² The architects of Iran-Contra fully embraced this mind-set, encouraged by the

Reagan administration's full-bore rollback of Carter's secrecy reforms and pronounced resistance to outside scrutiny of its national security policy.

Congress Resurgent

Through the late 1950s, Congress either acquiesced in executive branch expectations for more power and flexibility or was disregarded. Although some members showed concern over the unchecked power of a secret intelligence agency, they were usually swept aside by the majority view that the executive branch should have broad authority to confront the dangers facing U.S. security.³

Beginning in the early 1960s, the cold war consensus began to fray. The 1961 Bay of Pigs failure damaged U.S. standing and hurt the reputation of the CIA in the Kennedy White House. In 1965, the Johnson administration committed U.S. troops heavily to the Vietnam War, which within a few years stood as the most divisive social issue in the United States since the Civil War. The subsequent disclosure that in 1964 Johnson had manipulated Congress into passing the Tonkin Gulf Resolution—a major springboard to expanded U.S. involvement in the war—undercut popular confidence in Washington, as did other war-related events such as the Nixon administration's secret bombing of Cambodia.

The 1970s brought more revelations that generated cleavages in public trust in government. The Watergate scandal and exposés of CIA abuses at home and abroad raised alarms about an "imperial presidency," involvement in dubious wars, cozy relations with dictators, and the actions of rogue intelligence agencies. Meanwhile, global changes, such as the widening split between China and the USSR and the Nixon administration's pursuit of better relations with both communist giants, led to a general downgrading of the gravity of the international Marxist threat.

Congress reacted in three ways to these developments, reversing decades of relative passivity: its members launched in-depth investigations into intelligence community and presidential abuses of power, enacted sweeping statutes affecting executive branch independence, and reformed their own institution. In 1975, Sen. Frank Church (D-Idaho) and Rep. Otis Pike (D-N.Y.) opened inquiries into CIA abuses that exposed shocking secrets about Washington's attempts to assassinate foreign leaders, subvert other governments, and spy on U.S. citizens. The Church Committee published fourteen reports with unprecedented detail about the covert side of U.S. policy. The Pike Committee did not publish its final report, but a draft leaked to the media, prompting outrage from the intelligence community.

The public indignation following these revelations helped trigger far-reaching legislation. The War Powers Resolution of 1973 reasserted the role of Congress

in setting limits for U.S. engagement in foreign conflicts. In 1974, the Hughes-Ryan Amendment to the Foreign Assistance Act of 1961 required explicit presidential approval of any CIA covert operation and “timely” notification of Congress. A year later, the Clark Amendment barred funding for the CIA’s covert action program in Angola, an early assertion of the power of the purse to justify the congressional role in the policy process. In 1976, the Arms Export Control Act (AECA) required congressional approval of weapons shipments abroad and specifically prohibited sales to supporters of terrorism. The first Intelligence Authorization Act, passed in 1978, gave Congress budgetary control over the intelligence community. Three years later, a new version of the act underscored the need to keep the legislative branch “fully and currently informed” about clandestine activities. These were groundbreaking changes that dramatically enhanced the role of lawmakers in limiting and guiding executive branch activities in foreign, military, and intelligence policies.

The reform mood sweeping the electorate did not exempt Congress. Prodded by new members, both chambers overhauled the seniority system, cut back on secret deliberations, and reduced hierarchical committee structures. The number of subcommittees multiplied, staff sizes mushroomed, and the scope and frequency of oversight hearings grew correspondingly. All of these changes brought greater public scrutiny to executive branch activities and raised the public profiles of individual members of Congress. In 1976 and 1977, the Senate and House underscored the priority of greater accountability from the intelligence community by establishing separate permanent select committees for the purpose. Previously the Armed Services Committees had borne the responsibility.

The groundswell to define a more equal congressional role in foreign policy at the expense of traditional presidential control generated significant pushback—from conservatives who saw the changes as part of the liberal post-Vietnam assault on the “mainstream”; from the Republican Party, which charged the principal targets had been GOP occupants of the White House; and from advocates of strong presidential powers. Among the last grouping were most senior officials of the Reagan administration. A revealing incident involved James Baker, Reagan’s first chief of staff, who received pointed advice on the subject from then Rep. Richard B. Cheney (R-Wyo.) shortly after the 1980 election. Cheney had held Baker’s position under President Gerald Ford. (He would become an influential defender of the president in the aftermath of the Iran-Contra scandal—and eventually vice president of the United States.) Baker took note of Cheney’s firm views on the impact of recent congressional activism: “Pres. seriously weakened in recent yrs. Restore power [and] auth to Exec. Branch—Need strong ldrship.” In the margin, Baker sketched six stars for emphasis and wrote: “Central theme we ought to push.”⁴ Another strong advocate of presidential primacy was Attorney General Edwin Meese III, who would promote the concept

of the “unitary executive,” claiming the presidency to be the sole repository of executive authority and attempts by Congress or the courts to check its exercise by their nature unconstitutional.⁵ The idea of unfettered presidential power had great appeal for Reagan as well.

The International Setting

In the late 1970s, global developments presented a series of threats to the United States, according to Reagan and his fellow conservatives. Starting with the collapse of South Vietnam in 1975, a string of nationalist, leftist, or communist takeovers in Cambodia, Chile, the Horn of Africa, Angola, Yemen, and Grenada confirmed for them a dangerous decline of U.S. influence and a corresponding surge in Soviet power across the third world. Their sense of crisis peaked in 1979. In Iran and Nicaragua, revolutions ousted long-standing U.S. allies, substituting regimes assumed to be hostile to the United States. Most ominously, the Soviet invasion of Afghanistan over Christmas seemed irrefutable proof of Moscow’s designs to dominate the Persian Gulf.

The upheavals in Iran and Nicaragua were particularly worrisome for the incoming Reagan administration. The United States had thrown its support behind Shah Mohammad Reza Pahlavi since World War II. In 1953, the CIA and Britain’s MI-6 jointly organized the ouster of the country’s prime minister, Mohammad Mosaddeq, restoring the shah to unchallenged rule. In the early 1970s, the Nixon administration gave the shah *carte blanche* to stock his arsenals with high-tech U.S. weaponry in return for his commitment to help block Soviet penetration of the petroleum-rich Persian Gulf. Iran’s own oil wealth and proximity to the USSR made its protection from Soviet domination a vital U.S. interest. The ability to monitor Soviet missile and arms control developments from U.S. electronic tracking stations in the Alborz Mountains added to Iran’s strategic value. Over the years, the shah’s authoritarianism incited popular discontent he was ultimately unable to control. On January 16, 1979, he fled the country. Two weeks later, the exiled religious leader Ayatollah Ruhollah Khomeini, a severe critic of the U.S. presence in Iran, returned to take *de facto* control of the country.

The loss of such a crucial ally represented a major cold war defeat, although many U.S. analysts missed a critical point. The overthrow of the shah and the rise of Khomeini had nothing to do with the U.S.-Soviet conflict. The roots of the Iranian revolution were part of the new phenomenon of political Islam. Policy makers in Washington knew little about Islam and virtually nothing about Iran’s clerical establishment, leaving them unprepared to deal with the new regime.⁶ This would have repercussions for the Reagan administration’s later arms-for-hostages initiative, but in the immediate term the assumption that Washington’s

loss was Moscow's gain marked a devastating turn for Carter's political standing at home.

A few months later, a further shock to U.S. interests occurred in Nicaragua. Since the mid-nineteenth century, Washington had involved itself directly in the political affairs of the country, reflecting prevailing U.S. presumptions about the region dating to the Monroe Doctrine. U.S. Marines occupied Nicaragua from 1912–1933, after which the United States threw its support behind two generations of right-wing dictators, abetting their control of the country from 1936 until 1979. Members of the ruling Somoza family were valued U.S. clients and enthusiastic collaborators in the cold war, opposing leftists and nationalists in the region and aiding the CIA-orchestrated overthrow of Jacobo Arbenz of Guatemala in 1954 and the Bay of Pigs invasion in 1961. Like Iran under the shah, Nicaragua experienced growing social discontent in the 1970s (brought to a peak by a major 1972 earthquake) that the increasingly corrupt government of Anastasio Somoza Debayle often used force to suppress. By 1979, political opposition had increased to threatening proportions, and Carter administration officials—as they did over the shah—debated whether to back Somoza or accept the inevitability of revolution. After Washington withdrew its support, Somoza fled the country on July 17, two days ahead of the triumphant arrival in the capital of the Sandinista National Liberation Front (FSLN). Few in Washington failed to notice the FSLN had taken its name from the revolutionary Augusto César Sandino, leader of Nicaragua's resistance against U.S. occupation half a century earlier.

Further developments in Iran and Afghanistan in late 1979 raised even deeper concerns for Washington. On November 4, crowds of Iranians, responding to the U.S. decision to admit the ailing shah for medical treatment, overran the U.S. embassy in Tehran, taking its occupants hostage for the next 444 days. The country's clerical leaders had not ordered the assault. A group of students had conceived it, later invoking their fear the United States might attempt another coup as in 1953. However, Khomeini moved quickly to take ownership of the event. The United States accordingly labeled the seizure an act of state terrorism, and the two countries' relations hardened into enmity.

Fewer than eight weeks later, Soviet forces invaded Afghanistan, sending alarms throughout the West over what many feared was an act of naked aggression aimed at seizing control of the Persian Gulf. Revelations from Soviet archives after the collapse of the USSR would show that the Kremlin's aging rulers, locked in their own cold war mind-set, had in fact lashed out reflexively at threats they perceived to Soviet control of Afghanistan, prompted, according to their reasoning, by Washington's need to compensate for its loss of Iran. The mainly defensive nature of the invasion was not at all apparent to most U.S. or Western observers.⁷ The Soviets' reckless and panicked move crystalized fears

they were preparing to fulfill Russia's historic quest for warm-water ports with only a defenseless Iran in the way.⁸

Carter's final humiliation came in spring 1980. With yellow ribbons symbolizing support for the hostages across the country, he succumbed to the pressure and ordered a highly risky rescue mission in late April. A sandstorm at a rendezvous point in the Iranian desert caused a helicopter and a transport plane to collide, killing eight U.S. service members. Televised images of the wreckage and charred bodies, along with photos of blindfolded hostages from the November 1979 embassy takeover, came to epitomize the image of U.S. impotence in the region.

Each of these crises reinforced in President Reagan a sense of the dangers facing the United States and of his mandate to confront them. He spoke frequently about the obligation to support allies such as the shah and Somoza and rejected Carter's expressed intention to cut U.S. backing to right-wing dictators. Similarly, he felt passionately about standing by "freedom fighters" such as UNITA guerrillas in Angola and condemned previous presidents for abandoning anti-communist forces in the third world, most egregiously South Vietnam. The Iran hostage saga poisoned his views of that country's revolutionary leaders—as it did for virtually all U.S. citizens. The tragedy also brought home to him the full impact of terrorism in both its human—and electoral—dimensions. He resolved never to leave himself vulnerable in the way Carter had.

In the area of domestic politics, Reagan was viscerally opposed to congressional attempts to address the "imperial presidency" in the years just prior to his election. He thought the reforms of the 1970s were an unjustifiable incursion on executive branch prerogatives that would shackle the presidency and endanger the United States in its cold war struggle against the Soviet Union. The perception that those changes reflected liberal post-Vietnam and post-Watergate sensibilities and mostly targeted a previous Republican president added a potent partisan dimension to the contest. As he and his advisors pondered how to advance their controversial objectives in Iran and Nicaragua in the mid-1980s, their methods turned out to matter far less than their results. Despite his reputation as an ideologue, Reagan showed in the course of both covert programs he was fully prepared to follow the most direct path to his goals. Unfortunately, this included a marked readiness to cut political and legal corners, one of the core ingredients of the Iran-Contra affair.



Acknowledgments

When the Iran-Contra scandal broke in November 1986, I was newly employed at the nongovernmental National Security Archive, where my colleagues had already been systematically tracking U.S. activities in Iran and Nicaragua. Therefore, when Ronald Reagan and Edwin Meese disclosed the Iran-Contra connection that same month, we already had a strong foundation of investigative materials to help document what had been taking place in secret for the previous several years. The archive's principal founder and first director, Scott Armstrong, led the efforts to acquire those materials and made the scandal a top priority for the organization, having recognized its historical significance and potential as a tool to explain so many things about our government—how it works and how miserably it can fail. His foresight, creative energy, and encouragement of all of us on staff led to several historiographical breakthroughs. He also was chiefly responsible for encouraging me to pursue this extraordinary story, one of many things for which I am grateful to him.

The archive has been home to several true experts on the Iran-Contra scandal who could easily have written their own books on the subject, if not for competing demands and interests. Over the years, I benefited tremendously from the knowledge, insights, and support of Tom Blanton, Peter Kornbluh, Jim Hershberg, and Jeff Nason, among many others. As I began to focus more intently—if episodically—on this book, I had further help with documents and expertise from other fellow Archivistas, in particular Joyce Battle, Bill Burr, John Prados, Jeff Richelson, and Svetlana Savranskaya. Catherine Nielsen, Gregg Domber, Roger Strother, and Farrah Hassen provided research at various points. Kian Byrne contributed valuable research and editorial assistance. Sue Bechtel, Mary Burroughs, and Mary Curry were of great help in many other ways.

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Iran-Contra



University Press of Kansas



Introduction

Shortly after noon on October 5, 1986, a Nicaraguan soldier patrolling the jungle near the Costa Rican border spotted an unidentified prop plane approaching his position. Suspecting a connection to antigovernment guerrillas, he raised his Soviet-made SA-7 missile launcher to his shoulder and fired, managing a rare hit that sent the aged aircraft crashing to earth. Two days later, the Sandinistas paraded the lone survivor, Eugene Hasenfus, from Marinette, Wisconsin, before the international press, where he confirmed his C-123 cargo plane had been on a mission to funnel arms to insurgents. But the forty-five-year-old ex-marine went further, declaring he had been working covertly on behalf of the Central Intelligence Agency (CIA).

One month later, on November 3, an obscure Lebanese newsmagazine published a story alleging earlier in the year a former senior U.S. official had secretly traveled to the Islamic Republic of Iran to strike a deal for the release of U.S. hostages in Beirut. According to the magazine *Ash-Shiraa*, the United States had offered U.S.-made spare parts to sweeten the proposal. Within twenty-four hours Iran's speaker of the Majles (Parliament), Akbar Hashemi Rafsanjani, confirmed the essence of the report in a public speech in Tehran. He identified the head of the secret delegation as Robert McFarlane, former national security advisor to President Ronald Reagan, and added bizarre details of false Irish passports and gifts of pistols, a cake, and a bible.¹

The two stories generated world headlines and put the Reagan administration in a predicament. The United States had made no secret of its encouragement of the Nicaraguan insurgents, known as the "Contras,"² in their bid to overthrow the Marxist-oriented Sandinistas. The president had called them "the moral equal of our founding fathers." But the White House had repeatedly denied providing direct military support because Congress had explicitly forbidden it. U.S. officials immediately insisted there were no government ties to the downed cargo plane, but Hasenfus's confession seemed to catch the administration in a lie.

The allegations of contact with Iran presented an even bigger problem. Ever since Iranians had overthrown the U.S.-backed shah in early 1979, then seized the U.S. embassy several months later, taking its occupants hostage, the two countries had been locked in mutual hostility. President Reagan regularly condemned international terrorists, pledging the United States would never negotiate with them. In January 1984, Washington had singled out Iran as a state

sponsor of terrorism. If it turned out the Reagan administration had sent arms to the Islamic Republic as barter for hostages' lives, it would have violated the president's own policy, damaged his credibility on a politically sensitive issue, and possibly broken U.S. law. The president's terse "no comment" responses did little to reassure the public.³

Over the month of November 1986, both controversies simmered. On November 13, Reagan tried to stem public skepticism over the Iran allegations by admitting in a nationally televised speech the United States had provided "small amounts of defensive weapons and spare parts" to the Islamic Republic. He denied the shipments amounted to "ransom," however, and insisted, "Our government has a firm policy not to capitulate to terrorist demands. . . . We did not—repeat—did not trade weapons or anything else for hostages, nor will we."⁴ Opinion polls showed most U.S. citizens did not believe him.

On November 25, the story became a full-blown scandal. At a White House press conference, just two days before Thanksgiving, a grim-faced Reagan announced he had not been informed about "one of the activities" relating to his Iran policy that raised "serious questions of propriety."⁵ Without identifying the activity, he stated that his national security advisor, Vice Adm. John M. Poindexter, had resigned, and that a National Security Council (NSC) staff member named Lt. Col. Oliver L. North had been fired.

After just a four-minute statement, Reagan relinquished the podium to his attorney general, Edwin Meese III, who disclosed not only that the essence of the Hasenfus and Iran allegations was true—the United States had played a role in both operations—but that they had been connected. "In the course of the arms transfers" to Iran, he said, "certain monies which were received . . . were taken and made available to the forces in Central America, which are opposing the Sandinista government there."⁶ In other words, profits from arms sales to Iran—between \$10–30 million—had been used to support the Contras despite the congressional ban. Meese repeated that the president had not known about the transfer, which quickly became known as the "diversion." But the disclosure of possible criminal wrongdoing by members of the president's staff was enough to create a media sensation. "You could hear people all suck in their breath," said one reporter after the briefing. "It was that kind of story."⁷

For the next year, the Iran-Contra scandal dominated U.S. politics. Congress launched investigations, including three months of televised hearings. A court-appointed independent counsel undertook a high-profile criminal inquiry that lasted more than six years. The president appointed a blue-ribbon commission, headed by former Sen. John Tower (R-Tex.), to study how the NSC process had allegedly broken down. Meanwhile, journalists saturated newspaper and television coverage with daily headlines exploring every conceivable angle of the scandal. At the center of public attention throughout the period was the

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question of whether Reagan himself had known about the diversion. Was it possible members of his senior staff could engage in something so sensitive without his knowledge? It became the equivalent of Watergate's formulation: What did the president know, and when did he know it?

In fact, the Iran-Contra affair was about much more than that single question. It encompassed highly dubious, and possibly illegal, acts with respect both to strands of policy and to broad-gauged attempts to cover up administration activities following their public disclosure. Far from being the work of a few mid-level "rogue operatives," it involved at various stages an array of senior officials including the president and vice president themselves. But by presenting the diversion to the public in such a dramatic way, the officials managed to marginalize the importance of other critical elements.

A few skeptical observers suspected it was a ploy by the administration. A reporter at the November 25 press conference asked Meese: "What's to prevent an increasingly cynical public from thinking that you went looking for a scapegoat and you came up with this whopper, but it doesn't have a lot to do with the original controversy?"⁸ North, who became a household name after the revelation, reached the same conclusion—the diversion itself was a diversion: "This particular detail was so dramatic," he wrote in his memoir, "so sexy, that it might actually—well, *divert* public attention from other, even more important aspects of the story, such as what *else* the President and his top advisers had known about and approved."⁹ To a Democratic operative at the time, it looked like a variation on "the old Nixon playbook"—"throw a couple lesser people to the wolves, let out a little information and hope that that will work."¹⁰

Whether contrived or not, the device served White House interests remarkably well. Meese's presentation was riddled with misstatements and omissions, prompted by a desire to protect the president from political harm, even impeachment, if some of his actions in the early stages of the Iran initiative ever became public knowledge. In fact, this book argues, the driving force behind both sides of the scandal was President Reagan himself. Foot soldiers such as North carried out the operations, often given extraordinary leeway, but the documentary evidence—including White House records released in recent years—supports the view Reagan was a forceful participant in policy discussions, not the cartoon image of utter detachment often portrayed, and provided the primary guidance and direction to his staff on policies close to his heart. The president approved every significant facet of the Iran arms deals, and he encouraged conduct by top aides that had the same aim and outcome as the diversion—to subsidize the Contra war despite the congressional prohibition on U.S. aid.

The accumulated evidence also confirms the president's closest advisors were well informed about key aspects of the secret operations while they were in progress and either actively cooperated with or eventually acquiesced to his wishes.

During the period of the revelations and cover-up in October–November 1986, cabinet-level involvement became more pronounced as the vice president, the secretaries of state and defense, and the chief of staff followed the White House lead in safeguarding the president politically, then withheld evidence (most importantly, their own handwritten notes) from Congress and federal prosecutors—sometimes for years. If that evidence had surfaced earlier, it would have substantially colored public assessments of the scandal and altered the course of key prosecutions. As it was, most of the president’s circle of advisors escaped major repercussions.

Although Iran-Contra was the biggest scandal for the extraordinarily popular President Reagan, and it generated enormous press coverage—555 stories in the *Washington Post* and 509 in the *New York Times* alone during the three months after the Iran revelation¹¹—the story faded into history without much lasting impact upon the U.S. public. The lack of significant penalty for any of the major players contributed to that outcome. So did the march of world affairs—George H. W. Bush’s election as president, the fall of the Berlin Wall, the crackdown in Tiananmen Square, the repeal of apartheid in South Africa, Operation Desert Storm in Iraq, and finally the collapse of the Soviet Union all helped to push the affair well out of the public spotlight. Ironically, even the torrent of media coverage figured as an additional reason, creating a kind of scandal fatigue as allegations surfaced, often in the form of anonymous leaks, and were initially spun by an administration under intense political heat, then dismissed as “old news” when later confirmed by hard evidence.

This book contends the Iran-Contra affair’s consignment to historical irrelevance is greatly undeserved. The revelation of wrongdoing had significant effects, almost derailing a presidency that had seemed immune to the political consequences of previous scandals and threatening to alter the domestic electoral picture in both the 1988 and 1992 presidential races. The political struggles surrounding Iran-Contra are of interest because they both exemplified and compounded the escalation of partisanship that marked the Reagan era, manifesting many of the negative effects that would become even more pronounced under subsequent presidents. The affair had significant foreign policy effects as well, undercutting administration objectives overseas and impairing U.S. standing in the world. By placing Iran-Contra in its global historical context, the book offers a depiction of U.S. attempts to make sense of looming shifts in the international arena, as the cold war—unbeknownst to most at the time—neared its denouement, and new threats, notably Islamic fundamentalism and state-sponsored terrorism, were on the rise.

As for the participants, the consequences, as noted, were harsher for some than others. Reexamination in the light of a wider body of evidence than previ-

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ously available gives a clearer view of the actions of the many individuals who guided, implemented, or simply became caught up in the scandal. After exploring the two covert operations and evaluating the role of participants, the book offers an examination of the immediate aftermath of the scandal. This period featured initial attempts by the president's circle to protect him and his policies. It was followed immediately by the three principal official investigations, under the aegis of Congress, the independent counsel, and a presidential commission, respectively. The formal inquiries are an important part of the story, but previous accounts do not explore them at the level of detail provided here. By presenting them in their proper context, the book builds on the discussion in the first section, then highlights the institutional and other reasons Iran-Contra is still relevant today. These include inherent limits that exist within the U.S. congressional and legal systems that may allow this kind of event to happen again. Thus the book does not just scrutinize the Reagan administration and individual players, it points out structural issues that continue to be a factor in our system of government and makes it clear the scandal was not just an aberration.

Iran-Contra has produced an extraordinary historical record. The 1987 congressional hearings alone yielded more than 30,000 pages of once highly classified files. They include White House emails, NSC meeting minutes, CIA operational cables, transcripts of negotiations with Iran, and dozens of sworn depositions by participants in the affair—from arms dealers to cabinet officers. The files of the independent counsel—gradually becoming open to the public at the National Archives and Records Administration thanks in part to Freedom of Information Act (FOIA) requests by the National Security Archive—add the invaluable personal notes obtained from top presidential aides as well as detailed legal memoranda, Federal Bureau of Investigation (FBI) interviews, and other files that give insights into the roles of key players.

The book also relies on extended independent research at the National Archives, the Reagan presidential library, and the Library of Congress as well as on the results of numerous FOIA requests, many of which were filed by me or my colleagues at the National Security Archive—primarily Peter Kornbluh, Joyce Battle, Tom Blanton, and Scott Armstrong, among others. Particularly enlightening are the minutes of NSC and similar meetings from 1985–1986, only recently available. (Many other presidential, intelligence community, and military records remain classified.) Through the generosity of certain investigators and journalists who covered the scandal, I also had access to selected confidential records from the official inquiries. The most valuable have been unexpurgated transcribed excerpts of North's notebooks¹² and two substantial, annotated chronologies the state of Israel provided to Congress in lieu of subjecting Israeli citizens to formal questioning. Foreign government records are sparse given the

restrictive retention policies of most countries, but a sprinkling is available that, along with memoirs, published interviews, and news accounts from Iran, Nicaragua, Israel, Iraq, and even the former Soviet bloc help to provide international perspectives on the affair.

Iran-Contra: Reagan's Scandal and the Unchecked Abuse of Presidential Power is the only book-length treatment of the affair by a nonparticipant that benefits from such an expansive historical record. Most previous studies, several of which are of lasting value for their in-depth coverage and insightful analysis, were published before some of the most crucial materials had become public. Theodore Draper completed his monumental *A Very Thin Line*¹³ two years before the appearance of the independent counsel's voluminous three-part final report filled with previously unavailable evidence. In particular, Draper lacked access to the indispensable personal notes of some of Reagan's top advisors. As meticulous as his overall treatment is, he was simply not in a position to produce as categorical a conclusion about the responsibility of these individuals as is now possible in light of those records, and he later felt compelled to supplement his original interpretation with more definitive assessments based on new evidence.¹⁴ Independent Counsel Lawrence Walsh's personal account, *Firewall*,¹⁵ is another essential source. Walsh was intimately familiar with most of the materials just mentioned, because his staff discovered them, but he naturally concentrates on the legal and political aspects of the prosecution, whereas the present volume tries to go beyond questions of culpability and to locate events within their broader historical framework. In addition to these two overarching accounts, several of the affair's participants have written memoirs that have their own value but cannot be considered fully objective. Other useful sources include the biographies of Reagan and historical treatments of Iran and Central America, although of course they do not focus exclusively, or often even in great detail, on Iran-Contra.

Beyond primary documents and secondary sources, this book draws on several dozen interviews with participants in various facets of the scandal and its investigations; U.S. government officials; members of Congress and their staffs; government investigators and attorneys; some of the participants in the covert operations; Iranian, Nicaraguan, Israeli, and ex-Soviet officials; and journalists and academic experts from all of the principal countries drawn into the affair.

Iran-Contra: Reagan's Scandal and the Unchecked Abuse of Presidential Power takes a mostly narrative approach. To reflect the scandal's two intertwining strands, the first twelve chapters alternate between the Contra and Iran operations. Halfway through the volume, Chapter 8 describes the nexus point, in early 1986, where the two operations intersected through the agency of the infamous diversion scheme. The final three chapters explore the aftermath of the scandal's

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exposure. They describe the administration's initial cover-up attempts starting in October 1986, the joint congressional inquiry of 1987, and the independent counsel's lengthy legal proceedings from 1986–1993. Each of these stages is important to understanding the larger political, legal, and constitutional questions embodied in this unfortunate episode.



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Raising the Contras

The new foreign policy team that came to Washington under Ronald Reagan in 1981 viewed Central America with alarm, seeing the hand of Moscow as the principal agitator behind the recent growth in indigenous support for leftist political movements in the region. The president soon focused on the Nicaraguan Contras as the keystone of his policy to roll back international communism. After taking care of his top priority—gaining congressional approval of the Republican domestic legislative agenda—he turned to the task of obtaining congressional funds to help the rebels' assault against the ruling Sandinistas. Standing in the way was U.S. public opinion. Most voters simply did not share the sense of dire threat the administration saw emanating from the tiny republics of Central America. Many also feared that the new administration, which made no bones about its support for U.S. intervention in Vietnam, might be tempted to try again closer to the homeland. Congress was split on the issue. In 1981, the Republicans took over the Senate for the first time since 1953, but the Democrats held firm in the House. Although many Democrats endorsed the Contras, and others would waffle under White House pressure, the president was never able to build a consistent base of support in Congress for his aid program.

As this chapter will show, the president made a deliberate decision to turn to clandestine operations as a way to achieve provocative goals with a minimum of controversy. Going covert provided official deniability for U.S. political and paramilitary involvement in the region, which reduced the risk of escalating international tensions and drawing the Soviets into the picture. It also allowed the White House to avoid costly political disputes on Capitol Hill or with the public. As events unfolded, however, efforts to keep a lid on administration activities routinely failed. Thus, a pattern developed that would set the stage for the Contra side of the scandal. As Congress repeatedly uncovered evidence of White House or CIA deception, its members approved more restrictive legislation. In turn, the administration, rather than trying to come to political terms with the Democrat-led opposition, simply took the policy deeper underground.

Defining the Issue

When Reagan entered office on January 20, 1981, he fully subscribed to the age-old Washington view of Latin America as a region of special significance—even privilege—for the United States. “I wasn’t the first president concerned about conspiracies and machinations by distant powers in the western hemisphere,” Reagan wrote in his memoir. “Since 1823, when our fifth president enunciated the Monroe Doctrine, the United States has stood firmly against interference by European nations in the affairs of the Americas.”¹ Reagan’s formulation typified his predecessors’ impulse to conflate U.S. interests with those of its neighbors. By the early 1980s, the threat was no longer Western European imperialism but Soviet-inspired communism, which the new president defined as the source of many of the world’s evils.

Even before entering the White House, Reagan had sounded alarms about Central America and the Caribbean. In early 1979, he warned the Caribbean was “rapidly becoming a Communist lake in what should be an American pond.” Yet the United States, he added, “resembles a giant afraid to move.”² Years later, he would explain why U.S. citizens should have worried more about the crisis he saw in Central America. Aside from “the fact that Americans have always accepted a special responsibility to help others achieve and preserve the democratic freedoms we enjoy,” the United States needed to prevent Moscow from creating more satellites like Cuba, which were “a potential jumping off spot for terrorists.” If “so-called ‘wars of national liberation’” continued, then Soviet subversion “would spread into the continent of South America and North to Mexico.” This would threaten the free flow of vital resources and trade through the region and create the prospect of a massive influx of refugees and illegal immigrants into the United States. Left unchecked, the United States itself would be in peril: “As I was told that Lenin once said: ‘Once we have Latin America, we won’t have to take the United States, the last bastion of capitalism, because it will fall into our outstretched hands like overripe fruit.’”³

Evidence from Soviet officials and archives brought to light since the collapse of the USSR indicates that by the 1980s the Kremlin saw Latin America more as an opportunity to distract the United States than as a target of aggression.⁴ Nevertheless, so powerful was the image of a “clear and present danger” in Reagan’s mind that he maintained it even after he left the White House eight years later, despite the momentous changes that had occurred in the Soviet Union under the “new thinking” of Mikhail Gorbachev. By his own admission, Reagan recalled the Lenin quote in public “often,” even though no one has ever located any such statement about Latin America in Lenin’s writings.⁵

The first priority of Reagan’s policy strategists in 1981 was to fulfill an ambitious domestic agenda—building up the U.S. military, cutting taxes, balancing

the budget, and winnowing social programs. Unexpected events during the first year pushed the Central America issue further down the road, among them the end of the Iran hostage crisis on inauguration day, the March assassination attempt against the president, the “Solidarity” crisis in Poland beginning that summer, and the air traffic controllers’ strike in August. But before long, the struggle for hearts and minds in the U.S. backyard captured Reagan’s attention.

Although Nicaragua became the epicenter of that struggle, El Salvador was where policy makers first turned their sights. As Reagan admonished his advisors, “We can’t afford a defeat. El Salvador is the place for a victory.”⁶ The country’s small size, roughly one-fifth the area of Nicaragua, was immaterial. The urgency it represented was as the next apparent target of Soviet/Cuban-backed international communist expansion. A U.S.-supported junta, recently installed, faced an insurgency by leftist guerrillas under the umbrella of the Farabundo Marti National Liberation Front (FMLN). In fall 1980, with President Carter still in office, U.S. intelligence had picked up evidence of Soviet bloc arms shipments entering the country by way of Cuba and Nicaragua. Just ten days before Reagan’s inauguration, the guerrillas launched a “final offensive” with evident encouragement from Managua. The assault failed utterly, but Carter decided Nicaragua’s conduct required a response—a cutoff in economic aid and a threatened rupture of diplomatic relations. The Sandinistas took steps to curb support for the FMLN, shutting down the rebels’ clandestine Radio Liberación, operating from Nicaraguan territory. But by then the Reagan administration had taken office.

Reagan’s first secretary of state, the blustery Alexander Haig, wasted little time discrediting Carter’s emphasis on human rights and his minimizing of the East-West struggle. Haig had previously served as NATO supreme commander, which heightened his sensitivity to the threat of Soviet power. Immediately upon taking office he declared himself the “vicar” of the president’s foreign policy and set out to put his stamp on the administration’s new approach. The unbridled growth of the Soviet military, he announced, had posed serious threats from Europe to Afghanistan to Latin America. Of “utmost concern” was the “unprecedented” resort to “risk-taking” by Moscow in the Western Hemisphere—partly through the “Cuban proxy”—which provided significant support for terrorists. “International terrorism,” he promised, “will take the place of human rights” in U.S. foreign policy.⁷ Fellow hard-liners were happy to support Haig’s offensive. Jeane Kirkpatrick, the new UN ambassador, affirmed the Soviet Union was the ultimate threat and stressed that the Western Hemisphere was its most vulnerable target. “Central America,” she said, “is the most important place in the world for the United States today.”⁸

Haig pressed his views within the administration. At an early NSC meeting, he warned Central America was “in turmoil” but added “these countries could

manage if it were not for Cuba. Cuba exploits internal difficulties in these states by exporting arms and subversion.” As for Nicaragua, “We probably have enough evidence on hand about Nicaraguan support for El Salvadoran revolutionaries to cut off aid to Nicaragua.” The new CIA director, William Casey, backed up Haig’s point. “There have been 100 planeloads of arms from Cuba over the past 90 days. The Nicaraguans can’t be ignorant of that.” Reagan followed the discussion with evident engagement. At a key juncture in the meeting, he posed the questions that would substantially shape the first phase of his administration’s policy toward El Salvador and Nicaragua: “How can we intercept these weapons? How can we help?”⁹

That same month, February 1981, the State Department produced a white paper alleging “definitive evidence” of “clandestine military support given by the Soviet Union, Cuba, and their Communist allies” to “Marxist-Leninist guerrillas” in El Salvador. Many of the arms, the report charged, came through Cuba and Nicaragua in a “textbook case of indirect armed aggression by Communist powers through Cuba.”¹⁰

Released by the department’s Bureau of Public Affairs, the white paper was the administration’s first attempt to sell its plan of attack against “communist subversion” in the region to the U.S. public. The evidence, in some respects, was accurate. Internal State Department records from the time make it clear the United States had discovered a connection through Nicaragua and had made “very strong demarches” to the Sandinista National Liberation Front (FSLN).¹¹ Newly opened files from the Soviet bloc, particularly the East German Stasi archives, confirm at least small-scale arms and equipment deliveries.¹² The pitch failed, however, and the report itself came under fire for exaggerating Havana’s and Moscow’s roles and labeling Soviet-backed aggression the root cause of the region’s troubles while short-shrifting the problems of economic upheaval and nationalism.

Haig’s high-pitched rhetoric generated unease within certain quarters of the administration—turning to outright alarm when he proposed the United States might mount a blockade around Cuba.¹³ Some senior officials, including Vice President George H. W. Bush and Secretary of Defense Caspar Weinberger, had absorbed lessons from Vietnam about the consequences of incurring military commitments abroad without clear, attainable goals and broad public support. They preferred quieter alternatives. White House political advisors also rejected Haig’s ideas as dangerous distractions from the president’s domestic agenda. Both points of view were supported by opinion polls, during the presidential campaign and afterward, that showed military involvement in Central America was a losing issue for the Republicans.¹⁴ Haig’s high-stakes campaign was shelved in favor of a less obtrusive approach.

Choosing Weapons

After the White House had achieved most of its first-year legislative goals, attention began to shift to hot spots such as Nicaragua. Nicaragua was “an absolute foreign policy focus of the Reagan Administration,” according to diplomat Harry Shlaudeman. “Nothing was more important, except the Soviet Union itself.” But beneath the surface sharp disagreements emerged over both the ends of U.S. policy and the means of attaining them. Shlaudeman recalled “great frictions” punctuated by cabinet meetings “where literally people were shouting at one another. The emotions involved were tremendous.”¹⁵

These disputes often reflected the organization of policy making under Reagan. The president put great stock in a “cabinet government” model he defined as follows: “Surround yourself with the best people you can find, delegate authority and don’t interfere as long as the overall policy that you’ve decided upon is being carried out.”¹⁶ The catch was Reagan rarely followed through in monitoring whether his aides were properly implementing his orders. He also was reluctant to wade in when senior advisors squabbled. His abrogation of a meaningful management role, particularly in policy areas where he was not deeply engaged, encouraged the strong personalities in his administration to push their own agendas at the expense of cooperation and consensus or risk being outmaneuvered by their colleagues.

In foreign policy, this dynamic became more pronounced just one year into the administration. Reagan’s initial plan was to invest primary policy-making authority in his secretaries of state and defense, with the national security advisor assuming a coordinating role. Richard V. Allen, who first occupied the latter post, was not part of the president’s inner circle and lasted less than a year before being replaced by Judge William P. Clark, a longtime friend of Reagan’s from his years as governor of California. Clark broke the mold of neutral coordinator by trading on his close personal ties and far greater access to the president than either Haig or Weinberger enjoyed. Clark’s approach made it easier for his successors, Robert McFarlane and John Poindexter, to be more assertive in defining and implementing policy.

Sharp ideological differences also naturally led to policy disagreements, especially over the Contras. Those officials, usually within the State Department, who sought a broader approach to Central America that included negotiations with the Sandinistas typically confronted skepticism and distrust from hardliners. U.S. diplomats in the field were also split. In Managua “the embassy was quite divided,” one former ambassador recalled. “It was [a] very difficult situation actually because there was always tension as we talked about policy choices.”¹⁷ The same situation held among NSC staff members, whose rivalry with the State Department for policy control would continue throughout the