

NOMINATION OF ROBERT M. GATES

HEARINGS

BEFORE THE

SELECT COMMITTEE ON INTELLIGENCE

OF THE

UNITED STATES SENATE

ONE HUNDRED SECOND CONGRESS

FIRST SESSION

ON

NOMINATION OF ROBERT M. GATES, TO BE DIRECTOR OF CENTRAL
INTELLIGENCE

SEPTEMBER 24, OCTOBER 1, 2, 1991

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WEDNESDAY, SEPTEMBER 25, 1991

The hearing was held on Sept. 25, 1991, in closed session in room SH-219, Hart Senate Office Building, Washington, DC. The sanitized transcript of the hearing was subsequently incorporated as an appendix to the open hearings held on Oct. 1, 2, 1991, by order of the Chairman, Senator David L. Boren	623
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NOMINATION OF ROBERT M. GATES TO BE DIRECTOR OF CENTRAL INTELLIGENCE

TUESDAY, SEPTEMBER 24, 1991

U.S. SENATE,
SELECT COMMITTEE ON INTELLIGENCE,
Washington, DC.

The Select Committee met, pursuant to notice, at 9:43 a.m., in room SH-216, Hart Senate Office Building, the Honorable David L. Boren, Chairman of the Committee, presiding.

Present: Senators Boren, Nunn, Bradley, Cranston, Metzenbaum, Murkowski, D'Amato, Danforth, Rudman, Gorton, Chafee and Cohen.

Also present: George Tenet, Staff Director; John Moseman, Minority Staff Director; Britt Snider, Chief Counsel and Kathleen McGhee, Chief Clerk.

Chairman BOREN. The hearing will come to order. I want to make a few comments about the schedule before we proceed this morning. Today, we will hear from the last of our outside witnesses concerning what they know of Mr. Gates' involvement in the Iran-Contra affair: Mr. Charles Allen and Mr. Richard Kerr. Mr. Allen will be our first witness.

It is impossible, as I have learned, to determine how long testimony will take, and how long questioning will take. But I would not anticipate that this testimony would take the entire day. If it does not take the entire day, the Committee will then move this afternoon into closed session to deal with the topics involving classified information.

These topics include the allegation of politicizing intelligence and also questions of intelligence sharing with other countries and whether that intelligence sharing has been appropriate. We have touched on some of these subjects in open session. We have not been able to pursue them because the information has not been declassified and in some cases remains highly sensitive.

As I have stated before, it is our intent to publish a transcript of the closed session on politicizing intelligence as a part of our hearing record after we have had the Executive branch delete classified information that may have been mentioned. We want to make sure that we make as public as possible any information which would have bearing on the qualifications and fitness of this nominee to serve.

We will continue these closed sessions on Wednesday, hopefully completing our work on classified matters. It is possible that we may call the nominee back to come before the Committee again in

closed session on matters that are classified and then we should be able to reconvene on Thursday morning in public session with the nominee. This will give Members a chance to ask any questions about matters that may have arisen in the course of the hearings in either or both of the open or closed sessions. I hope that it will also give us an opportunity to really focus on some of the issues involved with the future of intelligence.

Of necessity in order to meet our goal to be both thorough and fair, it's been necessary for us to look back into the past in great detail. But it is obviously critically important that we focus sufficiently on the future, sweeping changes that will be coming in the Intelligence Community and try to make our own assessment of whether or not this nominee is equipped to lead the changes that are going to be necessary in the Intelligence Community as we look ahead toward preparing this country for the next century.

That should enable us to complete our hearings and to complete this process sometime this week. But we are not going to put ourselves under any artificial time table. We will take as long as we need to take. As long as Members of this Committee have questions that they wish to pursue and sincerely feel that they need to have answered before we can complete our process, those members will have an opportunity to ask those questions and to seek information, to seek documents and any other material which they think might be relevant.

Our next witness this morning is Charles E. Allen, currently National Intelligence Officer for Warning. Mr. Allen has served with the CIA since 1958 in a variety of positions, with most of his experience coming in the Directorate of Intelligence on the analysis side. On detail to the Department of Defense from 1982 until 1985, Mr. Allen was asked by Director Casey to return to the CIA to become the National Intelligence Officer for Counterterrorism and Narcotics. It was in this capacity that Mr. Allen became involved with what came to the known as the Iran-Contra Affair. As National Intelligence Officer, Mr. Allen reported directly to Mr. Gates when he was DDI and also when he was Chairman of the National Intelligence Council. He continued to update Mr. Gates on the Iran arms sales after he became DDCI in mid-April in 1986.

Indeed, Mr. Allen was the principal conduit of information to Mr. Gates concerning this operation. Mr. Allen had principal responsibility along with operations officers, George Cave and Near-East Division Chief Tom Twetten, for providing CIA support to the Iranian arms sale and hostage release efforts directed by the National Security Council.

In the summer of 1986, it was Mr. Allen who first reported his suspicions that proceeds from the arms sale to Iran might have been used to support the Contras. First to Mr. Kerr, at that time the Deputy Director for Intelligence in late August, and later on October 1st 1986, to Mr. Gates personally and directly.

Mr. Allen, you were obviously a pivotal figure in all of this, particularly with respect to the CIA's knowledge of and involvement in the Iran operation. I mentioned earlier in my opening comments at the beginning of our hearings that your deposition with the Iran-Contra Committee ran over a thousand pages. I have also indicated that I hope that your testimony now will not have to

over a thousand pages. We will try to focus our inquiry as best we can with our questions today on matters that have direct relevance to the qualifications of this nominee to serve as Director of the Central Intelligence Agency.

We welcome you here today. We appreciate your immense cooperation in helping us and to share with us not only your knowledge of the facts in this matter but also the perspectives that you have gained through a very wide ranging and very distinguished professional career at the Agency.

As with all of our witnesses in a confirmation process, I would ask that you stand and be sworn.

Would you please raise your right hand.

Do you Charles E. Allen, solemnly swear that the testimony that you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. ALLEN. I do.

Chairman BOREN. Thank you. You may be seated. I would ask our photographers to clear the well.

Mr. Allen, we welcome you. Do you have any opening remarks that you would like to make?

TESTIMONY OF CHARLES E. ALLEN, NATIONAL INTELLIGENCE OFFICER FOR WARNING

Mr. ALLEN. Yes. Mr. Chairman, and thank you very much for your kind introduction. I would like to place into the record a statement this morning which responds to your letter to me of 11 September 1991. And I'll try to present the events in a way that provides chronological order, so we can have a sense of continuity of how I recall events as they occurred.

Chairman BOREN. Thank you very much. And we will receive your full statement into the record.

[The statement of Mr. Allen follows:]

STATEMENT OF CHARLES E. ALLEN

Mr. Chairman, Mr. Vice Chairman, members of the committee, I am pleased to enter this statement into the record which responds to the questions raised in your letter to me of 11 September 1991. I will try to present the information in chronological order to provide a sense of continuity.

I currently serve the Director of Central Intelligence as his national intelligence officer for warning, focusing on threats of U.S. security worldwide. During the time of the Iranian initiative, which is the focus of the committee's letter, I served as the National Intelligence Officer for Counterterrorism. Additionally, from December 1985 until March 1987, I was Director of the DCI Hostage Location Task Force, and from February 1986 I served as Chief of Intelligence of CIA's counterterrorism center. In these capacities, I worked closely with senior intelligence and policy officials throughout the Government, although I worked most closely with the NSC staff. The principal official in the NSC responsible for coordinating U.S. counterterrorism policies at the time was Lt. Col. Oliver L. North.

I was involved in the White House Iranian initiative from September 1985 until it became publicly known in November 1986. I view the initiative and my involvement in it as essentially three phases. The first, from early September 1985 until 17 January 1986 when the presidential finding was signed; the second from January 1986 until the end of May 1986 when the McFarlane trip to Tehran ended in failure; and the third from June 1986 until November 1986, when Attorney General Meese announced that some of the proceeds from the sale of arms to the Iranian Government had been diverted to support the Contras in Central America.

During the first phase, when there was no Presidential finding, I was asked by

initiative and to protect closely this White House effort. During this period, I kept Mr. Casey and Mr. McMahon fully informed on the intelligence collected. Moreover, some of the intelligence was provided to Mr. Clair George, the Deputy Director of Operations. In keeping with Lieutenant Colonel North's Instructions, I did not inform Mr. Gates, even though he was technically my immediate supervisor as Chairman of the National Intelligence Council. During the period September 1985 until January 1986, I never once mentioned this activity or my role in it to Mr. Gates, although I learned after the initiative became public that he may have had some knowledge of it in December 1985.

My first direct contact with Mr. Gates on the Iranian initiative came after the Presidential finding was signed on 17 January 1986. Shortly after that date, Mr. Gates called me on the secure telephone to request that I work with analysts in the directorate of intelligence to provide a limited amount of intelligence on Iraq to the Government of Iran. He stated that the provision of the data on Iraq was in response to a White House request and he directed that I ensure that the data provided would give no significant advantage to the Iranian military. When the project was completed and I was preparing to take the intelligence to London for passage to Mr. Manucher Ghorbanifar—the Iranian intermediary in contact with officials in Tehran—I recall that both Mr. McMahon and Mr. Gates had reservations about passing intelligence to the Government of Iran, although they recognized that the White House wanted the intelligence passed quickly to Tehran and that Director Casey supported this action.

Throughout the winter and spring of 1986, I occasionally briefed Mr. Gates on the status of the initiative and provided him with some—but not all—of the intelligence that was being collected. Mr. Gates, who by May 1986 had advanced to the position of deputy director, was particularly interested in the McFarlane trip to Tehran. As I recall, Mr. Gates was as surprised as I when the White House—evidently with encouragement from Israel—continued the initiative even though the McFarlane trip had ended in total failure.

From June 1986, I continued to track carefully the progress of the White House effort. By then, serious difficulties had begun to emerge because Mr. Ghorbanifar had been unable to pay his creditors. Intelligence concluded that the Iranian Government had not compensated him for the Hawk spare parts, only a portion of which had been delivered to Tehran. Mr. Ghorbanifar had promised on 15 May 1986, when financing for the Hawk spare parts had been arranged, to repay his creditors \$15m within 30 days—at 20 percent interest. I became aware in July that White House and U.S. Intermediaries, Mr. Albert Hakim and Maj. Gen. (Ret.) Richard Secord, were actively seeking what was characterized as a "more direct and reliable" second channel to the Iranian Government, than the first channel represented by Mr. Ghorbanifar. I also learned that progress was being made in this endeavor.

From late June and until the third week of July when there was a disruption in the flow of intelligence, I was able to determine that the Iranian Government officials involved in the first channel were complaining rather strongly about the prices being charged for the Hawk spare parts—80 percent of which were still in Israel awaiting delivery. The principal Iranian official involved asserted that Iran was being overcharged 500-600 percent and that he could prove it because Iranian arms procurement agents had a microfiche that listed the base price for the missile parts. When I brought this matter to the attention of Lieutenant Colonel North, he insisted that it was Mr. Ghorbanifar who was principally responsible for the overpricing but, at the same time, directed that I inform Mr. Ghorbanifar and Mr. Amiram Nir, the special assistant for counterterrorism to the Prime Minister of Israel, that the costs were high because U.S. production lines had to be reopened and that some parts had to be repurchased from the third countries which had received the Hawk air defense system from the United States. I had difficulty at the time understanding why Lieutenant Colonel North was telling me to use such patently false stories with Mr. Ghorbanifar. The pricing impasse worsened, even after Father Lawrence Jenco was released by his captors on 26 July 1986 and the remainder of the Hawk spare parts were flown into Tehran in early August. The senior Iranian official involved insisted that his government would not pay such an exorbitant sum for the air defense equipment.

In mid-August 1986, I was told that a second channel to the Iranian Government was about to be opened, following successful secret talks between Mr. Hakim and Major General Secord and Iranian officials in Brussels. Shortly after, I received a rather frantic telephone call from Mr. Ghorbanifar who was greatly agitated, stating that he was being harassed by creditors and that the impasse over pricing was not his fault because his commission for the transaction averaged only a 41 percent markup. He then provided very detailed prices on what he was being charged for

specific parts and equally precise data on the commission that he was charging. His information was generally consistent with intelligence on the financial arrangements involving the shipment of the Hawk spare parts. Mr. Nir also called to support strongly Mr. Ghorbanifar's claims; he emphasized that he too could not understand such a major markup in the prices.

Because I knew Mr. Hakim and Major General Secord were deeply involved in "private efforts" to support the Contras, I found it more than interesting that they also controlled the new channel to Iran. It then occurred to me that the pricing problem might be with U.S. parties rather than Mr. Ghorbanifar or Iranian officials in Iran. I suspected that the Iranians were being deliberately overcharged and that profits from the arms sales were being used to support the Contras. I shared my suspicions with Mr. George Cave, who was then working out of my office, and with Mr. Duane (Dewey) Clarridge, chief of CIA's counterterrorism center. I expressed concern to both over the rapidly eroding operational security of the initiative and stated that mixing two separate operations was fraught with danger.

On my own initiative, I met with Mr. Richard Kerr, who at the time was Deputy Director of Intelligence. I briefed him on the status of the NSC initiative, expressing alarm over the project's lack of operational security and the international fallout that could occur if it was exposed. I pointed out that no arrangements were being made to shut down effectively the first channel—the Ghorbanifar link to the Iranian Government. I also described the pricing impasse that existed, including the fact that intelligence showed that the Iranians in Tehran believed they were being grossly overcharged by agents acting for the U.S. Government. I further stated that it appeared that the overpricing was deliberate and that I believed proceeds obtained from the arms sales to Iran were being diverted to support Contra forces in Nicaragua although I lacked hard evidence to confirm this. I cited a number of indicators that a diversion might be occurring, noting that Mr. Albert Hakim and Major General Secord were totally managing the second channel and that they were also key individuals in the so-called private efforts to support the Contras in Central America. After I had detailed my concerns, Mr. Kerr asked that I keep him informed of future developments.

In September 1986, the NSC continued to move swiftly to establish the second channel to Tehran. On 9 September, while I was at the old Executive Office Building, Lieutenant Colonel North informed me that Vice Admiral Poindexter had approved the second channel and that the Ghorbanifar channel would be shut down immediately. When I pointed out that Mr. Ghorbanifar might object to this arrangement, Lieutenant Colonel North responded that he might have to raise \$4 million to pay off Mr. Ghorbanifar. When I asked Lieutenant Colonel North where he would get such a large amount of money, he stated that he would have to take it from "the reserve." This statement reinforced my view that excess profits probably were being realized from the arms sales to Iran and that these funds were available for other projects, including supporting the Contras in Central America.

Troubled by these developments, I saw Mr. Gates on 1 October 1986. I expressed concern to Mr. Gates over the problems with the White House-directed initiative and its eroding operational security. I explained how the Ghorbanifar channel was being shut down and a second link to Tehran established. But I commented that I was not certain of the reliability of the new channel and noted that the first channel was a "running sore" because no one had bothered to tell Mr. Ghorbanifar that this channel would be closed. I said I believed exposure of the initiative could be imminent.

I told Mr. Gates that I was concerned about one other aspect over the Iranian initiative—the impasse over the price of the arms being sold to the Iranians. I said that I could not prove it, but I thought that proceeds from the arms sales might have been diverted to support the Contras in Central America. I recall in the context of that meeting:

Describing the impasse over the pricing of the Hawk spare parts and the refusal of the Iranian Government officials involved to pay for the parts because the price was "five or six times" their actual cost.

Noting the desperate financial straits of Manucher Ghorbanifar and his "frantic" call to me in August 1986 in which he insisted that his commission on the price of the Hawk spare parts averaged only about 40 percent.

Mentioning Lieutenant Colonel North's reference to "the reserve" in his conversation with me on 9 September 1986, an indication that substantial profits were being accrued from the arms sales to Iran.

Pointing out that Mr. Hakim and Major General Secord were deeply involved in

involved in the so-called private effort to aid the Contra struggle against the Sandinista regime in Nicaragua.

I said that I could not prove that a diversion was occurring but my analysis indicated that could be the case. Mr. Gates appeared startled and disturbed that the White House would involve itself in such a dubious activity, but then stated that this was potentially very serious and directed that I brief Director Casey immediately.

I met with Mr. Casey on 7 October; Mr. Gates also attended. I briefed Mr. Casey on the pricing impasse, the discrepancy between what the Iranians and Mr. Ghorbanifar thought was a reasonable price and what U.S. intermediaries evidently were charging for the Hawk spare parts. I further explained the key roles being played by Mr. Hakim and Major General Secord in managing the new channel to Iran and conducting activities in Central America in support of the Contras. I stated that this was one of several factors that had left me to conclude that profits obtained from the arms sales were going to the Contras, although I lacked direct proof. At this meeting, Mr. Gates shared my concern about a possible diversion and indicated that the issue needed to be pursued. Mr. Casey seemed surprised by my statements and asked me to put my concerns in writing, which I agreed to do.

On 13 October (Columbus Day) I wrote these concerns in a memorandum that presented the objectives of the Iranian initiative, delineated problems involved with it, noted that a "disaster of major proportions" was looming, and offered some recommendations that would, in essence, have created a panel of outside experts to perform a zero-based review of the effort. I did not refer specifically to my judgment that money from the Iranian arms sales possibly had been diverted to the Contras. Rather I stated that allegations might be made by Mr. Ghorbanifar that "the Government of the United States, along with the Government of Israel, acquired a substantial profit from these transactions, some of which profit was redistributed to other projects of the U.S. and of Israel." I was deliberately more oblique in addressing possible illegalities involving U.S. parties. I was hesitant to allege in writing that senior-level White House officials directing the project, including the National Security Adviser, were engaged in highly questionable, if not illegal activities. I had reached an analytic judgment—based on a number of indicators—that a diversion was occurring but I lacked hard, documentary evidence. To make such an allegation bluntly in writing did not seem prudent.

I was particularly concerned about Mr. Casey's potential use of this memorandum. Therefore, I expressed my concerns over possible "illegalities" in an indirect manner. Mr. Casey, in fact, did what I thought he would do. He, along with Mr. Gates, took the memorandum to Vice Admiral Poindexter, went over it with him in detail, and left it with him. He also told Vice Admiral Poindexter that "Charlie Allen had prepared it." Retrospectively, I believe the approach I took at the time was the appropriate one, given the evidence available to me. I conveyed my concerns orally to both the Director and Deputy Director and raised major concerns about the entire project in a detailed memorandum. The memorandum, moreover, was shown to other senior officials including Mr. Cave, Mr. Clarridge, and Mr. Thomas Twetton, a senior official in the Directorate of Operations. In view of the lack of confirming evidence, I was concerned about alleging illegalities in an initiative that directly involved the President. I firmly believed then that I had provided the necessary warning to the most senior officials.

My next involvement with this issue occurred on 16 October when I was called to Mr. Casey's office; Mr. Gates was also present. Mr. Casey recounted that he had taken my memorandum to Vice Admiral Poindexter and that he had advised the admiral to get the White House Counsel involved, since problems with the initiative had begun to surface. Mr. Casey further stated that he had been contacted by a Mr. Roy Furmark, an old business associate in New York. He said that Mr. Furmark had telephoned him on 9 October to state that Mr. Furmark was representing Mr. Adnan Khashoggi who had helped to finance the sale of the Hawk missile parts to Iran. Mr. Khashoggi was being hounded by Canadian financial backers who wanted payment owed them for their part in the transaction. Mr. Casey noted that Mr. Furmark's comments only reinforced the need to pursue the issue and asked that I meet immediately with Mr. Furmark. He proceeded to arrange for Mr. Furmark to fly to Washington that day where I met with him in Mr. Casey's office in the old Executive Office Building.

In this meeting (16 October 1986), to my surprise, Mr. Furmark possessed detailed knowledge of the Iranian initiative, including data on the arms transactions. He also indicated that the operation was rapidly spinning out of control and would soon become public knowledge if something was not done quickly to compensate the Canadian financiers who had backed Mr. Khashoggi. Unfortunately, Mr. Furmark had

to return to New York before we could completed our discussions. He made no mention of any diversion of profits from the arms sales to Iran. I summarized my meeting with Mr. Furmark in a memorandum on 17 October and sent it to Mr. Casey and Mr. Gates. I do not know if Mr. Gates ever saw this memorandum because about the same time it was prepared he left the country on a two-week trip overseas.

At Mr. Casey's direction, I saw Mr. Furmark on two subsequent occasions. Mr. Cave and I traveled to New York on 22 October and extensively debriefed Mr. Furmark that evening. In this session, Mr. Furmark stated he and Mr. Khashoggi had been told by Mr. Ghorbanifar that he believed profits from the \$15 million used to finance the sale of the Hawk missile parts had been earmarked for the Contras in Central America. Mr. Cave and I briefed Mr. Casey on this allegation the next day and prepared a summary of the meeting for him to send to Vice Admiral Poindexter. Mr. Gates was traveling when this memorandum was written, and I am not certain whether a copy was ever made available to him, especially since Mr. Casey failed to transmit the memorandum to Vice Admiral Poindexter because it fell into the "wrong inbox." I remember how personally distressed Mr. Casey was on 23 November when he discovered that the memorandum had not been sent. I met Mr. Furmark on one other occasion, on 6 November 1986. In this conversation, Mr. Furmark again asserted that the Canadian backers of Mr. Khashoggi believed that proceeds from the sale of arms to Iran might have been diverted to support the Contras. I again recorded this fact in a memorandum of conversation of 7 November and sent it to both Mr. Casey and Mr. Gates. I believe Mr. Gates saw this memorandum, and I recall discussing it with him but I cannot recall the specifics of our conversation. Between this date and the week of 17 November, I cannot recall discussing the Iranian initiative with Mr. Gates. During part of this period, however, I would have been unavailable because I was traveling overseas.

During the week of 17 November, I and other senior Agency officials were struggling to pull together the facts about the Agency's involvement in the White House-directed initiative, in preparation for Mr. Casey's appearance before the Congress. It was an extremely frustrating process because no one officer had all the details; few records had been kept; officials had different recollections over what had occurred over the past fourteen months; several offices were developing chronologies, each of which was at variance with the others in some respects; and no one seemed really in charge of pulling all of the disparate aspects of the Agency's involvement together in a coherent manner. We were also under constraints because Lieutenant Colonel North and members of his staff constantly reminded us that the initiative to free the American hostages in Lebanon was continuing and that every effort must be taken to avoid actions that could bring it to an untimely end—possibly with loss of life among the hostages and the Iranians with whom the United States was in contact. These constraints weighed heavily over the key officers preparing of the testimony and especially weighed heavily over me because I had worked extremely hard with the intelligence community to locate and determine the condition of U.S. hostages in Lebanon. The last thing that I wanted to do was to endanger the lives of our hostages or the Iranians with whom we were in contact.

In hindsight, those of us who thought that a diversion had occurred should have raised it during the preparation of Mr. Casey's testimony. I considered raising the matter on the afternoon of 20 November 1986 when we met in the DCI conference room with Mr. Casey to go over the draft testimony. I felt inhibited by the presence of a large number of officials—some of whom had just learned of this highly sensitive effort. I was also uncertain how to characterize the allegations of diversion, especially since the initiative was directed from the White House and since the evidence I had was still circumstantial. I believed I had already discharged my proper responsibility. I had raised the possible diversion with Mr. Casey and Mr. Gates. Mr. Casey knew of my meetings with Mr. Furmark, and I believed he had read the memoranda that I had prepared on the meetings. Mr. Gates was at least aware that I had met with Mr. Furmark who was warning that the initiative was about to be exposed.

Even though the issue of diversion of profits made from the arms sales to Iran was not included in Mr. Casey's testimony, I did not consider the issue closed, nor did, I believe, either Mr. Casey or Mr. Gates. Both has encouraged me to pursue questions about improprieties relating to the initiative. A small number of senior CIA officers were privy to my memoranda. No one, besides Mr. Casey and Mr. Gates, encouraged me to pursue the issue.

In preparing Mr. Casey's testimony, both I and other Agency officials served Mr. Casey and Mr. Gates poorly. We presented the principal aspects of the Agency's support before

hindsight, it is easy to cast stones at our efforts but, in the confusion of the time, I believe Agency officials generally tried to present accurately what was known at the time. Specific details could and should have been added. The flawed testimony reflected compartmentation of the initiative, Lieutenant Colonel North's admonition that the initiative was continuing and that lives were at stake, and the rush to try to get just the basic facts together.

Finally, I have no knowledge and no indication whatsoever that either Mr. Casey or Mr. Gates were at the time deliberately withholding information relating to the Iran-Contra affair. To the contrary, I believe that both were troubled by the White House initiative and by the Agency's support role, especially since the Agency was ununiformed even to the end about some aspects of the operation. I believe both Mr. Casey and Mr. Gates attempted to prepare factual statements for Congress. They both recognized, however, that their statements would not be the final word and that more information would become available as Agency officers continued their efforts to assemble a basic chronology of what had occurred over the past fifteen months.

Mr. ALLEN. Thank you sir.

Senator METZENBAUM. Does Mr. Allen know that if he wants to read his entire statement in the record publicly, he is certainly at liberty to do so, and welcome to do so?

Mr. ALLEN. Thank you sir. I very much would like to do that.

Chairman BOREN. The Chair would indicate that we want you to give us as much information—do not feel that you have to abbreviate anything that you think that the Committee should hear.

Mr. ALLEN. Thank you sir. During the time of the Iranian initiative, which is the focus of the Committee's letter, I served as the National Intelligence Officer for Counterterrorism. Additionally, from December 1985 until March 1987, I was Director of the DCI Hostage Location Task Force and from February 1986 until March 1987, I served as Chief of Intelligence of CIA's Counterterrorism Center.

In these capacities I worked closely with senior intelligence and policy officials throughout the government, although I worked most closely with the NSC staff. The principal officer in the NSC responsible for coordinating counterterrorism policies at the time, was Lieutenant Colonel Oliver L. North.

I was involved in the White House Iranian initiative from September 1985 until it became publicly known in November 1986. I view the initiative and my involvement in it as essentially three phases. The first, from early September 1985 until 17 January 1986 when the Presidential Finding was signed, the second from January 1986 until the end of May 1986 when the McFarlane trip to Tehran ended in failure, and the third from June 1986 until November 1986, when Attorney General Meese announced that some of the proceeds from the sale of arms to the Iranian government had been diverted to support the Contras in Central America.

During the first phase, I was asked by Lieutenant Colonel North to coordinate the collection of intelligence on the Iranian initiative and to protect closely this White House effort. During this period, I kept Mr. Casey and Mr. McMahan fully informed on the intelligence collected. Moreover, some of the intelligence was provided to Mr. Clair George, the Deputy Director of Operations. In keeping with Lieutenant Colonel North's instruction, I did not inform Mr. Gates, even though he technically was my immediate supervisor as Chairman of the National Intelligence Council. During the period September 1985 until January 1986, I never once mentioned this

activity or my role in it to Mr. Gates, although I've learned after the initiative became public that he may have had some knowledge of it in December 1985.

My first direct contact with Mr. Gates on the Iranian initiative came after the Presidential Finding was signed on 17 January 1986. Shortly after that date, Mr. Gates called me on the secure telephone to request that I work with analysts in the Directorate of Intelligence to provide a limited amount of intelligence on Iraq to the government of Iran. He stated that the provision of the data on Iraq was in response to a White House request and he directed that I ensure that the data provided would give no significant advantage to the Iranian military. When the project was completed and I was preparing to take the intelligence to London for passage to Mr. Manucher Ghorbanifar, the Iranian intermediary in contact with officials in Tehran, I recall that both Mr. McMahan and Mr. Gates had reservations about passing intelligence to the government of Iran, although they recognized that the White House wanted the intelligence passed quickly to Tehran and that Director Casey supported this action.

Throughout the winter and spring of 1986, I occasionally briefed Mr. Gates on the status of the initiative and provided him with some, but not all, of the intelligence that was being collected. Mr. Gates, who by May 1986 had advanced to the position of Deputy Director, was particularly interested in the McFarlane trip to Tehran. As I recall, Mr. Gates was as surprised as I when the White House, evidently with encouragement from Israel, continued the initiative even though the McFarlane trip had ended in total failure.

From June 1986, I continued to track carefully the progress of the White House effort. By then, serious difficulties had begun to emerge because Mr. Ghorbanifar had been unable to pay his creditors. Intelligence concluded that the Iranian government had not compensated him for the HAWK spare parts, only a portion of which had been delivered to Tehran. Mr. Ghorbanifar had promised on 15 May 1986, when financing for the HAWK spare parts had been arranged, to repay his creditors fifteen million dollars within 30 days, at 20 percent interest. I became aware in July that the White House and U.S. intermediaries, Mr. Albert Hakim and Major General, retired, Richard Secord, were actively seeking what was characterized as a more direct and reliable second channel to the Iranian government, than the first channel represented by Mr. Ghorbanifar. I also learned that progress was being made in this endeavor.

From late June until the third week of July when there was a disruption in the flow of intelligence, I was able to determine that the Iranian government officials involved in the first channel were complaining rather strongly about the prices being charged for the HAWK spare parts, 80 percent of which were still in Israel awaiting delivery. The principal Iranian official involved asserted that Iran was being overcharged by 500 to 600 percent and that he could prove it because Iranian arms procurement agents had a microfiche that listed the base price for the missile parts. When I brought this matter to the attention of Lieutenant Colonel North,

sponsible for the overpricing. But, at the same time, directed that I inform Mr. Ghorbanifar and Mr. Amiram Nir, the special assistant for counterterrorism to the Prime Minister of Israel, and who in essence acted as Ghorbanifar's case officer, that the costs were high because U.S. production lines had to be reopened and that some parts had to be repurchased from the third countries which had received the HAWK air defense system from the United States. I had difficulty at the time understanding why Lieutenant Colonel North was telling me to use such patently false stories with Mr. Ghorbanifar. The pricing impasse worsened, even after Father Lawrence Jenco was released by his captors on 26 July 1986 and the remainder of the HAWK spare parts were flown into Tehran in early August. The senior Iranian official involved insisted that his government would not pay such an exorbitant sum for the air defense equipment.

In mid-August, I was told that a second channel to the Iranian government was about to be opened, following successful secret talks between Mr. Hakim and Major General Secord and Iranian officials in Brussels. Shortly after, I received a rather frantic telephone call from Mr. Ghorbanifar who was greatly agitated, stating that he was being harassed by creditors and that the impasse over pricing was not his fault because his commission for the transaction averaged only a 41 percent markup. He then provided very detailed prices on what he was being charged for specific parts and equally precise data on the commission he was charging. His information was generally consistent with intelligence on the financial arrangements involving the shipment of the HAWK spare parts. Mr. Nir also called to support strongly Mr. Ghorbanifar's claims. He emphasized that he too could not understand such a major markup in the prices.

Because I knew Mr. Hakim and Major General Secord were deeply involved in private efforts to support the Contras, I found it more than interesting that they also controlled the new channel to Iran. It then occurred to me that the pricing problem might be with U.S. parties rather than Mr. Ghorbanifar or the Iranian officials in Iran. I suspected that the Iranians were being deliberately overcharged and that profits from the arms sales were being used to support the Contras. I shared my suspicions with Mr. George Cave, who was then working out of my office, and with Mr. Duane Dewey Clarridge, Chief of CIA's Counterterrorism Center. I expressed concern to both over the rapidly eroding operational security of the initiative and stated that mixing two separate operations was fraught with danger.

On my own initiative, I met with Mr. Richard Kerr, who at the time was Deputy Director of Intelligence. I briefed him on the status of the NSC initiative, expressing alarm over the project's lack of operational security and the international fallout that could occur if it was exposed. I pointed out that no arrangements were being made to shut down effectively the first channel, the Ghorbanifar link to the Iranian government. I also described the pricing impasse that existed, including the fact that intelligence showed that the Iranians in Tehran believed they were being grossly overcharged by agents acting for the United States Government. I further stated it appeared that the overpricing was deliberate and

that I believed proceeds obtained from the arms sales to Iran were being diverted to support Contras forces in Nicaragua, although I lacked hard evidence to confirm this. I cited a number of indicators that a diversion might be occurring, noting that Mr. Albert Hakim and Major General Secord were totally managing the second channel and that they were also key individuals in the so-called private efforts to support the Contras in Central America. After I had detailed my concerns, Mr. Kerr asked that I keep him informed on future developments.

In September 1986, the NSC continued to move swiftly to establish the second channel to Tehran. On 9 September, while I was at the Old Executive Office Building, Lieutenant Colonel North informed me that Vice Admiral Poindexter had approved the second channel and that the Ghorbanifar channel would be shut down immediately. When I pointed out that Mr. Ghorbanifar might object to this arrangement, Lieutenant Colonel North responded that he might have to raise four million dollars to pay off Mr. Ghorbanifar. When I asked Lieutenant Colonel North where he would get such a large amount of money, he stated he would have to take it from the reserve. This statement reinforced my view that excess profits were probably being realized from the arms sales to Iran and that these funds were available for other projects, including supporting the Contras in Central America.

Troubled by these developments, I saw Mr. Gates on 1 October 1986. I expressed concern to Mr. Gates over the problems with the White House-directed initiative and its eroding operational security. I explained how the Ghorbanifar channel was being shut down and a second link to Tehran established. But I commented that I was not certain of the reliability of the new channel and noted that the first channel was a running sore because no one had bothered to tell Mr. Ghorbanifar that this channel would be closed. I said that I believed exposure of the initiative could be imminent.

I told Mr. Gates that I was concerned about one other aspect of the Iranian initiative. The impasse over the price of the arms being sold to the Iranians. I said that I could not prove it, but I thought that proceeds from the arms sales might have been diverted to support the Contras in Central America.

I recall in the context of that meeting:

Describing the impasse over the pricing of the HAWK spare parts and the refusal of the Iranian government officials involved to pay for the parts because the price was five to six times their actual cost;

Noting the desperate financial straits of Manucher Ghorbanifar and his frantic call to me in August 1986 when he insisted his commission on the price of HAWK spare parts averaged only about 40 percent;

Mentioning Lieutenant Colonel North's reference to the reserve in his conversation with me on 9 September 1986, an indication that substantial profits were being accrued from the arms sales to Iran;

Pointing out that Mr. Hakim and Major General Secord directly controlled the second channel to Iran and, at the same time, evidently also were principals involved in the private effort to aid the Contra struggle against the Sandinista government in Nicaragua.

I said I could not prove a diversion was occurring but that my analysis indicated this could be the case. Mr. Gates appeared startled and disturbed that the White House would involve itself in such a dubious activity, but then stated that this was potentially very serious and directed that I brief Director Casey immediately.

I met with Mr. Casey on 7 October, Mr. Gates also attended. I briefed Mr. Casey on the pricing impasse, the discrepancy between what the Iranians and Mr. Ghorbanifar thought was a reasonable price, and what U.S. intermediaries evidently were charging for the HAWK spare parts. I further explained the key roles being played by Mr. Hakim and Major General Secord in managing the new channel to Iran and conducting activities in Central America in support of the Contras. I stated that this was one of several factors that had left me to conclude that profits obtained from the arms sales were going to the Contras, although I lacked direct proof. At this meeting, Mr. Gates shared my concern about a possible diversion and indicated that the issue needed to be pursued. Mr. Casey seemed surprised by my statements and asked me to put my concerns in writing, which I agreed to do.

On 13 October, Columbus Day, I wrote these concerns in a memorandum that presented the objectives of the Iranian initiative, delineated problems involved with it, and noted that a disaster of major proportions was looming, and offered some recommendations that would, in essence, have created a panel of outside experts to perform a zero based review of the effort. I did not refer specifically to my judgment that money from the Iranian arms sales possibly had been diverted to the Contras. Rather I started that allegations might be made by Mr. Ghorbanifar that the government of the United States, along with the government of Israel, acquired a substantial profit from these transactions, some of which profit was redistributed to other projects of the United States and of Israel. I was deliberately more oblique in addressing possible illegalities involving U.S. parties. I was hesitant to allege in writing that senior level White House officials directing the project, including the National Security Advisor, were engaged in highly questionable, if not illegal activities. I had reached an analytic judgment, based on a number of indicators, that a diversion was occurring, but I lacked hard documentary evidence. To make such an allegation bluntly in writing did not seem prudent.

I was particularly concerned about Mr. Casey's potential use of this memorandum. Therefore, I expressed my concerns over possible illegalities in an indirect manner. Mr. Casey did, in fact, what I thought he would do. He, along with Mr. Gates, took the memorandum to Vice Admiral Poindexter, went over it with him in detail, and left it with him. He also told Vice Admiral Poindexter that Charlie Allen had prepared it. Retrospectively, I believe the approach I took at the time was the appropriate one, given the evidence available to me. I conveyed my concerns orally to both the Director and Deputy Director and raised major concerns about the entire project in a detailed memorandum. The memorandum, moreover, was shown to other senior officials including Mr. Cave, Mr. Clarridge, and Mr. Thomas Twetten, a senior official in the Directorate of Operations. In view of the lack of confirming evidence, I was concerned about alleging illegalities in an initiative that di-

rectly involved the President. I firmly believed then that I had provided the necessary warning to the most senior officials.

My next involvement with this issue occurred on 16 October when I was called to Mr. Casey's office, Mr. Gates was also present. Mr. Casey recounted that he and Mr. Gates had taken my memorandum to Vice Admiral Poindexter and that he had advised the Admiral to get the White House Counsel involved, since problems with the initiative had begun to surface. Mr. Casey further stated that the had been contacted by a Mr. Roy Furmark, an old business associate in New York. He said that Mr. Furmark had telephoned him on 9 October to state that Mr. Furmark was representing Mr. Adnan Khashoggi who had helped to finance the sale of the HAWK missile parts to Iran. Mr. Khashoggi was being hounded by Canadian financial backers who wanted payment owed them for their part in the transaction. Mr. Casey noted that Mr. Furmark's comments only reinforced the need to pursue the issue and asked that I meet immediately with Mr. Furmark. He proceeded to arrange for Mr. Furmark to fly to Washington that day where I met with him in Mr. Casey's office in the Old Executive Office Building.

In this meeting, 16 October 1986, to my surprise, Mr. Furmark possessed detailed knowledge of the Iranian initiative, including data on the arms transactions. He also indicated that the operation was rapidly spinning out of control and would soon become public knowledge if something was not done quickly to compensate the Canadian financiers who had backed Mr. Khashoggi. Unfortunately, Mr. Furmark had to return to New York before we could complete our discussions. He made no mention of any diversion of profits from the arms sales to Iran. I summarized my meetings with Mr. Furmark in a memorandum on 17 October and sent it to Mr. Casey and Mr. Gates. I do not know if Mr. Gates ever saw this memorandum because about the same time it was prepared he left the country on a two-week trip overseas.

At Mr. Casey's direction, I saw Mr. Furmark on two subsequent occasions. Mr. Cave and I traveled to New York on 22 October and extensively debriefed Mr. Furmark that evening. In this session, Mr. Furmark stated that he and Mr. Khashoggi had been told by Mr. Ghorbanifar that he believed profits from the fifteen million dollars used to finance the sale of the HAWK missile parts had been earmarked for the Contras in Central America. Mr. Cave and I briefed Mr. Casey on this allegation the next day and prepared a summary of the meeting for him to send to Vice Admiral Poindexter. Mr. Gates was traveling when this memorandum was written, and I am not certain whether a copy was every made available to him, especially since Mr. Casey failed to transmit the memorandum to Vice Admiral Poindexter because it fell into the wrong inbox. I remember how personally distressed Mr. Casey was on 23 November when he discovered that the memorandum had not been sent. I met Mr. Furmark on one other occasion, on 6 November 1986. In this conversation, Mr. Furmark again asserted that the Canadian backers of Mr. Khashoggi believed that proceeds from the sale of arms to Iran might have been diverted to support the Contras. I again recorded this fact in a memorandum of conversation of 7 November.

believe Mr. Gates saw this memorandum, and I recall discussing it with him but I cannot recall any specifics of our conversation. Between this date and the week of 17 November, I cannot recall discussing the Iranian initiative with Mr. Gates. During this period, however, I would have been unavailable for part of the time because I was traveling overseas.

During the week of 17 November, I and other senior agency officials were struggling to pull together the facts about the Agency's involvement in the White House-directed initiative, in preparation for Mr. Casey's appearance before the Congress. It was an extremely frustrating process because no one officer had all the details, few records had been kept, officials had different recollections over what had happened over the past fourteen months, several offices were developing chronologies, each of which was at variance with the others in some respects, and no one seemed really in charge of pulling all of the disparate aspects of the Agency's involvement together in a coherent manner. We were also under constraints because Lieutenant Colonel North and members of his staff were constantly reminding us that the initiative to free the American hostages in Lebanon was continuing and that every effort must be taken to avoid actions that could bring it to an untimely end, possibly with loss of life among the hostages and the Iranians with whom we were in contact. These constraints weighed heavily over the key officers preparing the testimony and especially weighed heavily over me because I had worked extremely hard with the Intelligence Community to locate and to determine the condition of U.S. hostages in Lebanon. The last thing that I wanted to do was to endanger the lives of our hostages or the Iranians with whom we were in contact.

In hindsight, those of us who thought that a diversion had occurred should have raised it during the preparation of Mr. Casey's testimony. I considered raising the matter on the afternoon of 20 November when we met in the DCI conference room with Mr. Casey to go over the draft testimony. I felt inhibited by the presence of a large number of officials, some of whom had just learned of this highly sensitive effort. I was also uncertain how to characterize the allegations of diversion, especially since the initiative was directed from the White House and since the evidence I had was still circumstantial. I believed I had already discharged my proper responsibility. I had raised the possible diversion with Mr. Casey and Mr. Gates. Mr. Casey knew of my meetings with Mr. Furmark, and I believed he had read the memoranda that I had prepared on the meetings. Mr. Gates was at least aware that I had met with Mr. Furmark who was warning that the initiative was about to be exposed.

Even though the issue of diversion of profits made from the arms sales to Iran was not included in Mr. Casey's testimony, I did not consider the issue closed, nor did, I believe, either Mr. Casey or Mr. Gates. Both had encouraged me to pursue the questions about improprieties relating to the initiative. A small number of senior CIA officials were privy to my memoranda. No one, besides Mr. Casey and Mr. Gates, encouraged me to pursue the issue.

In preparing Mr. Casey's testimony, both I and other officials served Mr. Casey and Mr. Gates poorly. We presented the principal

aspects of the Agency's support before and after the Presidential Finding of 17 January 1987. In the luxury of hindsight, it is easy to cast stones at our efforts but in the confusion of the time, I believe Agency officials generally tried to present accurately what was known at the time. Specific details could and should have been added. The flawed testimony reflected compartmentation of the initiative, Lieutenant Colonel North's admonition that the initiative was continuing and that lives were at stake, and also the rush to try to get just the basic facts together.

Finally, I have no knowledge and no indication whatsoever that either Mr. Casey or Mr. Gates were at the time deliberately withholding information relating to the Iran-Contra affair. To the contrary, I believe that both were troubled by the White House initiative and by the Agency's support role, especially since the Agency was uninformed even to the end about some aspects of the operation. I believe both Mr. Casey and Mr. Gates attempted to prepare factual statements for the Congress. They both recognized, however, that their statements would not be the final word and that more information would become available as Agency officers continued their efforts to assemble a basic chronology of what had occurred over the past fifteen months.

I stand ready to answer any questions, Mr. Chairman.
Chairman BOREN. Thank you very much, Mr. Allen. I want to go over some questions with you to lay a predicate and a background for other questions that I'm sure Members of the Committee will want to ask.

You've testified that you took your concerns that a diversion of the funds might be used to help the Contras—first to Mr. Kerr and not to Mr. Gates. Can you explain why you first went to Mr. Kerr and not to Mr. Gates?

Mr. ALLEN. I think that's a good question, Senator. Mr. Kerr had become the Deputy Director of Intelligence in the late winter or spring of 1986, and he had helped prepare the materials that Mr. McFarlane took with him to Tehran, and had also indicated significant interest in the initiative. And, during that Memorial Day weekend, I sort of ran a command post as intelligence came in and conveyed it to the White House and to the Directorate of Operations. And Mr. Kerr was briefed two or three times during that long weekend. He asked that I continue to keep him informed.

My initial thoughts in the summer, about the second and third week of August, were still coming into focus. I felt there were indicators that things were amiss and that problems were in the United States, not in Tehran. Mr. Kerr was a man who had immense analytic capability and also management skills, and I thought I should go bounce this activity off him initially before I did anything else. Mr. Helgeson, Mr. John Helgeson, the current Deputy Director of Intelligence was also at the meeting so I expressed these concerns to two officers, and Mr. Kerr agreed with me strongly that this White House initiative was bound to be exposed. I met him in the CIA operations center later in the afternoon, and he said it's not a question of if it was going to be exposed but when. And he was concerned that nothing

Chairman BOREN. Well, you'd been keeping Mr. Gates, however, apprised about the Iran initiative. I'm not talking about the diversion, I'm talking about the sales of arms to Iran which you said he and Mr. McMahon had some misgivings about. And you talked about the sharing of intelligence which you were directed to undertake and, again, there were misgiving about giving them anything militarily useful. So you were keeping him briefed on the Iran sale initiative and the intelligence sharing, were you not?

Mr. ALLEN. I was keeping Mr. Gates informed, yes, sir.

Chairman BOREN. But you still decided to go to Mr. Kerr first about your suspicions?

Mr. ALLEN. Yes, sir, I did.

Chairman BOREN. You've also said that you took your concerns to Mr. Kerr in August 1986. Mr. Kerr said to us previously, and we'll hear him again today in open session, that he passed them on to Mr. Gates. Since Mr. Gates was on vacation from August 1st to August 17th, according to his schedules that we have, it would seem this must have taken place probably in mid to late August. Would that sound right to you?

Mr. ALLEN. That's true. It would have been—I believe as I recall, the third week of August. Because the second channel was essentially cemented in secret talks in Brussels around the 15th of August, and I believe I took my concerns a little later—about a week later perhaps to Mr. Kerr. So, it's about the third week of August.

Chairman BOREN. Well, let me go into some questions that this matter raises in my mind. According to the record, Mr. Ghorbanifar told you early in 1986 that money could be generated from the arms sales to support the Contras and other activities. And, in fact, he actually, I believe, proposed such a diversion to Mr. Cave. Correct me if I am wrong about any of these assertions. And you were also receiving highly compartmented information that showed that the Iranians were complaining—as you've indicated in your statement—as early as March that the same items were available more cheaply elsewhere. And that by late June it was apparent that their outrage over the high prices threatened to kill the whole arrangement. So there's a growing level of frustration by the Iranians, of which you're aware by late June. You also found out as you indicated in your statement that, in July, the Iranians had acquired an actual DoD price list for the weapons and on microfiche, I think you said. They were aware of the fact that they had been overcharged. And Colonel North's answer for that was, which he proposed in late July or August, for the CIA to make up its own false price list, I believe—

Mr. ALLEN. That's correct, sir.

Chairman BOREN [continuing]. On microfiche which the CIA did not do apparently.

Mr. ALLEN. We did not do it. We found it technically very difficult to do, as I recall.

Chairman BOREN. But with all these things going on—in other words, the dissatisfaction and you knew they had the microfiche of the price list, certainly in June, July this is increasing. What made you wait until mid-August to bring your suspicions about a diversion to Mr. Kerr?

Mr. ALLEN. Thank you, Senator. That gives me a good opportunity to put that—

Senator CHAFEE. Would you pull the mike a little closer, Mr. Allen?

Mr. ALLEN. I welcome the question. The only time that they were—on two occasions, I believe, that Mr. Ghorbanifar evidently mentioned that he could be a turnkey operator for the United States and for CIA, and that he could even accrue profits that could be used to help, as he put it, "Ollie's boys in Central America." He first made a reference to this, I believe, on the 13th of January 1986 when Mr. Casey asked me to go meet with him and evaluate him and collect what he knew on terrorism. And he also made a reference to this in my meeting with him around the 25th or 24th of January in London, 1986. These references were in my notes. I wrote very comprehensive memos on both my meetings with Mr. Ghorbanifar. This seemed to me very spurious information—sort of—Mr. Ghorbanifar was given to hyperbole, so I did not give that serious consideration. And very candidly, Mr. Chairman, I had forgotten about both those references. They had long since been forgotten. They, of course, showed up when a review was made of my notes.

Mr. Cave evidently heard Mr. Ghorbanifar make a comment along these lines in March of 1986, and Mr. Cave typed everything out on a yellow piece of paper, and there was one sentence that referenced this possible use of funds or profits for Central America. I recall reading the memorandum prepared by Mr. Cave, but it never registered on me the one sentence about using funds from the Iranian arms sales for Central America. It seemed preposterous to me.

The complaints about pricing really did not catch my attention until the June and July time frame. There may have been some references in the intelligence in the spring, but I did not note it and it did not register with me. But it was clear by July that problems were occurring in the transactions, and the real—and I had to wait until everything fell together, and it all sort of fell together after it became clear that Mr. Hakim and Major General Secord were the intermediaries controlling the second channel. Mr. Nir had been cut out essentially—Mr. Ghorbanifar had been cut out. The fact that there had been references to Major General Secord and Mr. Hakim working on Central America—I had heard references to that from Lieutenant Colonel North and others—suggested to me that something was awry, and the only thing that I could surmise was that yes, we are deliberately overcharging several times over the value of the HAWKS spare parts for other purposes. So it took—there was a gestation period. It took awhile for me to arrive at that. Perhaps I should have been a more astute analyst, but it took me a good while to reach that conclusion.

Chairman BOREN. So that's why you waited. It was really beginning in that time period of mid to late August, when in your mind you felt, based upon your analysis, that you had enough basis of suspicion to raise this?

Mr. ALLEN. That is correct. Up until the fact that Hakim and

I did not feel that there was any conclusive evidence that something was truly awry.

Chairman BOREN. That's what really tipped it in your mind. The same people were, in essence, running both operations.

Mr. ALLEN. That gave me more indications. And then, of course, the event on 9 September when Colonel North said, I'll have to take it from the reserve. And it was clear in the context of the way he said that, he did not mean the CIA reserve.

Chairman BOREN. Which is a reserve that is briefed to this Committee?

Mr. ALLEN. Yes, sir.

Chairman BOREN. Let me go down another path. We've been confused as we go through some of the documents about exactly how many meetings there were between you and Mr. Kerr about the suspicion of a diversion. According to one unsworn interview, and an internal CIA document that's come to us, there was an unsworn interview given by Mr. Kerr in December of 1986. In the notes of that unsworn interview, Mr. Kerr said that you had told him in May that you suspected some of the money from the arms sales might be going to the Contras. There's a hand-written notation on the memorandum of the interview that this occurred on May 12 or May 13. Now it could be that this is simply a mistake on the part of Mr. Kerr to place your conversation with him so early or perhaps he is recalling an earlier discussion with you. We'll question Mr. Kerr about this as well because more recently he has again placed his conversation with you in the August period, and he has not talked about another conversation in May. Do you, in fact, recall discussing your concerns about a diversion with Mr. Kerr or any other senior CIA official before this August conversation with Mr. Kerr that you've talked about this morning?

Mr. ALLEN. I did not—I do not recall that, Senator Boren, and in fact when after the initiative was exposed, Mr. Kerr mentioned to me that he thought that I had first raised this issue with him in May and I, at the time, told him it could not be May. It would had to have been in the summer and would had to have been in the August/September time frame was the way I first thought about it. And the more I thought about it, the more I focused on about the third week of August 1986. I am very convinced I only told him about it that one time.

Chairman BOREN. Mr. Kerr's memory of it, at least in some of these interviews, varies on this matter. He sometimes appears to talk about a May conversation, sometimes August, so we can't tell if he was simply confused about the date or if there were two conversations. But you are saying as far as you know there was only the first conversation on this matter that occurred, you think, the third week of August?

Mr. ALLEN. I think the third week of August. I recall after the call from Mr. Ghorbonifar, particularly—and then Mr. Nir called me almost within an hour or two after Mr. Ghorbonifar. I at that point told Mr. Cave and I believe Mr. Clarridge, and I remember walking out that evening to the parking lot to get in my car and I was thinking even further about this and it seemed that there were those indicators which were very circumstantial, but were pointing

somewhat angrily, that the White House, through this activity, was endangering the lives of the hostages in Lebanon. And I was in fact, angry over that thought, because we had worked so hard to try to get Americans freed in Lebanon.

Chairman BOREN. In your sworn statement to the Committee you stated that when you informed Mr. Kerr of your speculation about a diversion, he asked you to keep him informed. Did you ever do so?

Mr. ALLEN. I don't think I ever mentioned the diversion directly to him on any other occasion. I don't recall it. I am sure there were other conversations, but I can't recall a specific one where we talked about the initiative between that date and November.

Chairman BOREN. Do you remember him asking you to keep him informed?

Mr. ALLEN. I remember that, yes sir.

Chairman BOREN. Why didn't you go back and update him?

Mr. ALLEN. I don't recall. I am sure—I recall that there were occasions between August and November when this initiative was mentioned to Mr. Kerr, but I don't think I ever mentioned the diversion, my suspicions of a diversion. Why, I don't know. I guess I was very busy and I probably should have paid more attention to it I agree with you that is an enigma.

Chairman BOREN. You say that after talking to Mr. Kerr in August, you saw Mr. Kerr and he told you he had seen Mr. Gates about the matter you had raised with him.

Mr. ALLEN. That was after the Attorney General Meese's press conference where he announced that a diversion had occurred.

Chairman BOREN. Well, I thought that after you had seen Mr. Kerr in August, you later said you saw Mr. Gates the first of October?

Mr. ALLEN. That's right.

Chairman BOREN. Now, so are you saying that it wasn't until after Mr. Meese made this public that you had another conversation with Mr. Kerr about it?

Mr. ALLEN. That is correct. Mr. Kerr was walking with me on the 7th floor corridor and he said, "you know that Mr. Gates has a problem." He said, "after you talked to me in August about the possibility of a diversion," I talked to Bob and unfortunately he just can't remember that conversation, and that was after the Attorney General had made his statement publicly on the diversion. So he did not tell me that he had raised it with Mr. Gates after the meeting around the third week of August. I was unaware that Mr. Kerr had done so.

Chairman BOREN. Well, that's interesting to me. That is something that I have not understood until this time.

Mr. ALLEN. Yes, sir.

Chairman BOREN. I was always under the impression that sometime between the time you talked to Mr. Kerr in August, and before you indicated you talked to Mr. Gates himself on the 1st of October about your suspicions—

Chairman BOREN [continuing]. That Mr. Kerr had reported back to you during that time frame that he had had this conversation with Mr. Gates.

Mr. ALLEN. No sir, it was after the Attorney General's public announcement.

Chairman BOREN. Well that was in November.

Mr. ALLEN. That was in November. Yes sir.

Chairman BOREN. Did you ever ask Mr. Kerr during that period of time after you told him in August and before you talked to Mr. Gates the 1st of October, by the way Mr. Kerr, did you ever talk to Bob Gates about that? Did you ever question him about that?

Mr. ALLEN. No. I never asked him that.

Chairman BOREN. So you just waited and then you yourself went to Mr. Gates on the 1st of October?

Mr. ALLEN. That is correct, Senator.

Chairman BOREN. Mr. Gates' calendar showed that you had meetings with him on August 28th and September 5th, 1986, which would have been during the time that your concerns were mounting, and after you had talked to Mr. Kerr. Do you recall raising any concerns with Mr. Gates about a possible diversion in those meetings?

Mr. ALLEN. No sir I don't, I do not remember the substance of either of those meetings on the 28th of August or the 5th of September. I cannot recall why I saw Mr. Gates. You know, we saw Mr. Gates both formally and informally, and I have no recollection.

Chairman BOREN. You don't think you talked about a diversion with him in these meetings?

Mr. ALLEN. No sir, I did not talk about a diversion to Mr. Gates, I feel confident, until 1 October 1986.

Chairman BOREN. Well let's go to that 1 October meeting. You have taken this concern to Mr. Kerr, probably the third week of August. You have not really heard anything back from Mr. Kerr about it, or had another discussion with Mr. Kerr about it. You have seen Mr. Gates a couple of times in between, but you indicate you didn't talk to him about the diversion at those meetings. What prompted you then to go to Mr. Gates on the 1st of October and raise those concerns with him at that time?

Mr. ALLEN. I think it was the continuing accumulation of indications that this initiative was really badly off the tracks; that the operational security appeared fragile at best. I had had a meeting, I believe, when Mr. Nir was here in Washington in early September 1986. He had had a meeting with me before he went to the airport and he spent about an hour talking about not only the pricing issue that he did not understand—he felt the prices were excessive for the HAWK parts—and he also spent a lot of time talking about his belief that the operational security of the initiative was being basically ignored by the White House. And that—I guess I let that simmer for a number of weeks before I went to Mr. Gates. But it was—we had reached, it seemed to me, what we call in Warning, sort of a break point, and I felt now was the time to issue warning, particularly on the operational security and then I thought I would also talk about the indicators that a diversion might be occurring.

Chairman BOREN. You still did not have what you'd call hard evidence.

Mr. ALLEN. No, sir, I did not.

Chairman BOREN. You had analysis, which was the indicator.

Mr. ALLEN. No sir, I did not. I had what I call analytic judgment. Now Mr. Gates may call it speculation and that's fair. But I called it an analytical judgment.

Chairman BOREN. You had gone to Mr. Kerr in the first instance in August, and you had not gone to Mr. Gates. As your concerns mounted, why did you not go back to Mr. Kerr? Why did you go to Mr. Gates instead?

Mr. ALLEN. Well, at this stage I felt it was important to get this to Mr. Gates and also, I was thinking at the time, he would be best equipped to know how to deal with the issue and to bring it to the attention of Mr. Casey. I felt—and that is exactly what happened. Mr. Gates, I thought then worked with me by going in and seeing Mr. Casey on the 7th of October. I thought it was a logical—I reported to Mr. Casey and to Mr. Gates, and I felt it was correct to go to Mr. Gates at that stage.

Chairman BOREN. Well, was it also because you got no more feedback from Mr. Kerr? Did that enter in?

Mr. ALLEN. I don't think so. I think I went to Mr. Kerr because he was a very senior official who wanted to know about the status of the initiative, but I felt that the action that would be taken with the White House would eventually come from Mr. Casey. So it was time to put my troubles, as I called them, before Mr. Gates.

Chairman BOREN. So you took your troubles to Mr. Kerr. The next time you really commented with him about it was after Mr. Meese announced the diversion.

Mr. ALLEN. But Senator, I didn't expect any real feedback from Mr. Kerr. I wanted to sort of get his reaction to what I had to say.

Chairman BOREN. I see.

Mr. ALLEN. And I thought he also correctly shared my concerns. In fact, he spoke even more strongly than I did at the time over the likelihood of early exposure.

Chairman BOREN. But when you took it to Mr. Gates then approximately a week later, what you hoped would happen did. The two of you went to Mr. Casey and told him about it.

Mr. ALLEN. He told me to get with Mr. Casey and he used the term immediately and as you know for some reason, Charlie Allen took a week to get down to—well, six days to get into Mr. Casey's office. I remember going back and telling my secretary to get me on with Mr. Casey right away, but somehow the calendars didn't get together until the following Tuesday. I saw Mr. Gates on a Wednesday and it was the next Tuesday before I met with Mr. Casey.

Chairman BOREN. Now let me say to my colleagues, I want to proceed just a minute longer to lay this predicate, but if any of you find a point here where you want to jump in, don't hesitate.

Senator NUNN. I would like to ask one thing on this point before you depart that point.

Chairman BOREN. Surely, Senator Nunn.

Senator NUNN. During this time Mr. Allen, you had these suspicions and you conveyed those suspicions to various people in the CIA. And during that time you were meeting with Colonel North. I

Mr. ALLEN. I met with Colonel North several times a week and I talked to him on the secure phone several times a day.

Senator NUNN. Why didn't you just ask him, or did you ask him, Colonel North, are funds being diverted?

Mr. ALLEN. I did not put it to him that way. I put in the form of why are the prices so high? Why is there this funding impasse? And each time I was given virtually a different story by Lieutenant Colonel North.

Usually, you know Ghorbanifar is a problem or re-opening production lines is a problem. Just go on and keep this story consistent with both Mr. Ghorbanifar and Mr. Nir. And he was most emphatic.

It's a good question, why didn't I? Because I thought it was getting fairly close to the bone at the White House to accuse of what would appear to be a very imprudent thing to do if they were taking profits, endangering the lives of hostages in Lebanon, and applying it to support another operation in Central America.

Senator NUNN. But you were indeed accusing him of that with your superiors. Wouldn't it have been the logical thing to do to simply ask Col. North if he were doing it before you basically aroused the suspicions or while you were arousing the suspicions and while you were working with him on a daily basis?

Mr. ALLEN. I could have gone that direction, but I decided to go up to the hierarchy through the CIA and to Director Casey so he could go as he thought proper to the White House. And I think he handled it quite well.

Senator NUNN. And you did believe then that what was happening, if your suspicions were proved to be correct, that is money was going from the Iranians in effect indirectly to the Contras and the Iranians were getting madder and madder and madder and these were the people who were in effect, at least we hope were going to have influence on freeing the hostages, you were concerned that this action by Col. North was directly putting the lives of the hostages in jeopardy were you not?

Mr. ALLEN. That's correct.

Senator NUNN. But you never mentioned that to him?

Mr. ALLEN. I did not accuse him at any time of a diversion, no I did not. I took my suspicions up my chain of command at the Agency.

Senator BRADLEY. Mr. Chairman, at that point could I ask you what were your concerns for the operational security of the mission?

Mr. ALLEN. My concerns were many. One was that Mr. Ghorbanifar was beginning to threaten to make public the initiative because he had learned he was being cut out as the principal intermediary to Teheran. There were concerns also that basically, we learned by early September that there were Canadian investors complaining, who had financially backed, at least according to Mr. Furmark, Khashoggi and financing—doing the bridge financing of the \$15 million dollars for the HAWK spare parts. They were threatening to take this matter public.

It seemed to me that the White House was handling this under the NSC, under Vice Admiral Poindexter, in a way that defied all the operational security training that I have and that my Agency

espouses. It seems to me they were violating just fundamental principals of good security.

Senator BRADLEY. And that was clear before October 1st in your opinion?

Mr. ALLEN. Yes sir.

Senator BRADLEY. When did it first dawn on you?

Mr. ALLEN. I began to become more concerned certainly in the July and August timeframe that this thing was running on month after month, with no solution, and then we saw Ghorbanifar complaining and also making threats that he would expose the initiative.

Chairman BOREN. The Vice Chairman has one question before we proceed on to another subject.

Senator MURKOWSKI. Thank you, Mr. Chairman.

Senator CRANSTON. I have one question also.

Senator MURKOWSKI. Mr. Allen, following up on Senator Nunn's question, and your response acknowledging how the unhappiness of the Iranians was a potential threat to the hostages. I think that was acknowledged, is that correct?

Mr. ALLEN. That is correct, that they were most unhappy.

Senator MURKOWSKI. Would you explain to me then how that relates to your statement on page thirteen when you say that the preparation of the testimony was underway for Mr. Casey. And the statement is made, "we were also under constraints because Lieutenant Colonel North and members of his staff constantly reminded us that the initiative to free the American hostages in Lebanon was continuing, and that every effort must be taken to avoid actions," etc. Aren't we in conflict here? You can't have it both ways. Why didn't somebody speak up and say, we can't raise this issue in Casey's testimony because it is a sensitive issue of concern due to the effort to free the hostages and the fact that the Iranians were becoming unhappy.

Mr. ALLEN. Well, I think, one, we know—I surmised back in the August-September timeframe that there could be threats to the lives of the hostages because the Iranian government, radicals in particular, had influence over the captors in Lebanon, and if angered enough possibly could in retribution for what they felt was lack of good faith on the part of the United States, murder a hostage. That was a possibility.

Lt. Col. North and his staff, I know they talked to Mr. Cave and they talked to me, and they talked to Mr. Casey, because I know Col. North talked to Mr. Casey, at some point said during that timeframe about particularly when Mr. Casey returned from Central America, that lives were still at stake, that the testimony given, if made public, could be damaging to the safety of the hostages in Lebanon and it would also, if it became public, could potentially endanger the lives of the Iranians.

So at this stage I only had indications still, I did not have hard evidence of a diversion, but I felt—I think I felt inhibited and constrained at that stage. That we, in no way, wanted to endanger those lives.

Chairman BOREN. Senator Cranston has a question. Then Senator Nunn. Then I want to return back to the question about Mr.

Senator CHAFEE. Are we following the early bird rule? How is this working here?

Chairman BOREN. I'm still asking questions. I'm just deferring because there were interjections that people wanted to make about the same subject. I'm afraid I still have several other questions I need to ask.

Senator CRANSTON. On page two of your testimony describing events during the first phase in the middle of that large paragraph, you say in keeping with Lt. Col. North's instructions, I did not inform Mr. Gates even though he was technically my immediate superior—supervisor. What were your thoughts then and what are your thoughts now about why Col. North made that request to you?

Mr. ALLEN. At this stage I think Col. North believed that this initiative could be handled out of the White House with the assistance of the government of Israel, with very limited assistance from the Intelligence Community and CIA, and he fully expected that the hostages would be freed and released in a matter of weeks or a month or so at most.

So he did not—he did not at that stage believe that he would need to bring in the Agency in a support role as he later had to do or as later as Vice Admiral Poindexter. Mr. Casey agreed that I should keep it only to himself, Mr. McMahon, perhaps Mr. George, to keep it highly limited at that stage since it was an intelligence collection activity solely.

Senator CRANSTON. So it was more compartmented?

Mr. ALLEN. It was extremely compartmented. And there was real confidence on the part of Lt. Col. North that this hostage issue would be resolved relatively soon.

Senator CRANSTON. Thank you.

Senator METZENBAUM. Excuse me, could I just ask, along Senator Cranston's lines, were you specifically told not to inform Mr. Gates?

Mr. ALLEN. Yes. I was told not to inform anyone in the Deputy Director of Intelligence and let only Mr. George know in the Directorate of Operations. And we held that. The intelligence was kept in extremely compartmented fashion.

Senator NUNN. Mr. Allen, back to my question about why you didn't pursue this with Col. North. Here you have in effect an initiative with Iran whose purpose is to try to get the hostages out. And here you have great concern about the danger of the hostages and here's Col. North expressing grave concern to you about the dangers to the hostages. And all of that basically was keeping you from dealing with people and even affected the testimony of Mr. Casey, and yet you're dealing with him day after day. And you never even say to him, Col. North, I think what you're doing may be endangering the hostages? You never said that?

Mr. ALLEN. I did not.

Senator NUNN. Now you mention on page 11, quoting your words, "In view of the lack of confirming evidence I was concerned about alleging illegalities in an initiative that directly involved the President." Where you informed that the President himself was in-

Mr. ALLEN. I was informed that the President, in early December convened a meeting at which Mr. McMahon attended where the President after an hour and a half of discussion insisted that this initiative go forward.

Senator NUNN. This initiative meaning which initiative?

Mr. ALLEN. The Iranian initiative.

Chairman BOREN. The sale of arms to Iran.

Mr. ALLEN. The sale of arms which would involve inter alia the sale of arms to Iran in order to secure the release of the hostages and also to allegedly develop a geo-strategic relationship again, with some elements—hopefully with some elements within the government of Iran. And that led of course to the Presidential Finding of 17 January 1986. Mr. McMahon was quite emphatic and he described it to me in some detail, that the Agency would support the President but he had grave reservations about the initiative.

Senator NUNN. Okay. Now, I understand the Iranian initiative but I think it's important to separate that from the diversion. Because those were mixing two different, distinct actions, as you've observed, and as you say in your testimony involved grave dangers. Now when you talk about alleging as I've just quoted, "I'm concerned about alleging illegalities in an initiative that directly involved the President," you're not talking about the Iranian initiative there, you're talking about the diversion of—

Mr. ALLEN. We're talking about an initiative which also included the—which included the diversion. You're absolutely right, sir. Not the Iranian initiative. That was legally—

Senator NUNN. Well, what I'm asking you is whether you believe the President was involved in the diversion?

Mr. ALLEN. No sir. I have absolutely no knowledge of that.

Senator NUNN. Well, why then wouldn't you have talked to Col. North about it? Because you said the reason you didn't is because it was a high White House initiative. And this seems to me that the initiative on diversion directly contradicts what the President was trying to do on the Iranian hostages, does it not?

Mr. ALLEN. At this stage my view was in lack of confirming evidence, I did not want to put into writing at that stage something that would talk about illegalities or improprieties. And I just felt it wasn't prudent.

Senator NUNN. Why did you think then and you put in your words on page 11, in view of the lack of confirming evidence I was concerned about alleging illegalities in an initiative that directly involved the President? Now what initiative that was illegal involved the President if you didn't believe the President knew about the diversion?

Mr. ALLEN. We were uncertain what might be involved in this. There was a great deal of secrecy involved in the initiative, even from me and I'm sure from other officials at the Agency. That was a generic statement that if we put down very bluntly in a memorandum that a diversion had occurred which appeared to have the approval of at least the National Security Advisor there could be imputed that it could even reach to the Oval Office. And I didn't want to put that in writing.

Senator NUNN. So you were afraid that it might involve the

Mr. ALLEN. I didn't know. I did not know at that stage. Senator NUNN. But that was your fear.

Mr. ALLEN. Yes, that was my fear, sir. That was indeed a— Senator NUNN. That the diversion might have involved the President.

Mr. ALLEN. Because the President was so empathic in that meeting in early December which Mr. McMahan described in great detail about the fact that he really wanted to pursue the initiative to free the hostages.

Chairman BOREN. Let's be clear again. Selling arms to the Iranians, while unwise and resisted, in fact, by several people at the Agency, was not illegal in itself.

Mr. ALLEN. Not in itself. No sir.

Chairman BOREN. A diversion was illegal.

Mr. ALLEN. That is what the attorneys have said, yes.

Chairman BOREN. And when you say you were hesitant to explicitly talk about illegalities, it was because they might involve the President.

Mr. ALLEN. I had suspicions, but I did not know where they led at that stage.

Chairman BOREN. Your suspicion was that it might have involved the President himself.

Mr. ALLEN. My suspicions were that it could have gone into the Oval Office. I didn't know. And I don't think anyone, at that stage knew what, if there was a diversion, who had approved it, how it had originated, who had thought of it, and how many people were even aware of it at the White House. I didn't know.

Chairman BOREN. Let me pursue ahead. I'll try to go through these without interruption as quickly as I can because I know my colleagues are getting anxious. But I think there are two or three things we need to clarify in your testimony.

When the Iran-Contra investigation began, you testified several times before various bodies, including this Committee's preliminary inquiry, the Tower Board and the Joint Iran-Contra Committee. So you've given testimony in several forums. On each of those occasions you testified about your meeting with Mr. Gates on October 1, 1986.

The thing that strikes me is the differences in some of these accounts and your current testimony. Let me give you a couple of examples so perhaps you can help us with this. In your current testimony, you say that you recall mentioning to Mr. Gates within the context of the meeting of October 1st, Col. North's comment about taking \$4 million out of the reserve to pay off Ghorbanifar. You didn't recall that comment in your previous testimony in 1986 and 1987. So there's a difference here about whether or not you believe you told Mr. Gates on October 1st about Col. North's comment.

Another point in your current testimony that was omitted from your previous sworn testimony in 1986 and 1987 is your recollection that you told Mr. Gates about a frantic phone call you received from Mr. Ghorbanifar about his financial situation. We're trying to determine, of course, exactly what happened and there are differences on those two subjects. Could you help us understand how you resolved in your own mind what you told Mr. Gates at the October 1st meeting.

Mr. ALLEN. Yes, I think I can do that, Senator. When I gave my initial comments about this in December, I believe, about the 5th of December 1986 that was my very first interview and the first time I was ever debriefed on my knowledge. And at that stage I had just returned from a trip from Europe, I was getting ready to go on another trip the following day with Attorney General Meese for counterterrorism talks with foreign governments. So I gave a very quick interview on a Saturday morning that was literally on the fly. I had not had time to reflect and think clearly about my meetings with Mr. Gates or even with Mr. Kerr.

Later when I was able to think more reflectively, it was clear that I had ticked off to Mr. Gates three or four indicators of why I believed I had reached this analytic judgment. And one of the things that I indicated was that Col. North's comment about taking money from the reserve to buy off Mr. Ghorbanifar.

What I think is important out of this, in that case Mr. Gates captured the central message I had brought to him, was that there was possibly a diversion occurring and this was a matter of serious concern. So I think that Mr. Gates, whether he remembers all of the particulars or not, that's another matter. He captured the centrality of the message I was trying to convey.

Chairman BOREN. He got the bottom line of your message.

Mr. ALLEN. Mr. Gates has a remarkable ability for getting to the bottom line.

Chairman BOREN. Based on the fact you refreshed your memory and thought about it more since your first interviews, you think you're now accurate in saying you gave several indicators of your analysis to Mr. Gates. That probably included the comment about the \$4 million out of the reserve and it probably also included the comment about your conversation with Mr. Ghorbanifar.

Mr. ALLEN. I do, sir. And as far as the frantic conversation with Mr. Ghorbanifar, I really remember talking to Mr. Gates on that and saying that Ghorbanifar really believes he's being victimized in the financing of this transaction.

Chairman BOREN. Okay. Well, let me go on to another thing.

Senator CRANSTON. Let me ask one question. I may have misunderstood you but did you say that you thought you had ticked off Mr. Casey?

Mr. ALLEN. No, sir. I said that I had given a number of indicators to Mr. Gates on 1 October and that I had ticked off—

Chairman BOREN. You mean listed them off.

Mr. ALLEN. I listed, I'm sorry. It's sort of an intelligence phrase.

Chairman BOREN. You listed them off.

Mr. ALLEN. I listed the indicators that suggested a diversion could be occurring.

Chairman BOREN. You were using the term in more traditional sense.

Mr. ALLEN. Yes sir. I don't know these new terminologies.

Chairman BOREN. Let me go into one other area that's ambiguous. You testified in your Iran-Contra deposition that when you told Mr. Gates about the possible diversion on October 1st, you quoted him as saying in the past he'd admired Col. North because of his work in crisis management and things of this nature but this was going too far.

You went on to state that when you discussed the diversion with Mr. Gates and Director Casey on October 7th, Mr. Gates talked about his admiration for Col. North as a man who gets things done but this was going too far if this was true. Mr. Gates testified in his Iran-Contra deposition that you made no reference in any of your discussions to anyone in the United States government being involved in the activity related to a possible diversion. This is according to his memory. He doesn't recall you talking about Col. North or others.

He also testified in his deposition that he did not ask Col. North about the diversion at the lunch he had with Col. North and Director Casey on October 9th. This is after this meeting with you on the 1st and his joint meeting with you and Mr. Casey on the 7th. At his lunch with Col. North on the 9th, he didn't confront Col. North because he didn't have any suspicion at that point that Col. North or anyone else at the NSC was in any way associated with the speculation about a diversion. Again, can you tell us what is the basis for your recollection that you had clearly associated North or the NSC staff with your speculation? Were you briefing him from notes? You have gone back and refreshed your memory? You said you recall this about taking the \$4 million from the reserve. Do you recall how Mr. Gates responded to these comments?

Mr. ALLEN. As I recall, Mr. Gates clearly has many things, as Admiral Inman so admirably explained, on his plate at any one time. I had worked, when I was in the Office of the Secretary of Defense very closely with Col. North on a crisis management problem and crisis management capabilities and Mr. Gates was well aware of Col. North's strengths and abilities relating to developing and improving U.S. crisis management mechanisms, overall programs and policies.

I recall distinctly on 1 October that he said this. But he said it with deep concern that Col. North, whatever qualities he may have had in the past in performing services to the United States, that this was a very questionable activity at best and he reiterated that when we were with Mr. Casey on 7 October. It was, in essence, a statement of disapproval of Lt. Col. North's actions, if indeed, these actions were occurring.

I did not talk from notes. We tried to keep records of this initiative to a minimum and I did not have any notes with me when I talked to Mr. Gates.

Chairman BOREN. You met with Mr. Furmark three times. October 16th, October 22nd, and November 6th as you have testified this morning. On the first two occasions Mr. Gates was traveling abroad. I believe you indicated you're not sure whether or not he saw your first memo because he was traveling abroad. But you wrote a memo to Mr. Gates and Director Casey dated November 7th after the last meeting, reporting what Mr. Furmark had told you the day before. This time Mr. Gates was back in the country. You stated in response to Committee questions that Mr. Gates saw the November 7th memo and that you believe you recall discussing it with him.

You say you don't recall any of the specifics of the discussion. But do you remember why you discussed the memorandum with Mr. Gates?

Mr. ALLEN. I cannot recall any specifics. I cannot go beyond what my statement—my written statement indicates.

Chairman BOREN. You don't have any memory of why it was? Do you think that you did discuss it?

Mr. ALLEN. Yes sir. But I cannot recall any specifics. There was one sentence in that, or one or two sentences that dealt with the suspicions of—that the Canadian backers, I believe, believed that the proceeds from the sale of arms to Iran had been diverted to support the Contras. But I do not recall discussing the specifics of our conversation relating to this memorandum. I cannot help you, Senator.

Chairman BOREN. Thank you Mr. Allen. There are a few more questions that I may need to come back to if other members don't ask them. Let me turn now to Senator Murkowski and he will be followed by Senator Chafee.

Senator MURKOWSKI. I have a question on behalf of one our colleagues, Senator Warner, with regard to the intelligence warning responsibility that you have. It's the understanding of the Senator from Virginia that you gave some warning on Iraq's intentions toward Kuwait in 1990. Is that correct?

Mr. ALLEN. That's correct.

Senator MURKOWSKI. I also understand, on behalf of Senator Warner, that warning in itself can be rather controversial and not always popular. Based on your long relationship with Mr. Gates, I wonder if you could tell the Committee how you view the mission of warning, its importance, what will Mr. Gates do, in your opinion if he's confirmed, to improve the system by which we collect, analyze and disseminate warning?

Mr. ALLEN. Well I believe that Mr. Gates' highest priority is to warn of threats to U.S. national security interests world-wide and that his responsibility is to alert the President and policy officials as early as possible based on reliable information that a threat to U.S. security is developing.

In my view, in my conversations with Mr. Gates, he is an individual who really wants to strengthen the warning function. He recognizes there will always be surprises to U.S. foreign policy, but I think he believes that with the proper techniques, the proper methodologies of warning and also with regional specialists participating, that we can do a better job and we can avoid the surprise.

If we have savvy warning officers working with country specialists in a more dynamic and interactive way, I believe we can make our country more secure. Mr. Gates, when I became the NIO for Warning, he was the Acting Director for Central Intelligence. We spoke for quite a while over what warning was, what it wasn't, and he had a very clear and discerning eye on warning and I believe the warning community will be strengthened under his leadership, I have every confidence. He believes we need to do a better job in political intelligence.

We can learn a lot about military mobilization. There were political indicators relating to Mr. Saddam Hussein's intentions and plans to invade Kuwait, and there were economic indicators that developed prior to the military mobilization. Once the military mobilization began around July 30, 1990,

fairly well present a convincing case by the 25th of July that Saddam Hussein would invade Kuwait.

So I'm very confident that Mr. Gates will take a very strong hand in warning.

Senator MURKOWSKI. Yet if I can go back, the general presumption was that we had little or no intelligence, or if we did, we did not act on it. And I gather you're saying because of the political nuances it was difficult to, I guess, to come out publicly with any kind of an early condemnation of Iraq. In view of what they have done with the Kurds and their record, why would that be such a difficult thing to do? Clearly we were dissatisfied with what was happening?

Mr. ALLEN. That's right. And there were indications in as early 1988 that Saddam Hussein was very unhappy with Kuwait exceeding OPEC oil production quotas. So when we go back as early as I think November 1988, we can see that there were indications of potential aggressive thinking on the part of Baghdad.

And the fact that in 1989 and 1990 Saddam Hussein did not demobilize. He kept a million man army with 5,800 main battle tanks.

Senator MURKOWSKI. Without breaching security, can you just generalize why we didn't act on that intelligence?

Mr. ALLEN. Well, I think as Mr. Kerr has testified, and I don't want to get into classified but in closed session over in the House Permanent Select Committee on Intelligence, I believe that the Intelligence Community performed rather well during that period.

I think, to some degree, sometimes we tell the policy level things that don't correspond with actual policy initiatives or thinking. But I think this is the strength of the Intelligence Community is to be very independent and as objective as possible. I think overall the Defense Intelligence Agency, the CIA, and I, as the head of the National Warning Community did a very creditable in warning.

Senator MURKOWSKI. I don't want to depart too much from Mr. Gates because that's what this hearing is all about. So let me refer again to some of the specific questions.

You testified on October 1st that you met with Mr. Gates and informed him about your suspicions that money was being diverted to the Contras. And earlier we understand that you met with Dick Kerr on August of 1986 and mentioned the same speculation. And I think the Chairman has focused in on the question of why you didn't go back to Dick Kerr in October instead of going to Gates and it wasn't because Mr. Kerr didn't act on it, it was because I think you said you wanted to take it higher up is that right?

Mr. ALLEN. That is correct. And I reported directly to Mr. Gates and to Mr. Casey, and at that stage it seemed to me it was time to get Mr. Gates' attention on this problem.

Senator MURKOWSKI. But weren't you somewhat disturbed that Mr. Kerr hadn't acted on it? Or did it register or was it just dismissed?

Mr. ALLEN. I wasn't concerned about Mr. Kerr at the time. There were other people involved in supporting the White House initiative and they were not as concerned or as worried as I am. I have been called that I am more of a Cassandra so I thought that perhaps I was worrying too much. But as events continued through

September and I saw no relief in the problems, particularly the impasse over pricing, the fact that Canadian—well, that came later, but the fact that there were operational problems continuing to develop, the fact that Mr. Ghorbanifer had made threats to expose the initiative and the White House was essentially cutting him out of the entire effort, told me it that it would be prudent to bring it to Mr. Gates' attention at that time.

Senator MURKOWSKI. All right. Now after you told Mr. Gates about your suspicion on October 1st, did he ever indicate to you that he did not want to be kept informed or that he wanted the Agency kept out of it or any conversations of that type?

Mr. ALLEN. Not at all, sir. He wanted to be kept informed. His initial reaction was one of surprise and one of being alarmed. He said initially, I don't want to hear this, but then immediately—he said that in sort of sudden surprise at what I had to tell him—then he said this is a very serious matter. You take it to Bill Casey as soon as possible. I think he used the word "immediately."

Mr. Gates did not tell me that he was going to be in on the meeting with Mr. Casey. I walked in one door and—the instant I walked in one door—he walked in from his connecting office into Mr. Casey's and sat down and went through the issue with Mr. Casey.

Senator MURKOWSKI. And on the October 1st meeting with Gates, you went into your suspicions of the diversion in enough detail so that there could be no question that you made the point?

Mr. ALLEN. I made the point. Mr. Gates remembers that there was speculation, as he puts it, relating to a possible diversion of proceeds from Iranian arms sales to Central America. He got the central message.

Senator MURKOWSKI. Now going to the November 20th session where there was the attempt to draft the statement for Mr. Casey's testimony to be delivered the following day. You were at that meeting as I recall from your testimony. Is that correct?

Mr. ALLEN. That's correct sir.

Senator MURKOWSKI. There were a lot of things happening. There was North's people around telling them about the sensitivity of the hostages.

Mr. ALLEN. That's correct.

Senator MURKOWSKI. But at the time of the meeting on November 20th how many people in the CIA had told you about your view that money had been diverted to the Contras? Was it common knowledge by that time?

Mr. ALLEN. It was not common knowledge. It was still held to a very few people by the 20th. The possibility of a diversion having occurred was restricted, I guess, to Mr. Casey, Mr. Gates, myself, Mr. Kerr, Mr. Helgeson, Mr. Twetten, Mr. Clarridge, Mr. Cave. Those are the only individuals I can say from direct knowledge knew of the allegations of a possible diversion.

How many people saw my memoranda? I don't know. It's possible that one of those officers showed my memoranda to other officers. But I have only direct knowledge, so you're only talking about a very small number of officers.

Senator MURKOWSKI. You're talking about seven or eight that you named.

Mr. ALLEN. That's correct, sir.

Senator MURKOWSKI. And were most of those there at that session?

Mr. ALLEN. Most of those individuals were there at that session. Yes sir.

Senator MURKOWSKI. Could you explain to us then why during the drafting session no one suggested that the matter of diversion be included in Director Casey's testimony?

Mr. ALLEN. This was a room of about twenty plus officers, as I recall, including our General Counsel and our Comptroller and Public Affairs, Congressional Affairs. We were simply trying to pull together the basic data on the initiative. I thought about raising the issue at some point, but I hesitated to do it because of all of the previous reasons that I have given. Why other officers didn't raise it—I can't answer for that because other officers knew of my suspicions and a small number of officers had copies of my memoranda. I don't have a good explanation. I think we should have.

At that time, it sounds rather comical in some ways that we could serve Mr. Casey and Mr. Gates so poorly but I was trying to put together a chronology. I know the Inspector General was, the General Counsel was, the Deputy Director of Operations was trying to put together a chronology. And no two chronologies agreed on even what the basic facts were.

Senator MURKOWSKI. So none of the 20 plus people mentioned it?

Mr. ALLEN. No sir.

Senator MURKOWSKI. But in fact, you indicated that North's people were saying something like, well, be careful of the hostages, we don't want—

Mr. ALLEN. Yes sir.

Senator MURKOWSKI. Weren't North's people in effect mentioning it then? By saying we don't want to bring up the diversion, because that will compromise the hostages?

Mr. ALLEN. No sir, they never once acknowledged that a diversion had occurred to me. All that they had said to me and to Mr. Cave and others, that they were very concerned that the testimony given to the Congress by Mr. Casey because it was a growing political issue would be leaked in some detail and that this could endanger the lives of our hostages or the Iranians with whom we were in contact. Those were the comments made by Col. North and his staff.

Senator MURKOWSKI. And they were at the meeting?

Mr. ALLEN. They were not at the meeting. They were—we had been admonished about this both in person and over the telephone.

Senator MURKOWSKI. Were some of his people at the meeting though?

Mr. ALLEN. No sir. It was—there were no non-CIA officers at the meeting. This was the senior CIA officers trying to pull together testimony for Mr. Gates—I mean for Mr. Casey.

Senator MURKOWSKI. Well, it would seem to those of us with hindsight that the matter of diversion was the hot topic. It was either an unmentionable from the standpoint of what it would open up in Mr. Casey's testimony, if included. It is pretty hard to just ignore that nobody brought it up and perhaps it should have been brought up, or perhaps we didn't do a proper job of serving

Mr. Casey, but I would assume the implications of putting it in were reasons why it wasn't put in. Is there any logic in that line?

Mr. ALLEN. That—yes, Mr. Vice Chairman, that is very good logic because at that stage we had indications. We had an analytic judgment—at least I did, and Mr. Gates and Mr. Casey and Mr. Kerr—but we did not have hard evidence. At that stage we were trying to pull together a basic story for Mr. Casey to give to the Congress on what happened prior to the 17 January 1986 Finding, and what happened subsequently. We recognized and I think Mr. Casey indicated during his statements up here to the Hill that this was not the final word. That there were other, you know as we pulled data together, we would be able to perhaps give a more coherent story. I know of no deliberate conspiracy to withhold that data in the testimony. I think at that stage, in the confusion of the time, the fact that the Agency was a supporting entity and the White House was a support entity, that we were having great difficulty getting some of the principal facts together on a short term basis. That may not be satisfactory, Mr. Vice Chairman. In hindsight it is not satisfactory, but that indeed is a fact. That is what happened.

Senator MURKOWSKI. Well, one can only draw the conclusion that it was intentionally withheld in recognition of the fact that you had 20 or more people there. Somebody was conducting the meeting. I assume somebody generally reached the conclusion of what points were going to be concluded and what points weren't.

And I wonder if you could identify, for the record, who coordinated the meeting and what role Mr. Gates played in the drafting session. Did he accept a responsibility of trying to make it complete or were people coming and going? How was this thing finally brought together?

Mr. ALLEN. Well, this was being brought together to a large degree at that stage by the Directorate of Operations because they had provided—

Senator MURKOWSKI. And would you name the Director?

Mr. ALLEN. That was Mr. Clair George, who was of course the Director of Operations, but there were a number of officers from the Directorate of Operations there—who were trying to pull it together. The executive assistant to Mr. Casey was very active in helping actually write the testimony. Mr. Gates, I recall, came in and went through portions of it because he was responsible until Mr. Casey returned. And as I recall Mr. Casey returned on a Wednesday or Thursday of that week from Central America. Mr. Gates was responsible for telling people to get on with preparing the testimony. And—but then Mr. Casey of course, was finally responsible. I believe he was there on perhaps Wednesday and Thursday of that week—I would have to check back with the record, I am not certain—but Mr. Casey then ultimately became responsible for helping put the final testimony together on the Thursday evening prior to the testimony that was given on the 21st of November 1986.

Senator MURKOWSKI. Did you have an opportunity to review the final draft of the testimony representing the efforts of the 20 plus people before it was given to Mr. Casey?

Mr. ALLEN. Yes sir.

Senator MURKOWSKI. And did you have an opportunity after Mr. Casey had seen it, or after it was given? And, if so, was it changed?

Mr. ALLEN. At what point are we speaking?

Senator MURKOWSKI. In other words, by the time you and the 20 members had come up with whatever your consensus was and presented it to Mr. Casey, and Mr. Casey delivered it to the Committee, were there any changes that were made by Mr. Casey or others.

Mr. ALLEN. I believe there was some changes made after the major group had dispersed, because there were questions raised as to when we were first aware that HAWK spare missiles were included on the flight that went into Tehran in November 1985. That was one of the great issues as to when did the agency first become aware that it was HAWK spare missiles and not oil drilling equipment. And I believe the executive assistant and I worked on that up until about 7 or 8—well at least until 8:00 on the evening of the 20th of November 1986. So there were some changes after the large group dispersed. But then of course, corrections were made and copies were available early the next morning to principal officers prior to Mr. Casey coming to Capitol Hill to testify.

Senator MURKOWSKI. Well, in summary I guess the risk would have been when Mr. Casey was giving his testimony, had any member of the Committee asked the question of diversion, the risk would have been, Casey would have had to either acknowledge it or respond to the contrary. Is that a fair statement?

Mr. ALLEN. I think that is correct.

Senator MURKOWSKI. So, I guess it behooves us as a Committee to be very perceptive about how and what questions we ask.

Mr. ALLEN. Sir, your questions are very perceptive.

Senator MURKOWSKI. Well, it is clearly a case of the consensus within the Agency to engineer risk, but successful withholding of facts from the Committee because the Committee certainly would have liked to have known of that. But we didn't ask and they didn't tell us. Clearly one has to question the propriety of that.

Let me go into one other brief area of questioning. I was struck by a reference in your statement on page 10. "Rather, I stated that allegations might be made by Ghorbanifar that the government of the United States, along with the government of Israel, acquired a substantial profit from these transactions, some of which profit was redistributed to other projects of the U.S. and of Israel."

Now from the standpoint of the U.S., the project was diversions to the Contras.

Mr. ALLEN. That is what I was thinking about at the time when I wrote that, yes sir.

Senator MURKOWSKI. What were you thinking about with the funds that went to Israel?

Mr. ALLEN. There were discussions or intimations from Lt. Col. North and from Mr. Nir that Col. North and Mr. Nir were talking about possible cooperation and counterterrorist activities, particularly against captors holding hostages in Lebanon. And I wasn't—I have nothing specific, but there were from time to time, statements made that to me talked about close collaboration by the NSC with Israel on counterterrorist action, which I wasn't certain were the kinds of actions that would have been sanctioned, say by the Presi-

dent or by a Presidential Finding. I have no specific examples, but those statements were made by Col. North at the NSC and Mr. Nir, but it was very murky, it was very murky. I have no specifics.

Senator MURKOWSKI. In reference to some of the distribution going to Israel was in just general terms and not—

Mr. ALLEN. I have no specific example in mind right now.

Senator MURKOWSKI. Are you of the opinion that some of the funds were diverted to Israel?

Mr. ALLEN. There was a question of where Mr. Nir, who was in arrears \$1.7 million and I'd have to go back and look at the record as to just how that occurred, but I believe it occurred having to do with the initial TOW missile project in August and September of 1985.

So there were some shortfalls involving Nir, and I still don't have a clear idea of what those might be.

Senator MURKOWSKI. Who would have that knowledge in your opinion? Because wasn't there about \$3.4 million or thereabouts allegedly diverted to the Contras?

Mr. ALLEN. I'm not sure what the amounts were. But clearly there were more monies in Swiss bank accounts that had been accrued from the sale of arms to Iran than I would have ever imagined. I know Mr. Cave expressed surprise that there was a very large surplus when it came out through the testimony of Mr. Hakim to the Joint Committee of the Congress on Iran-Contra.

Senator MURKOWSKI. Well let me go back to the question I asked and I interrupted you in responding, but who might know whether Israel was a recipient of some of this diversion? North?

Mr. ALLEN. I would say that only Lt. Col. North in the United States would have a clear idea of whether this actually occurred.

Senator MURKOWSKI. Lastly, how does the inbox work? Is this an imperfect science? Or is there a hole in it or does the wind blow by when it's full? [General laughter.]

Mr. ALLEN. That's rather remarkable. Now the system—some of my colleagues are here—the system works very well under normal circumstances. We have an Executive Registry, when documents are sent through normal channels, even sensitive documents—they are properly registered. Signature lines are tabbed, the documents go in for review by the Deputy Director usually and then by the Director. They're signed properly and then dispatched very precisely by the Executive Registry.

In the case of the memorandum that Mr. Cave and I put together—

Senator MURKOWSKI. This was to Admiral Poindexter?

Mr. ALLEN. To Admiral Poindexter. We walked in on Mr. Casey at 9:00 o'clock on the 23rd of October and—

Senator MURKOWSKI. October or November?

Mr. ALLEN. 23rd of October, 1986 and Mr. Casey said let's write all of this up and get it to Poindexter. I left my notes with Mr. Cave and he actually fashioned the memorandum. Mr. Cave, because this was a very unusual activity directed by the White House, we did not go through normal registries. So it did not go through Executive Registry.

Mr. Cave took it in, went over it with Mr. C.

Mr. ALLEN. That was about the 24th of October 1986. And Mr. Casey agreed the memorandum was fairly explosive and should be sent to Admiral Poindexter. Mr. Casey had a rather chaotic desk. He had many documents, some classified, some unclassified, endless numbers of books which he was constantly reading and somehow his secretary did not know that that was to be signed. And she filed it in a file. He felt that he had signed it. He called me, I recall, on the 23rd of November at 6 o'clock and said, "get me all the documents that you prepared in your conversations with Mr. Furmark and get them to me right away." I'll meet you in my office.

And so I raced into the Agency, collected the three memoranda, including the one addressed to Admiral Poindexter. I had a copy of it: it was not signed. I took it into Mr. Casey and he said where is the signed version. And I said well I don't have a signed version. I said you must have signed your copy and sent it down to Admiral Poindexter. And he said, well, I know I did. And then his secretary, Miss Betty Murphy, looked in a file and pulled it out, the original, and it was unsigned. That's a true story and it's regrettable but that's the way the wrong—the wrong inbox syndrome does not occur very often.

Senator MURKOWSKI. There was no occasion then for any communication to Admiral Poindexter, the whole month went by?

Mr. ALLEN. I did not communicate with him. Mr. Casey may have communicated with him. I know that Mr. Casey said he had talked on the telephone with Vice Admiral Poindexter on the Furmark memoranda. So it's clear that Vice Admiral Poindexter was aware of Mr. Furmark. And I know Col. North was because copies of the memoranda were sent through my channels down to Col. North.

Senator MURKOWSKI. Thank you Mr. Allen. I have no further questions Mr. Chairman.

Chairman BOREN. Mr. Chafee?

Senator CHAFEE. Thank you Mr. Chairman. Mr. Allen as we sit here in September of 1991, we're reviewing what happened, trying to ascertain when it happened, with the clarity of post-event vision. And of course we look at it all with a very dispassionate attitude, antiseptic as it were. What I seek from you is more of a flavor of the time, the summer of 1986. And I'll be a little more specific. Things were happening. The immediate goal in connection with the Iran sale was obviously the release of the hostages. And Col. North was hip-deep in that.

Now Mr. Fiers has described Col. North, and I'll read from the transcript, "I never knew Col. North to be an absolute liar, but I never took anything he said at face value. Because I knew he was bombastic and embellished the record and threw curves, speed balls and spit balls to get what he wanted. I've seen Col. North play fast and loose with the facts. But on the other hand there was a lot of fact in what he said." And then he goes on to describe him. "I might describe him a little better—a little bit like Hoyt Wilhelm. As you remember, Hoyt Wilhelm never knew where the ball was going so the catcher wore a huge mitt so he could get it. Ollie was like that. You never knew where the ball was going. Some-

times it was tremendously effective and sometimes it was a totally wild pitch."

And then in connection with your relationships with Ollie North, on top of page five, you say you had difficulty understanding why Lt. Col. North was telling me to use "patently false stories" with Ghorbanifar.

So here's all of this atmosphere of things going on, where you were working toward the release of the hostages, and then on July 26th, sure enough, Father Jenco was released. Now my question to you, could you just give us a little bit of the atmosphere, because one of the reasons that the Casey testimony was not as candid as it should have been were these threats or warnings from North regarding danger to the lives of the hostages. But there was something in what he had to say, I suppose, in that Father Jenco did come out. Now did you feel that was associated with the North efforts, the release of Jenco? Did you think, well, he is producing, or did you dismiss that?

Mr. ALLEN. Father Jenco was released largely because of the efforts of Lt. Col. North and the Iranian initiative and so was David Jacobsen. I don't think there is any question that the Ghorbanifar channel operated effectively in securing the release of Father Jenco and that the second channel acted effectively in the release of David Jacobsen.

Col. North was accomplishing some releases—far fewer than anticipated and far slower. The flavor of the times, as you recall, '85 and '86, was a very difficult time. In 1985 we had considerable criticism of our counterterrorist strategy and some policies. You recall Vice President Bush at that time chaired a major task force on combatting terrorism and out of that came forty or fifty recommendations, most of which were implemented.

Col. North was extremely effective and instrumental in the implementation across the government on those initiatives. We were losing, in some people's eyes, the battle against terror. There were a number of incidents that occurred. So there was a very strong flavor of the time if somehow we could short circuit some of the radicals in Teheran. The President I think felt very strongly about his hostages held in Lebanon, a very frustrating activity indeed.

So the flavor of the times was one where we felt we had to make real progress and real strides against terrorism. And we did in many, many ways which we don't need to go into today. Indeed, Col. North occasionally embellished the record as Mr. Fiers as stated and he embellished it with me occasionally. But we had a good working relationship, particularly in the early years when we worked in crisis management, where I felt Lt. Col. North did an extraordinarily effective job in improving U.S. national security strategy and U.S. national security deterrence.

But he seemed so insistent in the July and August time frame on telling me stories I knew were not true on why the prices of the HAWK spare parts were so high and it bothered me. And the more I dwelled on it the more I thought that he was protesting too strongly, and that there were other reasons he felt he could not be totally candid with me on this issue.

And Mr. Casey believed at the time—and I think—I never dis-

about the safety and security of our hostages. And one thing that a Director of Central Intelligence always has to do is to go the extra mile to protect sources and methods. And I think Mr. Casey felt he had a strong obligation under law, and an ethical consideration to protect the lives of the Iranians who were in contact with us.

Because we were not certain in some circumstances what dangers in which they might be putting themselves in maintaining contact with the United States.

Senator CHAFEE. Now I'd like to go on to the bottom of page 14 of your testimony in which you say as follows, "Even though the issue of diversion of profits made from the arms sale to Iran was not included in Mr. Casey's testimony, I did not consider the issue closed."

Now, just to refer back to the preparation of his testimony. You've indicated that it was a rather chaotic time, that no one seemed to have the full story. You've conveyed the flavor, I think, of the presentation of that. Now the part I'd like to get in once again is, overall, again, you've had this suggestion from Colonel North to be careful, don't endanger the lives of the hostages, and, of course, the point you've made about Mr. Casey worrying about the Iranians who were working with you. And, frankly, I think in the testimony we've had here, this is the first time that anybody's stressed that that was a factor when you were preparing the Casey testimony. Could you just review that briefly with us.

Mr. ALLEN. Yes, sir. We took very seriously that some of the Iranians in contact with our intermediaries, Mr. Ghorbanifar, and later with Major General Secord and Mr. Hakim, were taking risks. And, in fact, the intelligence suggested that there were real risks in some of them actively pursuing activities and agreements with the United States. The degree of risk we were not certain. We knew that the issue of hostages was a very fragile one.

As you know, some British hostages lost their lives. Peter Kilburn very regrettably lost his life on the 17th of April, 1986 after our attack on Libya. We were very close to securing the release of Mr. Kilburn, and that was a very devastating experience. The officers that worked on that, and Mr. Clarridge was among them, personally devastated that we could not deliver Mr. Kilburn safely to the United States. Mr. Clarridge put in countless hours in trying to resolve that particular situation.

Senator CHAFEE. I think he was from the American University of Beirut.

Mr. ALLEN. That is correct, sir. And we had actually met with the families, and I had met with the families, and Colonel North had met with the families—the Kilburn family—and we had given them some indication and some hope that their relative might soon be released. And then we had to tell them that, indeed, we had confirmed that indeed he had been murdered—and murdered by probably Libyan agents. It was not a happy time.

So, we had had experiences earlier with hostages and I think Mr. Casey certainly had that in mind. And I think quite sincerely, regardless of the issue of cover up of the diversion that was occurring at the White House, there were genuine concerns on the part of Lieutenant Colonel North, Vice Admiral Poindexter—he expressed the same concern over the lives of hostages and the lives of Irani-

ans who were in contact with United States officials and intermediaries.

Senator CHAFEE. Now, in your testimony you say in the luxury of hindsight it's easy to cast stones at our efforts—you're referring to the Casey testimony—but in the confusion of the time, I believe Agency officials tried to present accurately what was known.

Now the next point I'd like to get on—one of the suggestions that's floating around here is that Mr. Gates just showed no interest concerning the diversion to the Contras, that he looked the other way. Yet, in your testimony, you say—and, again I go back to the bottom of page 13—at the bottom of page 14 and the top of page 15. Regarding the arms sale in the Casey testimony—"I did not consider the issue closed, nor did, I believe, either Mr. Casey or Mr. Gates. Both had encouraged me to pursue questions about improprieties relating to the initiative. A small number of senior CIA officers were privy to my memorandum. No one besides Mr. Casey and Mr. Gates encouraged me to pursue the issue." Now it seems to me that's a pretty strong statement on behalf of Mr. Gates there.

Mr. ALLEN. I have no quarrel with what Mr. Gates did and the fact that he took action; the fact that I thought that he had sent me off on the 1st of October to go see Mr. Casey alone, and when I walked in, he walked in almost simultaneously and sat next to me, in front of Mr. Casey, and we discussed the problems with the initiative, the operational security problems, and then we also turned to the diversion. And Mr. Gates spoke up, as I recall, interrupted me as I was explaining the diversion to say that this was an issue that was serious and needed to be pursued. So, I don't have any quarrel at all with Mr. Gates on this issue.

Senator CHAFEE. And then I think it's also important to know what your attitude was. You've stressed that you suspected, you believed, but you lacked hard evidence, and then Ollie North talked about this reserve, and he talked about the Contras and other projects. What's this business about other projects? What did that make you think of?

Mr. ALLEN. I don't think I heard Mr. North talk about other projects. Lieutenant Colonel North did talk about that he would have to take it from the reserve to pay off Mr. Ghorbanifar in my meeting on 8 or 9 September 1986. The other projects were allegations that Mr. Ghorbanifar was likely to make profits from the proceeds that were diverted to support activities of the United States and of Israel. I don't recall Colonel North talking about Contras or other projects in the context of taking money from the reserve.

What it suggested to me was that there was a good amount of funds that had been accrued in some fashion. And the only reserve that I could think that could have been accrued would be through the so-called private fund raising efforts to support the Contras in Central America, or that excessive profits had been accrued from the sale of arms to Iran. And, to me, the evidence suggested the latter because of the intelligence that it showed fairly convincingly, because the Iranian sent out the microfiche and he had a bona fide microfiche, it's clear that they knew the base price of HAWK spare parts. We were not deceiving the Iranian procurement officers. So, it occurred to me that the latter alternative was the more likely

ative one—that the reserve was built up from proceeds involved in selling arms to Iran.

Senator CHAFEE. What was your opinion of Ghorbanifar when he told you he was only taking forty-one percent?

Mr. ALLEN. Mr. Ghorbanifar lied to both sides in this initiative and throughout the initiative. He also produced. He also told the truth at times. I think what you have to do is carefully look at Mr. Ghorbanifar and look at each action he takes or each proposition or proposal he makes and examine it carefully on its merits. And I examined this particular conversation very carefully because he gave me the base price—he gave me the price that U.S. intermediaries were charging for the HAWK spare parts, and then he told me his commission—and his commission varied depending on the part involved. But he was right. Assuming he was telling the truth, it averaged around forty percent. Mr. Nir, who called shortly after Mr. Ghorbanifar called, reinforced this very strongly with similar type examples. And at this stage, based on the intelligence, based on what Mr. Ghorbanifar told me, based on what Mr. Nir told me, I thought there was general consistency here. So, in this case I said, Mr. Ghorbanifar may be telling generally the truth. And it turned out that indeed I think he was.

Senator CHAFEE. Okay. Fine. Thank you, Mr. Chairman.

Chairman NUNN. Thank you, Senator Chafee. I believe Senator Rudman is next.

Senator RUDMAN. Thank you, Mr. Chairman.

Good morning, Mr. Allen.

Mr. ALLEN. Mr. Allen, I just really have two areas of questioning which I think we can do in the time that's allotted to me, and I'll try to get through them. Underlying most of these questions relating to Iran-Contra is a basic premise held by some that Mr. Gates had a faulty recollection about several conversations. And then, of course, you get down to the question of whether it was faulty recollection or whether it was something else. And much of that revolves around the meeting with Mr. Kerr, but it also relates to the meeting with you on October 1st which Mr. Gates clearly recollects. A great deal of it also has to do with some people who even believe Mr. Gates' state of knowledge was greater than he has testified to—both here and in other forum. You, of course, have testified a number of times on these issues, and I'm going to get into that in just a moment.

But in order to get the general feeling of what Mr. Gates knew or should have known, or whether it was all right for him to know—that's a third aspect I'm adding to the issue—I want to read to you something that I, for the first time, have had a chance to ask you about in public. I'm not sure it's ever been asked to you by the Iran-Contra Committee in private—although you probably think everything in the world was asked of you at that time.

Mr. ALLEN. Sir, I've testified too much.

Senator RUDMAN. On page two you say, "During the first phase when there was no Presidential Finding I was asked by Colonel North to coordinate the collection of intelligence in the Iranian initiative and to protect closely this White House effort. During this period I kept Mr. Casey and Mr. McMahon fully informed on the intelligence collected. Moreover, some of the intelligence was pro-

vided to Mr. Clair George, the Deputy Director of Operations. In keeping Lieutenant Colonel North's instructions, I did not inform Mr. Gates even though he was technically my immediate supervisor as Chairman of the National Intelligence Council." Well, you say he was technically your supervisor. In fact, he was your supervisor, wasn't he?

Mr. ALLEN. He was. But you've got to realize that the National Intelligence Officers under the way we operated, certainly under Mr. Casey, Mr. Casey viewed them as officers, very senior, who led the Community in their own functional or geographic areas, that they reported directly to him. On substantive issues, Mr. Gates gave guidance and direction to them and critiqued their work. But that really we had direct and immediate access and Mr. Casey, I believe, wrote a—was our final reviewing officer. So we felt that the time that we had on substantive issues, we could report directly to Mr. Casey.

And I remember talking to Mr. Casey and telling him that Lieutenant Colonel North wanted this held to just to himself, Mr. McMahon, Mr. George was okay, but I wasn't going to tell Mr. Gates.

Senator RUDMAN. Let me interrupt you here.

Mr. ALLEN. Yes.

Senator RUDMAN. Did Colonel North specifically say, "Do not tell Mr. Gates," when he gave you a list of who could know and who couldn't? Did he delineate it?

Mr. ALLEN. He delineated it over a secure telephone that it had to be kept to the Director, the Deputy Director. He had no objection it being shown to the DDO at the time. He did not want it shown to the DDI or other officials. So it was held at that level.

And I told this to Mr. Casey and he affirmed that that was an appropriate procedure if that was—because he viewed that period, as essentially totally controlled by the White House. All that we did was to see if we could collect some useful intelligence.

Senator RUDMAN. Have you ever testified to that particular set of circumstances and facts before?

Mr. ALLEN. I think I have.

Senator RUDMAN. Where?

Mr. ALLEN. It may be in my testimony to the Congress.

Senator RUDMAN. Well, I don't recall it. And I've reviewed most of it. But I am sure you are right. But you are testifying under oath this morning that that's what happened.

Mr. ALLEN. Yes.

Senator RUDMAN. Because my next question, which is now unnecessary to ask, is that it seems almost remarkable to me that—unless it was the President of the United States or his National Security Advisor, or any NSC staffers, you know as powerful as Colonel North was, and we know how powerful he was—that you would take his instruction not to inform your superior. You used the word technical, I don't agree with it. I think he was your superior. And you are now telling us that you did not simply take Colonel North's charge on that, but that you confirmed with Mr. Casey that you would not be sharing this with

Mr. ALLEN. That is correct. Mr. Casey said that if that's the way the White House wishes this to be managed, bring the intelligence to me and to Mr. McMahon and let us keep it at that level.

Senator RUDMAN. Did you ever discuss that with Mr. Gates since it has happened?

Mr. ALLEN. I don't think we ever did. It was clear by—by the time, January 17, 1986. Finding, then we of course shared the intelligence with Mr. Gates.

Senator RUDMAN. Oh, I understand that. But my question was that since the time that it happened until today, have you ever sat down with Bob Gates and said, "You know, I cut you out of that and the reason I did is North told me to cut you out of it. I checked it out with Casey and Casey said that was fine with him."

Mr. ALLEN. That's the way Mr. Casey said—

Senator RUDMAN. Right.

Mr. ALLEN. Let us continue with these procedures because—

Senator RUDMAN. Have you ever told Gates that? You haven't answered my question, Mr. Allen.

Mr. ALLEN. I don't think I have ever discussed that with Mr. Gates. No, sir.

Senator RUDMAN. Well, fine. Okay. That's my question.

Mr. ALLEN. He is well aware of it.

Senator RUDMAN. You know there isn't much new that comes out around here in these hearings so far. But that's new.

Mr. ALLEN. Thank you, sir. I'm glad there's something.

Senator RUDMAN. And that's also very important. Because the underlying question here, when all is said and done, and with all that has been written—much of it inaccurate—is whether or not Bob Gates has told this Committee the truth, whether his testimony about his state of recollection is accurate, or whether he lied then and he lied now. And that's really what this is all about. We are much more polite around here than that. But that's what this is all about.

And obviously the way you answer that question depends on whether or not a Member of the United States Senate feels confident in voting to confirm him.

And what you just told this Committee is that the Director of Central Intelligence made a decision, when you presented a request from Colonel North to him, to cut out your immediate superior, Robert Gates, from a very important initiative that had a great deal to do with intelligence. Let the record show at the time that Mr. Gates was Chairman of the National Intelligence Council, am I correct?

Mr. ALLEN. Absolutely.

Senator RUDMAN. All right.

Mr. ALLEN. And from my perspective, that is precisely the way it occurred. And for a period of months, the initiative ran and Mr. Gates was totally unaware of it as I have given in my statement today.

Once he became aware of it, we discussed the initiative. But the earliest I knew that he became aware of it was in January. Although I was later told he had been included in some discussion with Mr. Casey in December.

Senator RUDMAN. I take it from your answer to my question a few moments ago that had Mr. Casey, who was the Director and ultimately your superior—

Mr. ALLEN. Absolutely.

Senator RUDMAN [continuing]. Said to you, "Mr. Allen," or "Charlie," however he addressed you—

Mr. ALLEN. Charlie.

Senator RUDMAN. "I don't want you to do that. Irrespective of what Colonel North has told you, I want Bob Gates to be informed," you would have done that?

Mr. ALLEN. I would have informed Bob Gates immediately, sir. Because I have always had a very warm relationship with Bob Gates. We grew up together as analysts and worked together in the late 1960's.

Senator RUDMAN. My second and last question goes into this same area of Mr. Gates' credibility.

I have looked at your testimony and I think it is very difficult for you to testify as to what you really knew at the time because it has to be conditioned by recollection refreshed since 1986 and in 1987—you've testified so many times. And I've looked at your testimony, and although there were no basic changes in your testimony, there is an evolution which tends to get more information in it the later we go. And I'm not being critical, Mr. Allen, I'm simply saying that when I look at that testimony at the time, it's fairly restrictive.

But one of the things that is interesting in it is this. That you have testified, and Bob Gates has testified, that at the time that you made your disclosure on October 1, 1986, he "startled" as you say, and took the action that he has testified to about going to the Director and also to the Counsel of the CIA. But there's also testimony that one of his responses to you was that, "Yes, I've heard rumors about that."

Do you recall that?

Mr. ALLEN. Absolutely not.

Senator RUDMAN. You don't recall it?

Mr. ALLEN. Absolutely not. That is a statement that I did not hear. That is a statement Bob Gates did not make.

Senator RUDMAN. To you?

Mr. ALLEN. To me.

Senator RUDMAN. It's interesting. Recollection is very difficult. And one of the interesting things about this hearing is that everybody sitting on both sides of this table—not where you are sitting, but the people here and the people behind, particularly in the first four rows—all seem to think that the world enjoys immediate recollection of anything that happened. And, of course, that is not so.

But it is interesting. Back on December 4, 1987, Mr. Gates says, "I was startled by what he told me," speaking about you, "And frankly, consonant with the way we have responded to such stories in the past, my first reaction was to tell Mr. Allen that I didn't want to hear any more about it. That I didn't want to hear anything about funding for the Contras. But then I realized that in contrast with some of the rumors that we had heard in the past, that what we had here was an analytical judgment based on the close reading of material and other knowledge."

on, and I told Mr. Allen that I thought we had better get that information to the Director."

But as far as him talking to you about rumors, you don't recall that and you say flatly he didn't say that to you at that time?

Mr. ALLEN. No sir, he didn't. But the rest of the testimony is quite right. His reaction was one of being startled and his action—his direction was very explicit.

Senator RUDMAN. Mr. Allen, I thank you for your testimony. I think you've tried very hard to answer these questions as accurately as you can, based on what you knew at the time this all happened. I think the most significant part of your testimony—as far as I am concerned—in fact, really one of the most significant things I've heard after sitting here for several days, is that the Director of the Central Intelligence Agency essentially himself was responsible for cutting Bob Gates out of the information that you possessed. And you were really the case officer working with Oliver North on much of this. Am I correct?

Mr. ALLEN. I wouldn't call myself a case officer. But certainly Mr. Casey took director charge in determining who would know about this early phase of the initiative in the Central Intelligence Agency. And he did not want Mr. Gates informed.

Senator RUDMAN. But you and Mr. Cave were very closely in touch with this as we look at the whole range of people from the Agency in this legal, if ill-thought out initiative. Nonetheless, you were the people that had to work with him?

Mr. ALLEN. Yes sir. We were—I was directed by Mr. Casey to work closely with Colonel North on the initiative throughout the initiative. Mr. Cave did not join me—he worked for the Chief of the Near East Division of the Directorate of Operations—he joined me on 5 March 1986 and I provided him with the intelligence. And from that moment on, he essentially worked out of my office and essentially occupied my desk when I wasn't around.

Senator RUDMAN. And to make sure that everybody understands what you're talking about, when you talk about the initiative, you're talking about the legal sale based on the Finding of arms to Iran, a matter of policy of the President of the United States. That's what you are talking about?

Mr. ALLEN. Absolutely.

Senator RUDMAN. When you are talking about the initiative.

Mr. ALLEN. The 17 January 1986 Finding that authorized the Agency to do those things in support of the White House.

Senator RUDMAN. Which have been characterized as legal but very dumb.

Okay, Mr. Allen. Thank you.

Senator NUNN. Senator Rudman, would you just yield briefly for one question on that one. On the initiative that you are talking about, Senator Rudman has been asking you about, you just mentioned it was pursuant to the Presidential Finding, but your statement says during the first phase when there was no Presidential Finding. And that is the same place, same paragraph, on page 2 where you talk about you never mentioned that activity to Mr. Gates. Maybe you're—maybe there is an overlap in time there. I just want to pin you down on exactly what initiative you are talking about.

Mr. ALLEN. I am talking about the Iranian initiative.

Senator NUNN. Are you talking about the first phase of it?

Mr. ALLEN. The first phase of the Iranian initiative which was—even though there was a so-called mini-Finding, there was no—from our perspective I think out at CIA, there was no fundamental Presidential Finding that called on the Central Intelligence Agency to provide the support to the White House initiative that later was documented in the 17 January 1986 Finding.

Senator NUNN. You describe that as collecting intelligence on the Iranian initiative. It really wasn't intelligence collecting as much as it was activities towards the arms sale was it?

Mr. ALLEN. Well, it was collecting—it was more than arms sales, but it was principally involved—it principally involved the intermediaries involved and we tried to determine the reaction and responses of the Iranian government officials—

Senator NUNN. So it was that reaction to what we were doing, but it included both sides of the coin.

Mr. ALLEN. Exactly. So that our side would have insights and advance knowledge of how they were accepting certain proposals or certain efforts on the part of the White House.

Senator NUNN. Right, thank you.

Senator RUDMAN. Mr. Chairman, I just want to—

Chairman BOREN. Do you have any additional questions Senator Rudman? Go right ahead.

Senator RUDMAN. I just want to follow-up on Senator Nunn—it will take 30 seconds. And that finding which was retroactively done, was the result of Mr. McMahon's concern that the Agency be discharging its statutory duties in a legal fashion because he had concerns with the activity—and I agree with that characterization of Senator Nunn's. That activity which was going on as well as intelligence gathering needed a Finding?

Mr. ALLEN. For the kinds of activities that the White House envisioned in January and I remember talking to Mr. Sporkin, now Judge Sporkin, about this, and he felt that this was going to be a difficult Finding to write and he, of course, went to work on that in early January of 1986. And I recall he had concerns about the content of the Finding.

Senator RUDMAN. Yes. Thank you very much Mr. Allen.

Chairman BOREN. Thank you, Senator Rudman.

For the benefit of my colleagues, let me just go over one bit of scheduling here, I have been consulting with my colleagues, Senator Cranston has the press of an appointment and Senator Metzbaum has agreed to allow Senator Cranston to go ahead and ask his questions. Senator Nunn also has some scheduling problems. I do not yet know whether Senators D'Amato, Gorton and Danforth wish to ask questions. They were here during Mr. Allen's opening statement. So what we will do is proceed with Senator Cranston, followed by Senator Nunn. We will then recess and come back at 2:00 when we will proceed with Senator Metzbaum followed by Senator Bradley. If any of our other colleagues wish to ask questions at that point, we will do so. As soon as the rounds of questions are completed, I have two final questions myself. Mr. Kerr will be the next witness this afternoon.

So I recognize Senator Cranston at this point.

Senator CRANSTON. Thank you very much, and I appreciate the courtesy of my colleagues who've let me go at this point because I have to leave momentarily.

We have been given a copy of the memorandum that you tell about in your testimony which you prepared after your October 7th meeting with Mr. Casey and Mr. Gates and you then, at Mr. Casey's request, prepared a memo summarizing your concerns about the whole matter.

We have been given a heavily redacted, blacked out copy of that. You can see how much of it has been eliminated so we don't know exactly what was there. I want to ask you about two parts of it.

First, on page 2, there is a discussion of the festering sore, an assertion that somebody claims to have co-opted somebody else, or several people, that the Iranian leader is approving the way things are proceeding to some extent. And then there is a sentence, notwithstanding, blank, somebody, has spoken of, quote, "eliminating," unquote, blank, somebody, sometime in the future. As we all know the word eliminating usually means in the parlance of the CIA, disposing of someone physically—killing someone. I am not going to ask who suggested somebody be killed, or who the person to be killed perhaps, would be, but I would like to ask whether you know that was quoting an American official or an Iranian official.

Mr. ALLEN. I am certain it is not quoting an American official. I don't recall that particular sentence Senator Cranston. I will be happy to review the unredacted copy, which I have in my office. But it could not have been an American official.

Senator CRANSTON. I am very glad to hear that.

Mr. ALLEN. Yes sir.

Senator CRANSTON. Secondly, right below that the following appears: "Ghorbanifar appears to be harassed by his creditors, some of whom already have brought the problem to the attention of the DCI and Senators Leahy, Cranston, and Moynihan." I have no memory of that and my staff that I have been able to consult since I just saw this this morning, has no memory of that. Do you recall the source of that information?

Mr. ALLEN. Yes, Mr. Roy Furmark gave that story to Mr. Casey, I believe in a telephone call, or in person, around the 7th or 9th of September 1986. We later, I think, were able to adduce that Mr. Furmark was not telling the truth in that particular situation. It seemed to me that Mr. Furmark had sought out Mr. Casey in order to try to help Mr. Khashoggi get the White House to move along with the additional movement of arms sales to Iran so that somehow the funding impasse could be broken. It is my understanding that no conversations ever occurred with either of you, sir, or Mr. Leahy, or anyone else on Capitol Hill.

Senator CRANSTON. I appreciate that clarification.

Mr. ALLEN. Yes sir.

Senator CRANSTON. On page 2, you state in your testimony, during the period of September 85 to January 86, I never once mentioned this activity or my role in it to Mr. Gates, although I learned after the initiative became public that he may have had some knowledge of it in December 85. What were you referring to?

Mr. ALLEN. I believe that Mr. McMahon or Mr. Casey, one, had a meeting in the first week, around the 5th of December where Mr.

Gates at least attended part of the meeting that dealt with the White House initiative and the fact that the White House at that stage was demanding additional support and services from the Central Intelligence Agency. But I don't have personal knowledge of that. That is only through sort of hearsay.

Senator CRANSTON. In the final paragraph, summarizing your views, you say that you have no knowledge or indication that either Casey or Gates deliberately withheld any information. You say to the contrary, I believe, that both were troubled by the White House initiative and by the Agency support role especially since the Agency was uninformed even to the end about some aspects of the operation.

Do you presently believe that the Agency was totally uninformed about some aspects in view of the apparent involvement of Mr. Casey?

Mr. ALLEN. I believe that some aspects relating to the financial arrangements contemporaneously at the time, I believe that Mr. Casey was not fully aware of all of the financial arrangements that might be involved in these transactions. As we know through I guess the testimony of Mr. Hakim, and others, up to Capitol Hill, some of the things that he talked about including the profits that were accrued were certainly news to me, certainly news to Mr. Cave, and I suspect would have been real revelations to Mr. Casey.

Senator CRANSTON. In our efforts to assess the nature of the October 1 meeting you had with Bob Gates, did you do your best to impress upon him the seriousness and the possible very adverse consequences of the allegation that funds were being diverted? And did he ask you many questions about this? Was he skeptical? and I gather you did say it was just rumor unsubstantiated, you were not really certain?

Mr. ALLEN. Well, I spoke first and foremost about the eroding operational security of the project. And I spoke with significant seriousness on that issue. On the diversion, I listed some indicators that something was amiss and that a diversion to the Contras could be occurring and that I had reached sort of a conclusion, or analytic judgment, that a diversion could well be underway. I believe Mr. Gates reacted correctly on both occasions. And it wasn't that he just washed his hands of it, he came in and participated with me and Mr. Casey on the 7th of October.

Senator CRANSTON. One final question. You also recall having a conversation with Dr. Gates on your November 7th 1986 follow-up meeting with Roy Furmark. Dr. Gates does not recall that conversation. Can you speculate as to why he doesn't remember that? And a question relevant to that is, was it not as serious a conversation as the one you had with him on October 1? And was this something more or less said in passing rather than with any great emphasis?

Mr. ALLEN. I don't recall the specifics of the conversation about the 7 November memorandum. I can't add to what I have already given in my statements. I just do not recall the specifics.

Senator CRANSTON. So the memories of both of you are rather vague on that particular matter?

Mr. ALLEN. Absolutely sir. And Mr. Gates was an incredibly busy person and in my own world I felt I was incredibly busy.

cannot—it is very difficult to remember each and every conversation.

Senator CRANSTON. I well understand that. Thank you very much.

Mr. ALLEN. Thank you, Senator.

Chairman BOREN. Senator Cranston. Senator Nunn.

Senator NUNN. Thank you Mr. Chairman. I just have a few questions.

Mr. Allen, refer to your statement on page 10, paragraph 2, you say I was particularly concerned about Mr. Casey's potential use of this memorandum. And the memorandum we are talking about is the one you have described here where you were reluctant to spell out what the diversion was in your judgment or at least your speculation at that stage. In other words the illegal activities, and you didn't refer to them directly. You referred to them in a rather broad fashion. So quoting you again, you say, "I was particularly concerned about Mr. Casey's potential use of this memorandum," end quote. What did you mean by that? What did you mean—particularly concerned, what did you feel? What was your worst case as to what he might do with that memorandum?

Mr. ALLEN. My worst case fear, had I laid out all of my worries and indications of a possible diversion of profits, would be that he would go table it with Vice Admiral Poindexter and I would be proven wrong. Mr. Casey, as a fairly blunt Irishman, had a proclivity to take sometimes less than tactless memoranda that we might have written to him on foreign policy issues or intelligence issues and go put them before the person that might take offense at what we have written—we as National Intelligence Officers. He was extremely candid at times. So I felt I could raise the concerns, both the operational security and the possible at least allegations of bad judgment, if not illegalities in a more oblique way, because I—and I took the two original—I took an original and a copy to Mr. Gates because I didn't take it in directly and I told Mr. Gates to—one copy was for him, the original is for Mr. Casey. Mr. Gates wasn't available, so I left the instructions with his secretary to get to Mr. Casey and to go over it. Because I was quite concerned that he would take it downtown and create a furor at the NSC level in particular, perhaps with Vice Admiral Poindexter and Lieutenant Colonel North and others, that Allen had made some allegations that just couldn't be substantiated.

So I felt I would, knowing his proclivity, and the way he reacted to issues like that, by just meeting them head on, I made it somewhat oblique.

Senator BRADLEY. But he did give it to Poindexter, right?

Mr. ALLEN. He surely did, sir. He did just what I thought he would do.

Senator NUNN. He did what you thought he would do?

Mr. ALLEN. Yes sir.

Senator NUNN. But by that time you had already told them beyond what you had—you had already told Casey, beyond what you had in the written memo, hadn't you?

Mr. ALLEN. Absolutely sir.

Senator NUNN. You'd given him all the fears that you had about the diversion—

Mr. ALLEN. He and Mr. Gates had my fears and my indicators, at least in a general sense.

Senator NUNN. Weren't you also then afraid that he might in his own style simply tell Admiral Poindexter that Charlie Allen, beyond what he said in writing, is saying that there may be a diversion of funds?

Mr. ALLEN. And I think that would have been fine. I just didn't want to put in writing something that so directly would have been challenging the White House had I been wrong in my analytic judgment. I had no problem with him discussing it—

Senator NUNN. I understand.

Senator RUDMAN. Would the gentleman yield for a moment?

Senator NUNN. I will be glad to.

Senator RUDMAN. Just on this point, it's interesting the Senator's line of questioning is that the memo itself which is the famous lost memo, when you look at it and it's fairly long—the reference to this dynamite disclosure which became the cause célèbre in the entire Iran-Contra affair, is contained in a rather obtuse paragraph—that's my word—but on page 6 it says—and it's in a lot of other things that are written—it says: the government of the United States along with the government of Israel, acquired a substantial profit from these transactions, some of which profit was redistributed to other projects of the United States and Israel, period. And that is the whole business about it in a very long memorandum, which I found, you know—I just thought it was kind of a minimal reference to what really was a pretty significant matter.

Senator NUNN. Well basically, though, you were at risk in the very thing happening that you feared with that written memo if Mr. Casey had confronted Admiral Poindexter with what you had told him orally.

Mr. ALLEN. That's the way I felt sir.

Senator NUNN. So you had some apprehension about it, that's—

Mr. ALLEN. I felt that I was quite apprehensive.

Senator NUNN. And you also at that stage according to your previous testimony when I was asking you questions, you clearly were afraid that if there had been some of illegal diversion, if that indeed your fears were correct, you also were afraid at that stage it might go all the way to the Oval Office?

Mr. ALLEN. That is correct, sir. Absolutely. And at the time I was a very good friend of Vice Admiral Poindexter and still hope that I am because we had worked together very closely at the NSC and I was of course very close to Lieutenant Colonel North. And I—there were personal relationships here involved and I didn't want to make—it was clear that the chain led from Col. North to Vice Admiral Poindexter and then possibly on beyond the Admiral.

Senator NUNN. Did you tell Mr. Casey or Mr. Gates, that you at that stage feared that this illegal diversion may go all the way to the Oval Office?

Mr. ALLEN. I did not, but it was clear that I implied it could go all the way to Vice Admiral Poindexter.

Senator NUNN. You implied it in your conversation with him?

Mr. ALLEN. That is correct sir. I mentioned Lieutenant Col. North in my conversation with you.

Senator NUNN. Did either Mr. Casey, or Mr. Gates, give any reply to that? That the trail was leading up to Vice Admiral Poindexter?

Mr. ALLEN. Only in the sense that it was a serious issue and Casey was very emphatic that we had to confront the White House on the question. Mr. Gates said it troubled him and said if this was occurring that the issue had gone too far, and that was when Mr. Casey said well you better put down some of these concerns about the entire initiative in writing. You got to remember I spent a good deal of time talking to Mr. Casey and Mr. Gates about the operational—eroding operational security and the enormous political fall-out that would occur internationally if and when the Iranian initiative was exposed.

Senator NUNN. So what we have here is you put in writing in an oblique, but nevertheless you certainly indicated in that memo that the diversion could have occurred in some fashion, and then you told Mr. Casey and Mr. Gates orally that you feared the diversion had occurred and that it had gone to the Contras, and then you also reduced that to writing pursuant to Mr. Casey's request that you do so?

Mr. ALLEN. That is correct, sir.

Senator NUNN. And then that memo was the one that Mr. Casey was supposed to have sent to Admiral Poindexter, but did not?

Mr. ALLEN. No sir. That is not correct sir. The memorandum that Senator Rudman was referring to was a memorandum that he actually took to Admiral Poindexter and left it with Vice Admiral Poindexter. The memorandum that fell into the wrong in-box was written around the 23rd of October 1986 by Mr. Cave based on my notes after a meeting with Mr. Furmark, for reasons that are I guess explainable. Since we went outside the normal executive registry, Mr. Casey failed to sign it and his secretary filed it.

Senator NUNN. Did you get the impression—now I understand now that you are talking about that memo—did you get the impression that Director Casey and Admiral Poindexter were doing a lot of oral conversation during this period, and you described Mr. Casey's style was to just go in and basically say, here's what my guys are saying, what do you say about it?

Mr. ALLEN. That is right. Mr. Casey said that he had called Vice Admiral Poindexter on a couple of occasions, I think after Mr. Furmark had made his initial overture to him and after my conversation with him, I believe on the 7th of October and the 15th of October. If I am not mistaken, he also on more than one occasion in the October timeframe brought this problem either directly to Vice Admiral Poindexter or over the secure telephone.

Senator NUNN. Would it be entirely possible that he, even though that memo that you refer to about the Furmark meetings that it got in the wrong box, would it have been entirely possible that that was discussed orally between Mr. Casey and Admiral Poindexter?

Mr. ALLEN. I have no personal knowledge. It is quite likely because it was Mr. Casey's penchant to punch a button and get Vice Admiral Poindexter on the line.

Senator NUNN. So that in effect, the information contained in that so-called missing memo may very well have gotten to Admiral Poindexter? You don't know that?

Mr. ALLEN. It may have well, I am certain that Lieutenant Colonel North received a drop copy of it unsigned.

Senator NUNN. So you did not ever tell Mr. Casey or Mr. Gates that you feared this diversion might go all the way to the Oval Office?

Mr. ALLEN. No sir.

Senator NUNN. You never used those words?

Mr. ALLEN. Never sir.

Senator NUNN. And the most you indicated to them was that you, at least implied to them, that it might go to Admiral Poindexter?

Mr. ALLEN. That's right sir. But my personal fears were that somehow this initiative had gotten off the track and it might have gone even higher. But I had—that was sheer speculation.

Senator NUNN. Did you speculate on that to anyone? Did you ever say those words to anyone, that this might go all the way to the Oval Office?

Mr. ALLEN. I don't recall expressly discussing the possibility of Presidential involvement.

Senator NUNN. Expressly? How about indirectly?

Mr. ALLEN. I can't recall that. It was more in the sense that the NSC initiative is off the track and that a diversion may be occurring for reasons separate from freeing hostages in Iran or opening doors with elements in the Iranian government. That it could be supporting the Contras. That is as far as I went. And it was directed at the NSC and not at—and any comments I made were never directed at the Oval Office. But I of course had the worries and concerns.

Senator NUNN. You had that worry and you had that concern, but you don't every recall saying that directly or indirectly to anyone?

Mr. ALLEN. No sir, I do not.

Senator NUNN. Did Mr. Casey or Mr. Gates ever tell you that this might involve Admiral Poindexter directly? This diversion.

Mr. ALLEN. No, they did not. On the 7th of October, it was clear that Mr. Casey wanted to bring the matter immediately to the attention of Vice Admiral Poindexter. That's as far as I can go with that.

Senator NUNN. Did Mr. Gates or Mr. Casey ever tell you or imply to you that this diversion knowledge might go all the way to the Oval Office?

Mr. ALLEN. No, they did not, Sir.

Senator NUNN. Did anyone else tell you this? Did Colonel North tell you this?

Mr. ALLEN. No, Sir. He did not.

Senator NUNN. Clearly, Mr. Allen, something was in your mind. You were involved in the hostage rescue. That was very much on your mind. You wanted to free the hostages. You had, I'm sure, misgivings like everyone involved with the Iranian initiative itself, and then you came upon this knowledge about the possible diversion to the Contras, which...

trary to President Reagan's intention in terms of freeing the hostages had it angered the Iranians—would it not?

Mr. ALLEN. I would think it would have angered the Iranians, and that was my deep concern that the Iranians would take retribution and execute one of the hostages.

Senator NUNN. You had quite a fear that this diversion went all the way to the Oval Office or you would have blown the whistle, would you not?

Mr. ALLEN. I had no idea how far the—

Senator NUNN. But your analytical mind told you that it had—

Mr. ALLEN. I simply had worries and I tried to put that out of my mind. I felt I wanted to get the information to Mr. Casey, and I went through Mr. Gates because I knew Mr. Gates would help me in getting the information properly to Mr. Casey.

Senator NUNN. But even with all that fear, including your fear of the very mission you were involved in—that is, the rescue of the hostages—even with all that fear, you never mentioned this apprehension about it going to the Oval Office to either Mr. Gates or Mr. Casey?

Mr. ALLEN. No, Sir, I did not.

Senator NUNN. Mr. Allen, during your meetings with Mr. Gates on October 1st and your meeting with Mr. Casey and Mr. Gates on October the 7th, did you mention Lieutenant Colonel North's admonition to you to defend the pricing of the arms or his proposal, I believe to you, to manufacture a false price list?

Mr. ALLEN. I recall that I mentioned to Mr. Gates on the 1st of October and Mr. Casey on 7 October that I can't remember exactly how I brought up the name of Lieutenant Colonel North, but I felt that he was the person orchestrating the activity—the opening of the second channel—and that even though it had not been officially blessed, I guess until about the 9th of October by Vice Admiral Poindexter, I knew we were headed very rapidly to an opening of the second channel and closing the first one, cutting Mr. Ghorbanifar out.

I'm sorry, I—

Senator NUNN. The real question was whether you mentioned to Mr. Gates in your meeting on October 1st, or the meeting where both Casey and Gates were present on October 7th about Colonel North's request or admonition to you to defend the pricing of the arms.

Mr. ALLEN. Yes, in general we were told that we had to defend in any conversation we had with Mr. Ghorbanifar or Mr. Amiram Nir, we had to follow the stories that were essentially concocted over at the NSC as to why the price of the HAWK spare parts were so high. That was one of the issues that was configured into the conversations on the 1st and 7th—

Senator NUNN. You did—

Mr. ALLEN. His exact words I don't recall.

Senator NUNN. Right. I mean, you conveyed that as part—at that time still speculation but analytical speculation I would call it.

Mr. ALLEN. Yes, sir, it's analytic.

Senator NUNN. Analytical speculation that something was happening in terms of the diversion.

Mr. ALLEN. Yes, Senator.

Senator NUNN. So, both Mr. Gates and Mr. Casey would have known at that stage of at least your analytical speculation and fear along that line and would have also known that there was at least reason to believe that the price on these arms being sold to the Iranians was being substantially inflated.

Mr. ALLEN. That is correct.

Senator NUNN. And you expressed those apprehensions to both Mr. Gates and to Mr. Casey?

Mr. ALLEN. I believe I did.

Senator NUNN. But you didn't include those in your memo that was in writing?

Mr. ALLEN. I don't know whether I included them in my memorandum or not, but it was along those lines, that Colonel North was continuing to insist that there was good rationale for the pricing, and it didn't make sense.

Senator NUNN. Did you get the impression that Colonel North was trying to pull the Iranians leg and was winking at you? Or, did you get the impression he was trying to really make you also believe that the pricing was justifiable on the arms?

Mr. ALLEN. I think he probably believed that I had deep skepticism about what was going on and about the stories. It was clear and evidence has been developed that as we moved on into the initiative and the September and early October time frame, that Lieutenant Colonel North had either told someone or had some notes that it's important to cut Charlie out of the initiative. I think he believed that I was asking the wrong questions and raising the wrong issues.

Senator NUNN. Oh, he wasn't just winking at you. He was really trying to make you believe that the arms pricing was justified.

Mr. ALLEN. But at the same time I believe that at some point—

Senator NUNN. He knew you knew better.

Mr. ALLEN. That's correct, Sir.

Senator NUNN. Thank you, Mr. Chairman.

Senator RUDMAN. Mr. Chairman, could I just follow up on just one question Senator Nunn asked. Mr. Allen, during your testimony in an answer to a question from Senator Nunn, you made the point that Vice Admiral Poindexter was a friend of yours. I think you said you hoped that he still was. And you also said Colonel North was a personal friend of yours. Is that correct?

Mr. ALLEN. That is very much correct, Sir.

Senator RUDMAN. If that's so, when you came to your—I think rather spectacular analytical conclusion based on intelligence which we are not free to discuss here—conclusion, which was pretty educated speculation, or analytical speculation as Senator Nunn termed it, why didn't you go to Colonel North who, by our own statement, you knew? If what you thought was true, this was a very serious matter. The man was a friend of yours; you had been working with him. Why didn't you go to him and say, "Ollie, you know, if this is true—what I think is happening around here—you're apt to be in a jam." You're all apt to be in a jam. Why didn't you do that?

Mr. ALLEN. I could have taken that route.

Senator RUDMAN. Did you consider it?

Mr. ALLEN. Yes, I did. But it retrospect—at the time contemporaneously I did consider it. At the same time I felt that I might be stonewalled at the NSC because when questions were raised with me on several occasions in June and July about the pricing question and the Iranians complaints over the pricing, I was given, you know—very detailed—and what appeared to me as I put it, patently false stories. I thought I might again only find myself stonewalled. I felt that given the fact I lacked conclusive proof, that it would probably best raise it within my own Agency, with my own superiors, and see what they would do. And we went up the chain and I think the result was achieved that I wanted. I wanted the Director to get this down to the National Security Advisor, which he did. I could've and I didn't.

Senator RUDMAN. Well, I'll just follow it up with a brief one. I mean, had you been stonewalled, well, so be it. You would have been stonewalled. But the fact is, if you wanted to confirm the data and be able to go back to your superiors and say, "I've got hard data now, this is what's happening," didn't you consider that maybe based on your friendship—as cynical as that may sound—you ought to find out what was going on there and report it back to your superiors to confirm that a diversion in fact was taking place?

Mr. ALLEN. I could have gone that route. I raised the operational concerns—the operational security—and I think Colonel North and other members of his staff were concerned over the operational security. I chose to take the other route. I took the other road, Senator Rudman.

Senator RUDMAN. Well, that's fine. I just thought the question ought to be asked.

Mr. ALLEN. Yes, sir.

Senator BRADLEY. May I just follow up on that? The fact that it was the White House make a difference?

Mr. ALLEN. Absolutely.

Senator BRADLEY. Why?

Mr. ALLEN. Because there's a certain aura with the White House. There's a certain aura with the office of the Presidency. It is something that everyone looks upon—all Americans generally—with great respect. There's a certain great symbolism about the office of the Presidency. An intelligence officer like myself doing some speculation and then drawing initially—and then drawing some analytic judgments based on indicators, I felt it would be perhaps a very difficult process to take this directly to the White House when I had my own Agency and my own professional colleagues who I trusted like Mr. Gates, I could go to Mr. Gates or Mr. Casey with the issue and the problem.

Senator BRADLEY. So you were respectfully, but nonetheless, intimidated by the fact that you would be in the possession of a hunch, which if proven correct, would prove extremely damaging to the President.

Mr. ALLEN. Well, there was the potential, and it was more than a hunch. There were indications that something was amiss, and I felt that just trying to go down and take on the NSC on this—even though I was close to Colonel North as Senator Rudman noted—I felt it would be first and foremost I should take this to the people within the Agency. We've been told and reminded many times by

previous Directors and by Inspectors General if we have worries and concerns of improprieties or waste, fraud, and abuse, let's go up the chain. And that's what I did.

Senator BRADLEY. You said in response to Senator Rudman's question also that you had tried to get some confirmation in June and July, which is earlier than I had known your suspicions were known.

Mr. ALLEN. Late June, when the pricing began to go awry, I asked what was the reason, why were the Iranians in Iran so convinced that they knew the real price of the HAWK spare parts. And I said, the intelligence suggests, and it is pretty reliable intelligence, that they know exactly the base prices. So I asked Col. North why the costs were so high. Why was there such a mark-up in the cost being given to Mr. Ghorbanifar, and then he puts his commission on top. And first, it was Ghorbanifar's problem, and then later there were a number of stories that I was to convey to Mr. Ghorbanifar about reopening production lines, going to third countries to which the United States had sold HAWK spare parts and buying them back and making them available to the Iranians. All that seemed to be a little too much to be credible.

Senator BRADLEY. So that in fact you never got a clear answer on why the pricing was what it was?

Mr. ALLEN. That is correct.

Senator BRADLEY. And you were told to—against your own instincts to say that it was one thing when you didn't quite know what it was, but you suspected it was quite something else?

Mr. ALLEN. That is correct. I was given guidance to tell that to the Iranian middleman and to the Israeli official who was working with Mr. Ghorbanifar.

Chairman BOREN. Given guidance by whom? Excuse me.

Mr. ALLEN. By Lieutenant Colonel North.

Senator BRADLEY. At that moment, how did you feel about your government?

Mr. ALLEN. Well, I felt good overall about my government, but—

Senator BRADLEY. How did you feel about your NSC? Or your White House?

Mr. ALLEN. I at that stage, felt that the National Security Council staff had sort of lost its perspective on this initiative and that it did not—it had lost its strategic direction. It was reacting in a very tactical way and that it was trying to stay ahead of a looming avalanche.

Senator BRADLEY. Looming avalanche?

Mr. ALLEN. That's right, to use a metaphor.

Senator BRADLEY. The avalanche being?

Mr. ALLEN. The avalanche being some form of—particularly the fall-out that would occur immediately from the exposure of the initiative, which occurred as you know in November 1986.

Senator BRADLEY. And the damage to national interests?

Mr. ALLEN. That is correct.

Senator BRADLEY. And the damage to national interest compounded by the damage to the

Mr. ALLEN. That's correct. And that is the reason in the memorandum that Senator Rudman quoted, I urged that we do a zero-based review because I thought we had lost our strategic objectives.

Senator BRADLEY. In the November 7th memorandum?

Mr. ALLEN. In the 14 October memorandum.

Senator BRADLEY. The one that was basically done after the October 7th meeting?

Mr. ALLEN. That is correct, sir.

Senator BRADLEY. And no response?

Mr. ALLEN. Well, the fact that there was no real reaction at the White House, I am certain that Vice Admiral Poindexter must have shared it with someone at the White House because it laid out very explicitly that a disaster was looming. And I waited to see what was to be done. I even suggested they form a panel with a number of distinguished experts to look at the initiative. And nothing happened.

Senator BRADLEY. Which they waited for the Tower Commission to do that.

Mr. ALLEN. Yes sir, Senator Tower was a distinguished man, yes.

Chairman BOREN. Mr. Allen, let me take you back to just a few wrap-up questions. We'll proceed this afternoon with Senator Metzbaum and Senator Bradley.

Let me go back to an important question for us in evaluating what Mr. Gates has told the Committee in his testimony. This is the conversation that Mr. Kerr says that he had with Mr. Gates after you told him in August about your suspicions about the diversion.

Mr. Gates testified to us that he remembers distinctly his conversation with you on October 1, but he doesn't remember the conversation with Mr. Kerr.

You have indicated that Mr. Kerr did not talk to you again about his conversation. You indicated that Mr. Kerr didn't tell you he had this conversation with Mr. Gates until after Attorney General Meese made the public revelations about the diversion?

Mr. ALLEN. That is correct, sir.

Chairman BOREN. So really you are one of the three people—yourself, Mr. Kerr, and Mr. Gates—that can give us some insight into these conversations. Now, Mr. Gates has indicated that if Mr. Kerr told him either directly or indirectly about your suspicions of the diversion it didn't register with him. And we said in discussions with Admiral Inman and others, we have all had the experience of a staff member coming on a busy day, telling us things that didn't really register with us even though we might nod our head and appear to be listening.

Now I think it becomes important to have your assessment of how Mr. Gates reacted when you yourself went to him on October 1st obviously in more detail about the same matter that Mr. Kerr says he had already reported to him.

Now, describe again for us Mr. Gates' reaction when you told him on October 1st.

Mr. ALLEN. That's correct. I went into Mr. Gates, I explained that the first channel was being shut down—the Ghorbanifar channel. A new channel was opened and I explained to him that when—we can't discuss the details of that in open session—as to

who was involved, but I said I wasn't certain of how reliable that channel was, and then I went through some of the indications of the operational security. So I divided the conversation into halves. The second half discussed my suspicions that something was awry. And when I went through a number of the indicators, Mr. Gates recalls maybe some, but not all. I recall several. Mr. Gates reacted after his initial statement which was not a serious statement—now I want to make that very clear, it was not serious—he said, I don't want to hear about this, but he said that in surprise and also in a disturbed way. And he said, this potentially is very serious. He said I have admired Col. North and his work in crisis management, and matters of that nature, but this goes too far. You need to get to Mr. Casey and you need to do it immediately. Now I failed very badly in not going immediately to Mr. Casey—

Chairman BOREN. Well, let me stop you now because I am more interested in your opinion of Mr. Gates' reaction when you told him this. You didn't learn until after the Meese announcement that Mr. Kerr told you that he had already said something about it to Mr. Gates.

Mr. ALLEN. That is correct, sir.

Chairman BOREN. In your opinion, from the reaction of Mr. Gates, do you think he was hearing what you said about the diversion for the first time?

Mr. ALLEN. Yes I do.

Chairman BOREN. Why do you think that?

Mr. ALLEN. The surprise upon his face. The way he reacted. Sort of stunned by the fact that the White House would commingle two separate activities in such a way. And in fact he made that comment, I cannot believe that the White House would commingle these activities.

Chairman BOREN. Mr. Allen, we have had testimony from Mr. Fiers, for example, that he was in a meeting once in Director Casey's office where Director Casey questioned Col. North in front of him. He feels it was being the witness to a charade which would at least lead us to believe that people can feign not knowing, or feign surprise so as to convey a certain message to someone else with whom they are talking. Do you think there is any possibility in this situation that Mr. Gates, if he already had this conversation with Mr. Kerr, was merely pretending to be shocked and surprised when he talked with you?

Mr. ALLEN. I have known Mr. Gates for almost 25 years. Mr. Gates is no actor. Mr. Gates was telling the truth. I think that's the first time he had heard of this matter of a possible diversion. And I have no reason to believe his credibility on that count.

Chairman BOREN. Well, now Mr. Kerr said he told him before. I guess you are not—

Mr. ALLEN. I understand that. I have no reason based on my direct conversation with Mr. Gates on the 1st of October to doubt his comments, his statements and the fact that this was—that this issue had taken him by surprise.

Chairman BOREN. So if someone else had said it to him, you feel this is the first time it registered with him at least?

Mr. ALLEN. Mr. Gates has a very active mind and if—
else—and as Admiral I

Casey, his thought was to take it to Admiral Poindexter. Mr. Gates said I thought at that time he was a straight arrow. I think that was the term he used. So the thing was to notify all the chain of command plus the General Counsels of both institutions. Now that's one hypothetical way of looking at that. That this was a sincere effort to go through the chain of command and inform the people you normally inform.

And he said, I guess in retrospect I was naive, I shouldn't have been so trusting about people just because they were above me in the chain of command.

Now there's another hypothetical way of looking at this and that is, gosh, Charlie Allen has come up with analysis that's pretty damaging, and if it is true the roof is going to blow off the place. So let's find a way to tip off the guilty parties that they're in trouble, that they've been found out by taking this to Mr. Poindexter.

Why isn't that a reasonable hypothesis for why they went to the White House?

Mr. ALLEN. For a lot of reasons. But first and foremost I don't believe either Director Casey or Mr. Gates are those kinds of people. I believe that this information from everything I know was new to them. They acted upon it; they took it to the White House; they called me in afterward and they were still, Mr. Gates, I remember was troubled and so was Mr. Casey.

Mr. Casey in that huge desk of his piled with endless papers, said, well you've read that memo that I did from Roy Furmark. I said no, I hadn't. That's when he pulled this thing out of—and then he said I want you to pursue this. I want you to get more information on this because Mr. Furmark clearly has interesting information about the bridge financing and that appears to be totally awry.

He said I'll call Mr. Furmark and get him down here to talk to you. So the fact that they didn't just come back and say we've done our job, Mr. Gates and I have done our job. The Director said I want to pursue this with Mr. Furmark. So I thought this was an indication of sincerity.

Chairman BOREN. Well, Mr. Allen, it could be. Let me say this. Could it not have been that Mr. Casey did know about the diversion and that he wasn't so shocked and surprised about the diversion, but he was shocked and surprised by the inept way in which it was being carried out?

And, therefore, he might well have been shocked to learn about all these problems with Mr. Furmark, but he might have known about the diversion. His shock might have been oh, this has been so mismanaged, this is all going to blow sky-high. Is that another possible hypothesis?

Mr. ALLEN. That's strictly a hypothesis. I have no evidence that Mr. Casey was thinking along those lines.

Chairman BOREN. Let me ask you this question and this is a little bit beyond the bounds of our focus. Then I have two last questions which return us back to Mr. Gates. You obviously think Mr. Gates was not knowledgeable about the diversion and I assume you still think so?

Mr. ALLEN. I firmly think that, yes.

Chairman BOREN. Implied in your testimony is the feeling that at least at that point in time you also trusted Mr. Casey and did not believe he knew about the diversion, at least in toto.

Mr. ALLEN. Contemporaneously I had no reason to believe that he knew of the diversion.

Chairman BOREN. Now, since that time we've really had only one person's testimony under oath on that question and that was the testimony of Col. North which I cited and put into the record, I believe, on the first day of our hearings. He indicated that Mr. Casey did know of the diversion. Have you drawn any conclusions or have you speculated yourself, not in terms of what you believed at the time, but what you believe now in terms of whether Mr. Casey knew about the diversion when he was talking to you through this whole period?

Mr. ALLEN. Other than Lt. Col. North's statement which he gave under oath, I have no reason to believe, that DCI Casey knew of the diversion. I have no personal evidence of that. I found that Mr. Casey sometimes walked a fine line, but he never crossed the line based on what I've seen of the Director. And I have no reason to believe he was deliberately deceiving me at the time.

Chairman BOREN. Well, let me turn to two last questions. According to your interrogatories during the week of November 21, while Mr. Casey's testimony was being prepared you had a conversation with CIA Associate General Counsel Makowka regarding his discovery of the unsigned copy of the retroactive Finding prepared after the November 1985 flight approving the assistance the CIA had provided. Do you remember that?

Mr. ALLEN. I recall that there was a question of a mini-Finding and the issue had arisen. I believe there was a mini-Finding and Mr. Makowka and I discussed it.

Chairman BOREN. You refer to mini-Finding, meaning what some have called a retroactive Finding?

Mr. ALLEN. That's correct.

Chairman BOREN. According to the testimony Makowka told you that Mr. Gates had raised this Finding at the White House and had been told by North or Poindexter that, quote, "It did not exist."

And upon hearing this, according to your testimony you called North yourself and he reiterated to you the Finding does not exist. Is that correct?

Mr. ALLEN. That's a fact. Lt. Col. North was quite emphatic over the secure telephone saying that such a Finding never existed, it's never been signed and you should forget about it.

Chairman BOREN. Well, at a meeting which occurred the next morning in Director Casey's office, you raised the matter of the retroactive Finding once again, I believe. According to your answers to us, you were rather abruptly told by Mr. George to keep quiet. And that's an accurate summary of what happened?

Mr. ALLEN. That's a polite way of putting it. Yes sir.

Chairman BOREN. Did you view these efforts by the White House and by Mr. George as a deliberate effort to keep any mention of this unsigned Finding out of the Director's testimony?

Mr. ALLEN. I never dwelled on it at the time. I was firmly convinced that...

that one existed, at least a draft existed. And that it had been sent to the White House. I found that disquieting. I didn't understand exactly what was occurring. I may have been naive about it, but it didn't ring true because Mr. Makowka had actually drafted it as I recall for Mr. Sporkin.

Chairman BOREN. So by implication you're saying they certainly want me to stay quiet for some reason. You're not sure exactly what, but it made you suspicious.

Mr. ALLEN. That really bothered me because on the 24th of December 1985, Lt. Col. North at the White House had talked with Mr. Makowka and me about a document that had been signed and there's one copy of it in his corner safe. Both Mr. Makowka and I assumed that it was the retroactive Finding or the mini-Finding that had been signed.

I don't think Col. North ever used the term Finding.

Chairman BOREN. But you were aware of the fact that he told Mr. Gates, no, it doesn't exist. And when you called him back, he even told you that. Even with the background knowledge you had?

Mr. ALLEN. That's correct sir. That's correct.

Chairman BOREN. If you got a sensation from others that they didn't want you to talk about this, did you ever feel any pressure in any way whatsoever from Mr. Gates, even by a wink or a nod or a glance, that you should not bring that matter up or talk about it in terms of the testimony?

Mr. ALLEN. No. Mr. Gates never indicated that he wanted anything but full disclosure of the facts to me. Never any indication, never a wink, never a nod. No, he was very direct on this.

Chairman BOREN. The Committee has recently interviewed Director Casey's Executive Assistant, who was deeply involved in putting together his testimony.

Mr. ALLEN. Yes.

Chairman BOREN. And he continued to work on putting together his testimony after these chaotic meetings that you and others have described. The people who have participated in those meetings went home, including Mr. Gates. And apparently Mr. Casey continued to work on his own testimony and with his Executive Assistant.

The Executive Assistant says that on the night of November 21st, after the Director's testimony had been given, that he had a discussion with you where you told him for the first time your speculation about a diversion. According to his statement, you said you were really concerned because profits were being diverted to the Contras. He said it hit him like a ton of bricks, to use his words. I'm talking about the Executive Assistant to Mr. Casey.

Do you recall that conversation?

Mr. ALLEN. No sir. I do not.

Chairman BOREN. You don't recall a conversation with him?

Mr. ALLEN. I'm sorry. I cannot recall. I recall that 21 November 1986 was one of—was an extremely stressful day. But I do not recall discussing it with the Executive Assistant.

I recall working on the testimony with the Executive Assistant after Mr. Gates and Mr. Casey had left and we worked on some further revisions, either up to eight or nine o'clock that Thursday evening.

Chairman BOREN. While you were working with the Executive Assistant during that period of time, still working on Director Casey's testimony, did you raise your suspicions of a diversion with him?

Mr. ALLEN. No sir. Not at that time. We were struggling to get the story correct on the so-called movement of HAWK missiles into Tehran around the 24th, 25th of November. And it took us a long time before we even got the basic facts correct on that.

Chairman BOREN. Here you know you've told Mr. Gates, you and Mr. Gates have gone to meet with Mr. Casey about your fears, you've written a memorandum which has been taken to the NSC and perhaps discussed with legal counsel. You've kind of waited to watch and see how the NSC would respond to the fact that the people in the Agency know this now or at least have very strong reasons to suspect it.

Why didn't you say something about it since this was the final touch being put on Director Casey's testimony. I guess you and he were the last two, other than Mr. Casey himself who could have made some more changes, that worked on this.

Mr. ALLEN. Mr. Casey had a penchant for changing things right up to the last moment. And there probably were a few additional adjustments made the morning of the 21st. I believe there were a few adjustments made to the testimony.

Senator BRADLEY. And Mr. Gates made some contributions?

Mr. ALLEN. I don't recall, sir. It was more of getting facts down and whether we could use the term Southern Air Transport, how to use that.

Senator BRADLEY. Mr. Gates admits making a contribution.

Mr. ALLEN. Yes. He may have made it. I don't know that. I remember—

Senator BRADLEY. After?

Chairman BOREN. No, not after the afternoon. The last was on the afternoon of the 21st. Rather, the afternoon of the 20th.

Mr. ALLEN. On the afternoon of the 20th, Mr. Gates made some changes. I don't recall specifics. But yes, he did.

Chairman BOREN. He testified to that.

Mr. ALLEN. On the morning of the 21st, it was a matter of fine tuning. I think there were a few minor adjustments made to the testimony.

Why, at the last moment, that evening on the 20th of November or on the morning of the 21st of November, I did not give my deepest concerns in some form of written statement in the testimony, I cannot answer that. At the time, there were a number of factors that led me to believe that I did not have the conclusive evidence, that this would be too difficult to get inserted into testimony at that stage without the confirming evidence.

I was troubled. And if I told the Executive Assistant after the testimony on the 21st, it was clear I was still troubled.

Chairman BOREN. I guess that's what I don't understand. The testimony of Mr. Gates, I believe, and others was that he participated in the drafting of the testimony up until the afternoon of the 20th making some changes. Then he went home and others went home. And I gather what you are saying is that you were still behind after the others had left working on the testimony.

ant on some additional changes and then finally Mr. Casey was the last one that worked on it before he went off to give his testimony.

But, I guess it is just hard for me to understand why. Obviously, you've had this concern about the diversion really gnawing at you. And you've thought a lot about it. As you testified in response to questions from Senator Nunn and Senator Bradley, you felt inhibited and very concerned because you had suspicions you said, not proof but suspicions, this could go all the way to the President of the United States.

I guess I don't quite understand why you wouldn't have said to the Executive Assistant to Director Casey when you are putting the final—other than Casey himself—touches on the testimony, well, there's this other thing that has just been eating at me for months. Shouldn't we at least think about whether we ought to bring it up to Casey as to whether or not he ought to put that in?

Mr. ALLEN. I could have done that. I felt at the time though I had brought this matter to the attention of a number of senior officials—and I believe the Vice Chairman counted eight or nine—that had at least word of the diversion. And several and most had seen my memoranda that I had written, the one on the 14th of October, as well as the meetings with Mr. Furmark. So I could have done that. But at the same time, late in the afternoon and early evening of 20 November, as I set forth in my written statement, we were still trying to get a lot of basic facts together. And I was trying—we were certainly trying to get that November 85 shipment in a more coherent form.

You would be surprised how much difficulty we had getting a few simple facts together, with everyone agreeing as to what really happened.

Chairman BOREN. Yes. Senator Bradley has one last question and then we are going to take a recess. I think we'll come back at 2:30 to give a little more time since we've gone on longer than we anticipated.

Senator BRADLEY. Your October 14th memo, which was taken to the White House? To the NSC?

Mr. ALLEN. Yes sir.

Senator BRADLEY. This is a memo in which you laid out your concerns, suspicions, diversion.

Mr. ALLEN. There was little mentioned about the diversion in that as Senator Rudman has pointed out.

It layed out sort of the origins of the initiative. Who were the parties involved. What were the objectives. It did talk about potential problems and implied improprieties. But it didn't lay out all my concerns in depth.

That was the memorandum.

Senator BRADLEY. And who told you that they were going to consult White House Legal Counsel?

Mr. ALLEN. Mr. Casey said that he advised Vice Admiral Poindexter to seek legal counsel, to get the White House Counsel involved straight away. And Vice Admiral Poindexter looked at Mr. Casey and said, I don't know that I can trust the White House Counsel.

Senator BRADLEY. And who was the White House Counsel?

Chairman BOREN. Mr. Wallison. I am told

Mr. ALLEN. I don't know, sir.

Chairman BOREN. Peter Wallison was the White House Counsel. Senator BRADLEY. And who said that he couldn't be trusted?

Mr. ALLEN. Vice Admiral Poindexter, according to Mr. Casey, said I'm not certain I can trust the White House Counsel.

Senator BRADLEY. So that you have the head of the NSC advised by the head of the CIA to consult his Legal Counsel, but he says I can't trust my Legal Counsel?

Senator RUDMAN. If the Senator would yield? The record will show that what he did do was to consult the NSC Legal Counsel. And that has been a matter of record for five years.

Senator BRADLEY. But the point—was the White House Legal Counsel alerted?

Mr. ALLEN. I don't know sir. I have no knowledge that Vice Admiral Poindexter ever alerted the White House Counsel.

Senator BRADLEY. But clearly the document itself, if the document is what Senator Rudman, read, is not a neon sign blinking, but since most of this was also conveyed by word of mouth, verbal, it is conceivable that this could have been conveyed by word of mouth that there is a real problem here. It is conceivable Mr. Casey could have talked to Mr. Wallison. It is conceivable that the NSC Legal Counsel could have talked to Mr. Wallison. It is conceivable that this would be the first time that anyone really knew that they were going to have to have some kind of strategy to deal with this emerging scandal. Is that not correct?

Mr. ALLEN. My concerns over the diversion could have been verbally expressed. Yes.

Senator BRADLEY. Thank you.

Chairman BOREN. Let me just say from the study by this Committee and from the Iran-Contra Committee—and Senator Rudman may want to comment because he served as Vice Chairman of that Committee—the record reflected that Legal Counsel of the NSC was told. The record also reflects that around this same time that I don't know whether it was Mr. Gates or Mr. Casey took their concerns to the Legal Counsel of the CIA, Mr. Doherty, who I believe has also indicated to us that he was informed by them of the problems.

So, we do know that the concerns in your memo were discussed with Casey, then Poindexter, the Legal Counsel of the NSC, and then the Legal Counsel of the CIA. The record does not reflect that Mr. Peter Wallison, the Legal Counsel of the White House, was ever told. I might yield to Senator Rudman because he is very familiar with this history.

Senator RUDMAN. The Chairman is correct. And what's interesting about all of this—since we are getting into a few irrelevancies here—is that although the civilian lawyer at the White House was in fact the White House Counsel to the President of the United States, he was not trusted by Admiral Poindexter. The National Security Council lawyer, who was a Navy Officer, was trusted by Admiral Poindexter.

Senator CRANSTON. It seems to me the point ought to be made that the matter of trust related to that person's desire to follow the law and to protect his President and that if there was a matter of

Chairman BOREN. I'm told by our—

Senator BRADLEY. Mr. Chairman, just—is it that the record shows that the NSC General Counsel was consulted about the diversion?

Chairman BOREN. Let me clarify that.

Senator BRADLEY. Or about the problem? I don't think—

Chairman BOREN. Let me clarify that because I want to be fair to the NSC Legal Counsel. Mr. Snider, our legal counsel, informs me that his reading of the record is that the NSC legal counsel, I believe was a Navy Commander, was informed about the problems with the operation. The record says he was informed about the problems of the operation. It does not explicitly say whether or not he was told about the question of the diversion.

Senator RUDMAN. That is absolutely correct. And it is a matter of some contention, I might add.

Chairman BOREN. Right. It was never resolved as to whether or not he knew explicitly about the diversion. He did know there were problems with the operation.

Apparently the White House counsel was not informed about any of this. At least the record doesn't reflect that. And the legal counsel at CIA was informed specifically about fears about the diversion, was he not? Is that correct, Mr. Snider?

But the CIA Counsel, Mr. Doherty, indicates he was informed about the full range of concerns including a possible diversion.

So that's what the record would reflect. And we are dealing here obviously it is a very—it is a sad commentary, as many of us said as we sat through those days of the Iran-Contra proceedings, that we had a government in which many people were operating not trusting each other. Not only a matter, as we've seen before, of the Executive branch not trusting the Legislative and the terrible damage that causes to the Constitutional process and the relationship of trust and the confidence of the American people. Here there was even within the Executive branch itself, all sorts of levels of distrust. It's a very sad commentary that we went through a period of time like this where professionals in the field had to wonder who knew what, who should they tell what, who could they trust, who was play acting with them, who was being straightforward with them.

And I guess to some degree, Mr. Allen, you leave us even still with some mysteries that perhaps we can never resolve as to what some of these people who were dealing with you knew.

Well, we will resume—

Senator CRANSTON. May I just make one more comment on this matter?

Again, some of the mistrust was not trusting somebody to be willing to do something improper.

Chairman BOREN. Wrong. Exactly.

Senator CRANSTON. And that may have specifically been a reason why Robert Gates was excluded from the loop, from the compartment.

Chairman BOREN. Well I think you have to say that it is, as sometimes we say in politics, a tribute to you to have certain enemies sometimes. When some people use the term "mistrust" or decide to cut some people out of meetings, that's not necessarily a

derogatory term. We're talking about the White House counsel. I would assume, for example, that they said they didn't trust the White House Counsel, what they meant was if they were doing something wrong, they couldn't trust the White House Counsel to go along with it and keep quiet. Now that's the kind of mistrust I think anybody would like to be guilty of on the receiving end. I think that one of the things the Committee has to decide is, was Mr. Gates cut out of the loop? Was he or was he not? And if so, why? That's one of the things we've tried to uncover the answer to in these hearings. Members will of course reach their own conclusions.

Mr. Allen, we've kept you an awful long time here at a single sitting. We appreciate your patience in answering our questions. We do have at least two Members, Senator Metzenbaum and Senator Bradley, who have additional questions this afternoon. There might be at least one other Senator with additional questions. We will come back at 2:30 and complete our questioning of you at that time.

Thank you very much. We will stand at recess.

[Thereupon, at 1:25 o'clock p.m., the Committee was recessed, to reconvene at 2:30 o'clock p.m. the same day.]

AFTERNOON SESSION

Senator CRANSTON [presiding]. We are going to proceed with the hearing now. We thank the witness for returning to the table. Senator Metzenbaum has some questions to ask.

TESTIMONY OF CHARLES E. ALLEN—Resumed

Senator METZENBAUM. Mr. Allen, let me get something clear.

At the present time, what position do you hold at the CIA?

Mr. ALLEN. Currently, sir, I am the National Intelligence Officer for Warning.

Senator METZENBAUM. And whoever becomes the new Director, would you intend to remain as a member of the team and continue your employment? You have been there how many years, 25, 30?

Mr. ALLEN. I would hope I could remain for a while, as part of the team. Yes, sir, that is my intention. I still have a daughter to educate at the University of Hartford.

Senator METZENBAUM. Actually, we are asking you some very difficult questions about a man who might be your future boss.

Mr. ALLEN. I understand that, sir.

Senator METZENBAUM. Let me ask you a question that has occurred to me as you were talking this morning, about people dealing with the Iranians and Ghorbanifar, and the White House and various other people in the intelligence sector.

Am I wrong? Did we not have an announced U.S. policy that we would not deal with terrorists or those who were holding hostages, and that we would not negotiate with them; that we would not make any deals with them; that we would not be in communication with them except to seek the release of the hostages? But nobody raised this. Is that your recollection of our national policy at that time?

Mr. ALLEN. I'm well aware of our policy at the time. It had been enunciated for some years, I believe, beginning with President Nixon, after the Ambassador and the DCM at Khartoum, I believe, were killed by terrorists, that we would not negotiate or deal with terrorists. And this policy was part of the watchword that was carried out through the work that I did on counterterrorism, with Ambassador Oakley, and then later with Ambassador Bremmer at the Department of State and with the NSC.

Senator METZENBAUM. So you were very much aware of it, and you understood that was the position we were following.

Now how does it follow, then, that when you learned that Colonel North was, indeed, negotiating indirectly with the terrorists, and was talking about quid pro quo consideration, how does it happen that neither you nor anybody else at the CIA or at the White House raised the question that hey, this is just contrary to our national policy as enunciated by the President?

Mr. ALLEN. I believe our view was that we were not negotiating directly with terrorists, per se. It was clear that Iran and other countries, a small number of other countries, were viewed as states that sponsored terrorism. The initiative that was begun in 1985 with the assistance of the government of Israel was to find elements within the Iranian government with whom the United States could deal—particularly to counter terrorist activity by Iranian-influenced captors in Lebanon; and also to try to encourage the development of a climate where Iran would not engage in terrorism; with the view that we had a political vacuum in southwest Asia, and that there were substantive reasons to see if we could constructively find elements within the Iranian government who were willing to renounce terrorism and to rejoin the community of nations.

The prospective, as presented to me by the White House and by Vice-Admiral Poindexter, and Lieutenant Colonel North was that these were not terrorists with whom we were dealing; that these were elements within the Government of Iran who could influence and control terrorism in Iran and perhaps even in Lebanon. And as a result, we went for almost 2 years, I guess, we went from a period from the summer of 1985 into September of 1986 and no Americans were kidnapped—no additional Americans were kidnapped in Lebanon. I believe Frank Reed was finally kidnapped around the 8th of September, 1986. That was frequently cited by Lieutenant Colonel North and others that we were on the right track. Not only were we aggressively trying to free our hostages in Lebanon, but that we were trying to counter terrorism sponsored by the Iranian government.

Senator METZENBAUM. He said we were on the right track because only one American had been kidnapped? Is that what you are saying?

Mr. ALLEN. I am saying that there was a hiatus in kidnappings that stretched for many months. We also looked to see if terrorism, internationally, had continued at the same level from the government of Teheran.

We were told that this policy was clearly—had the support first, and initially by the National Security Advisor, MacFarlane, and later by the National Security Advisor, Vice Admiral Poindexter;

and then, of course, I learned directly from Mr. John McMahon in December 1985 that the President of the United States strongly supported this initiative toward Iran.

Senator METZENBAUM. Why had he strongly supported the initiative of dealing with the Iranians, of selling them arms? Was it the thought that (a) it would cut down the amount of terrorism in the world, and (b) that somehow it would help release the hostages? Is that what your testimony is?

Mr. ALLEN. I'm saying that that was the policy initiative as articulated by some individuals at the NSC. And that, of course, has been part of the record, I guess, over the last 3 or 4 years.

Senator METZENBAUM. And that reflected the policy of President Reagan. Is that your testimony?

Mr. ALLEN. My testimony is that the President, from discussions I had with Mr. McMahon, in mid-December 1985 reflected that he supported the Iranian initiative as delineated by Vice-Admiral Poindexter, and Lieutenant Colonel North.

Senator METZENBAUM. Mr. Allen, as a National Intelligence Officer, you were a senior analyst with substantial experience. Bob Gates has testified that when you came to see him on 1 October 1986, you based your so-called speculation regarding the possibility of a diversion on two things: sensitive intelligence that you had been handling; and your observation that General Richard Secord was involved in both the Iran arms sales and in supplying the Contras with arms.

Your statement indicates that you told Gates of two other sources of information as well: one, direct conversations with Mr. Ghorbanifar; and two, Ollie North's reference to the reserve, as the source of possible funds to pay off Mr. Ghorbanifar.

I understand you also told Mr. Gates that Mr. Ghorbanifar had been charged \$15 million for arms that were only worth between \$5 million and \$7 million, and explained to him that this meant that somebody other than the Iranian middle-man was cheating the Government of Iran.

In your professional opinion, what was the significance of the confluence of these several different warning signals?

Mr. ALLEN. These were what I would call intelligence indicators, some of them quite separate from each other. The reference by Colonel North to the reserve; Mr. Ghorbanifar's impassioned plea to me for help—my view is that you take those indicators, as we do today in our intelligence world, and you look at them; you aggregate them, and from that you try to develop some analysis. And that is what I did. I had no documentation whatsoever, from anyone, of—that would be considered valid in a courtroom that a diversion had occurred. It was an analytic conclusion.

Senator METZENBAUM. Well, it is a little bit more than that, is it not, Mr. Allen? You told Mr. Gates a whole series of items and indicated, I believe, the exposure of the initiative could be imminent. You told him about the channel, the Ghorbanifar channel, and you also told him about the Secord channel. You told him that you were concerned about other aspects: the impasse over the price; the arms being sold to the Iranians; and that you thought the proceeds might have been diverted to support the Contras in Central America. And that—

of the HAWK spare parts, and the refusal of the Iranian Government and the officials involved to pay for the parts because the price was five or six times their actual cost. You went on to tell him to note the desperate financial straits of Manucher Ghorbanifar; and his "frantic calls to me in August of 1986 in which he insisted his commission; and the price or parts averaged only about 40 percent."

You went on to mention "Lieutenant Colonel North's reference to the reserve and his conversation with me on September 1986;" an indication that substantial profits were being obtained from the arms sales to Iran. You pointed out that Mr. Hakim and Major General Secord directed and controlled the second channel to Iran and at the same time, evidently, were principals involved in the so-called "private" effort to aid the Contra struggle against the Sandinista regime in Nicaragua.

Now, all of these sort of come together. I mean, you are telling him all of these things. And I am asking you, if somebody had told you all of those things, would you not have been sufficiently alerted and concerned; would you not have taken some major steps to see what was going on?

Mr. ALLEN. Well, I think in the light of hindsight, those indicators, based on the knowledge that was revealed later, become even starker. In the context of the time, they were indications. We did not have confirming proof.

I think Mr. Gates reacted with—as I have testified—with surprise and concern, and directed me to take some action with Mr. Casey.

Senator METZENBAUM. With some concern.

Mr. ALLEN. Yes.

Senator METZENBAUM. Well, you did not just tell him one thing; you did not just tell him about Ghorbanifar being concerned about being cheated. You did not just tell him about any one of the several things I have previously mentioned.

You told him a whole host of things. And you are saying and he reacted with some concern.

Do you not, as a trained intelligence officer, believe that it was a matter of major moment? I mean, there were enough indicators. This was not just circumstantial evidence. You talk about whether there is enough evidence in a courtroom. This is some pretty specific information that you mentioned to him.

And Mr. Gates took some notice of it and told you, as I remember, to prepare a memo. And then you prepared the memo. And the memo had less in it than what you had originally told him. And you explained why that was.

But the question I have is, were you not telling him that there is really something going on out here? And was Gates not sort of brushing it off and saying well, get a memo off to Mr. Casey?

Mr. ALLEN. Well, let me correct the record, Senator, if I may, sir.

Yes, I did cite and list—as I think Senator Boren said, I won't use the term tick—I listed a number of indicators. Mr. Gates told me to see Mr. Casey. It was Mr. Casey who directed me to write the memorandum, not Mr. Gates. Mr. Gates was present when Mr. Casey gave the direction

Senator METZENBAUM. You are a seasoned intelligence officer. You put together evidence about the Iranian initiative and the Contra re-supply network. You reached an analytic judgment that a diversion had occurred.

Now history has shown that you were absolutely right. You were right on target. The question is—and this is a difficult question for you, because in all likelihood you are going to become an employee of Mr. Gates—why do you think Mr. Gates dismissed this analytic judgment as "mere speculation," and "flimsy" in his 1987 testimony before this committee?

Those are his words: "mere speculation" and "flimsy."

That stuff you gave him was not speculation and flimsy. You were reporting certain facts to him, and it certainly was far from flimsy. Why do you think he dismissed it in that manner?

Mr. ALLEN. Well, I—he certainly, at the time, first did not react as if the information I had imparted was just flimsy information. He reacted, I thought, very constructively.

My view was that, as an experienced analyst, I have analysts who work for me in Warning who come to me with indicators. They list them and they believe that developments are going to occur which are perhaps quite potentially damaging to U.S. interests. I have to evaluate that and say whether I agree with it or not.

And very candidly, sometimes I disagree with even my most experienced Warning officers. So I can only—I can't respond to that. I have cited—I had listed a number of indicators. I thought Mr. Gates reacted quite properly. And as to his testimony later, I can't comment on that.

At the time, contemporaneously, in October 1986, he seemed to react with—in the proper way, to get this to Casey, and then he went with Mr. Casey to see the Vice-Admiral at the White House.

Senator METZENBAUM. This is really, in my opinion, the crux of this inquiry. Because the question is, does a man who knew or should have interpreted the warning signals, have an obligation to do more about it than Mr. Gates did? Or, can he say he told Casey, and Casey told you to prepare a memo? And then after the memo comes through, which is a much lesser version of that, which you told him it is. As you, yourself said, you did not want to say things that were so strong because it could create just tremendous repercussions and indicate illegalities at the White House.

My question is, given those circumstances, does Mr. Gates have the sensitivity to become head of the CIA? And you do not have to answer that if you do not want to. But if you are inclined to do so, I would appreciate it.

Mr. ALLEN. Mr. Gates has been a man with whom I have worked for most of his CIA career. He has been off at the NSC a great deal. But I have known him and worked with him. I have respected him. When he was Chairman of the National Intelligence Council, and later as Deputy Director of Central Intelligence, I frequently prepared estimates and interagency memorandums on counterterrorism. He was always a healthy critic of my work, and he was always constructive.

He is certainly an individual who probably knows, as well as anyone I know, the overall issues and problems facing the Intelli-

much knowledge or actual personal grasp of the issues. But of course that's a decision that has to be made by you, sir.

Senator METZENBAUM. I do not think that anybody questions his knowledge. I think our questions relate to his sensitivity, his judgment, and his candor—some of which he has covered in his mea culpa.

When you were interviewed by the Tower Board, you told them that when you briefed Bob Gates on 1 October 1986, he replied that he did not want to hear what you were telling him; that he did not want to hear any rumors of a diversion.

If that is a fair statement of Gates' initial reaction, and I understand that he did go on to tell you to see Casey right away—

Mr. ALLEN. Well, he said that more, I believe, in surprise, and in the sense of being startled.

It was clear from the tone, and from the way he recovered, was that that was not a serious statement. Don't tell—I think his reaction was my God, don't tell me about something like this. Because this raises some questions about the—about perhaps activity within the NSC or at the White House.

But then he said this potentially is a very serious development. You see Director Casey immediately. So I—it's my interpretation of that statement that he made, and it's been 5 years, is that it was not a serious statement. It was a statement of the way many of us react: we don't want to hear the kind of news that comes to us that is not palatable. But then he asserted himself, in my view, by telling me to go see Mr. Casey. And I had a very clear mission to perform.

Senator METZENBAUM. He told you he did not want to hear any rumors about it. That—

Mr. ALLEN. Well, I don't recall exactly his words. But please don't tell me that this is happening—but it was said not in a serious vein, by any means. His directions, Mr. Gates' directions are unmistakable when he gives them.

Senator METZENBAUM. Now you have set the meeting with Casey, six days later. And there you go through the same train of reasoning; you report to him the same kinds of things—I do not know of anything more. Gates is present. And at that point, Casey tells you to write up a memorandum.

Gates says that your resulting memorandum, which was prepared, I think, 8 days after the meeting, contributed to his lack of action on this matter, because it was less forceful than your oral presentation. You noted in your statement, however, that you were justifiably afraid that anything you said in that memo would go straight to the White House, with you being named as the accuser.

Did Bob Gates say anything to you like: "Say, Allen, how does it happen that your memorandum is so much less forceful than what you told me?" Or did he say, "I noticed you had a soft memorandum that did not really tell all that you said before, but if you want to say more, you can be sure I will protect you if anybody comes down on you for doing it?"

Did he ask you why your memo was not as strong as your oral presentation?

Mr. ALLEN. No, sir, he did not ask that. I know that—as I testified to Senator Boren—when I finished the memorandum, it was

on a holiday, the 13th of October, Columbus Day. The next morning I took the original and a copy up to Mr. Gates' secretary, in a sealed envelope. Mr. Gates was out at the time. And I kept checking back during the day, because I wanted Mr. Gates to hand the original to Mr. Casey. And I kept checking with his secretary. And later in the day on the—I guess that was the 14th—it is my understanding that he had taken it in to Mr. Casey at some point, either on the 14th or early on the 15th. And Mr. Casey, either on the 14th or 15th, according to what Mr. Gates—and you refreshed my memory—Mr. Gates said Mr. Casey got on the telephone immediately after reading it, and made an appointment to see the Vice Admiral. And that appointment was on the 15th.

Senator METZENBAUM. Did Bob Gates do anything to obtain further information that might determine whether your concerns were warranted? Did he do any follow-up at all?

Mr. ALLEN. He did not ask me for additional data. I think he had taken it to the Director, and the Director had taken it to the White House. He was aware that the Director had asked me to see Mr. Furmark, which I did on three occasions. And I took Mr. George Cave with me when I went to New York so there would be two of us listening to Mr. Furmark. It just wouldn't be Charlie Allen listening to Mr. Furmark, so we would have a very valid debriefing.

So I believe Mr. Gates had pushed this thing forward with Mr. Casey jointly, and that he had put this huge problem on the desk of Vice Admiral Poindexter.

Senator METZENBAUM. Now the memo that you wrote contained the fact that Mr. Ghorbanifar had been charged \$15 million for those missile parts. I know the matter was taken to the White House.

In retrospect, do you think that Mr. Gates had a further responsibility than that which he performed, knowing that there was this illegal diversion, and knowing that the \$15 million was being charged? Was it enough for him just to say, "well, turn it over to Poindexter?"

Mr. ALLEN. That is a very difficult question for me to answer, Senator Metzenbaum. We did know that Mr. Ghorbanifar had to raise \$15 million. We did know, and came to know that the real cost of those missile parts was only about \$3.4 million, if I recall correctly—3.4 or 3.5. So there were—I kept calculating at 3.4. It is clearly a heavy mark-up, to say the least, as to whether Mr. Gates should have done more at the time.

I thought Mr. Casey and Mr. Gates had done what was required. In fact, I expected to see, over the coming weeks, initiatives at the White House to try to deal with this burgeoning problem of operational security if exposed, it would cause major, international fallout; and two, that they might look into any possible illegalities or even improprieties or just questionable, where questionable judgment had been used by the White House.

Senator METZENBAUM. In retrospect, Mr. Allen, do you think Mr. Casey should have done more than he did?

Mr. ALLEN. Should Mr. Casey?

Senator METZENBAUM. Excuse me, Mr. Casey and Mr. Gates.

Mr. ALLEN. Should they have done more? In hind-sight. I guess

the atmosphere and the knowledge that I had in October 1986, I thought they had acted appropriately by going to the White House. They had encouraged me, and we met—Mr. Cave and I met—with Mr. Casey, before we went to New York on the 22nd, in order to tell him what we were going to try to obtain from Mr. Furmark, that we were pursuing it. And when we were preparing the testimony in November, the week of 17 November, 1986, I think we all felt that the final, bottom-line was not really necessarily known to us in this initiative.

It turned out that we underestimated the calamity that was about to befall us.

Senator METZENBAUM. Ghorbanifar was asking for the money he felt he had coming. He came to you and rather persuasively indicated that the security of the mission was being threatened, if he was not paid. This alarmed you enough to come to Mr. Gates. And 1 week later you learned, in Director Casey's office, that Mr. Furmark was essentially delivering the same, threatening, message: the middle-men will blow the mission if they do not get paid.

Did you have any feeling at that point that the CIA, in a sense, was being blackmailed, and do you think Mr. Gates understood that threat?

Mr. ALLEN. I can't speak for Mr. Gates. Mr. Gates was on an important overseas trip, the second-half of October. I was on overseas travel in November, and certainly early November. I can't speak, but it was clear to me that Mr. Furmark was using some leverage with Mr. Casey, an old business associate, to try to get the Agency, I believe, to move the White House along.

I did not consider what Mr. Furmark was doing was all that appropriate. And Mr. Casey, however, had considerable trust in Mr. Furmark.

Senator METZENBAUM. In your deposition to the Iran Contra Committee, you said of the October 14 memo, "I took it originally to Mr. Gates' office, EYES ONLY, to his secretary on the morning of the 15th. And I said I have a very, exceedingly-sensitive memorandum. I said I didn't want to give it directly to Casey because I wasn't certain what he would do with it. I wanted Mr. Gates to look at it carefully first, and decide what to do with it."

That was your testimony to the Iran Contra Committee. Did you not believe that Mr. Gates would understand the explosiveness of your memo, and take action to protect you, as well as to try to resolve an unfolding risk of disaster? Did you not think he would take action?

Mr. ALLEN. Didn't I think he, himself, would take action? I had confidence that if required, and if the problem was very explicit, he would take action. At that stage we were putting our concerns, both for operational security in the diversion, and the fact that this whole project needed immediate White House review in order to avoid total disaster.

The message was loud and clear in the memorandum that Mr. Casey delivered to the White House. He did not recount all of the discussions that he had with Vice-Admiral Poindexter. But he did say that the Vice-Admiral read the entire memorandum in his presence.

Senator METZENBAUM. Well, the fact is that Mr. Gates knew that the memorandum was not a complete one. He was present, and was in a position to point out that that was not all that Charlie Allen had talked about. His failure to do that certainly raises questions, because the entire picture was not presented in your memorandum, and you explained why it was not.

But knowing that, do you think that Mr. Gates followed the appropriate procedure in failing to speak up to Poindexter?

Mr. ALLEN. I think you have to direct that question—I believe you have, already—to Mr. Gates. I believe that I did what I should have done, and that is warned—up my chain of command—of serious problems. I think—I'm simply speculating—it seems to me that Mr. Gates and Mr. Casey, in their conversation with me on the 7th, and then again, I guess, on the 16th, believe they had placed the burden back with the White House and with a very senior official, who was our National Security Advisor.

Senator METZENBAUM. I do not think any member of this committee questions the propriety of your actions. I think you have explained why you did not go as far in your memo as you did in your oral presentation to Mr. Gates and Mr. Casey. But one man who knew that the memo did not accurately reflect all that you knew, was Mr. Gates. The question has to do with his failure to speak up, or to speak out, or to take further action.

Mr. ALLEN. Well, both Mr. Casey and Mr. Gates knew of my analysis, which was not based on hard, confirming evidence, but based on a list of indicators.

Senator METZENBAUM. Mr. Gates wrote, in response to a question from this committee in the early part of this summer, "To the best of my recollection, Allen never mentioned to me or speculated that anyone in the U.S. Government, including the CIA, NSC, or White House was involved in the possible diversion of funds paid by the Iranians to support the Contras."

That sounds to me to be somewhat contrary to what you have told us here. Am I misunderstanding?

Mr. ALLEN. I told Mr. Gates in the context of the meeting on 1 October, that Lieutenant Colonel North was involved in giving guidance to U.S. intermediaries, like Mr. Hakim and Major General Secord, and that they were in the middle, in the main, sitting astride the second channel. And that that raised questions that if they controlled the second channel to Iran, at the same time while operating in support of the Contras in Central America, and so-called private initiatives, that was one additional indicator that we were—the problems might lie with the United States, rather than with Mr. Ghorbanifar or the Government or Iran. But that was—Mr. Gates, as I told Senator Boren, and to use Senator Boren's word, Mr. Gates got the bottom-line. He recognized that there was a problem and that it had to be brought to the attention of Mr. Casey, and then the White House.

Senator METZENBAUM. I am not really questioning that, at the moment. I am directing myself to his statement to us, that "Allen never mentioned to me, or speculated that anyone in the U.S. Government, including the CIA, NSC or White House was involved in the possible diversion of funds paid by the Iranians to support the Contras."

If I heard you correctly, that statement is not accurate.

Mr. ALLEN. My recollection is that I mentioned Lieutenant Colonel North's involvement with Major General Secord, and Mr. Hakim. That's my recollection, Senator. Mr. Gates may have a different recollection.

Senator METZENBAUM. But in the context that you mention it, you were referring to these excess funds, to the excess funds being used to support the Contras. Am I correct in that?

Mr. ALLEN. Well, that was my speculation. That was based on—there was an analytic judgment reached based on a number of pieces of intelligence.

Senator METZENBAUM. Then Mr. Gates says that "Allen never mentioned to me, or speculated that anyone in the U.S. Government," et cetera, "was involved." That is not in accord with your recollection.

Mr. ALLEN. I recall that I mentioned Lieutenant Colonel North as being involved in the establishment of the second channel, and that Major General Secord and Mr. Hakim were controlling the second channel.

Senator METZENBAUM. Controlling the second channel and thereby using the excess profits to fund the Contras.

Mr. ALLEN. That was my speculation based upon a set of indicators, which you can call analysis, analytic judgment, or you can call it a speculative judgment—whatever you want to call it.

Senator METZENBAUM. And that is what you told Mr. Gates?

Mr. ALLEN. Along those lines. That is the way I recall it. Mr. Gates recalls it differently, and that's understandable. It's been five years.

Senator METZENBAUM. Gates has indicated he believed the Boland Amendment essentially prohibited the CIA from inquiring as to whether the Boland Amendment was being violated. Was that your understanding of the way the Agency interpreted the Boland Amendments?

Mr. ALLEN. Sir, I would—I have no opinion on the Boland Amendment, other than I was aware that it prohibited, at certain times, assistance by the Agency to the Contras of Central America. I was focused, day and night, on freeing hostages and counter-terrorism, and counter-narcotics. And I really didn't contemplate the Boland Amendments. So I can't really answer that I—but I was aware that CIA was prohibited from providing assistance to the Contras at certain times.

Senator METZENBAUM. You say you were aware of that?

Mr. ALLEN. I was aware of it generically, sir, yes.

Senator METZENBAUM. Nobody ever told you that if you asked, "is what we are doing violating the law," that that inquiry, in and of itself, would be a violation of the Boland Amendments. Nobody ever suggested that to you, did they?

Mr. ALLEN. No, sir, not to my knowledge.

Senator METZENBAUM. I have no further questions, Mr. Chairman.

Senator MURKOWSKI [presiding]. Senator Cranston wanted to be recognized for one question.

Senator CRANSTON. I wanted to return, if I may, to the October 14, 1986 memo regarding a possible di-

pared for Mr. Casey, at the request. I have asked the Committee staff and my staff to give you a copy to refresh your memory.

Several people, somewhat familiar with surrounding events at that time, including some of the staff of this Committee, have suggested that the word "eliminating" may not mean, perhaps, killing something. The language that you are reading toward the bottom of the page there, discussing discussions with Iranians, has a lot redacted out, as you will note. I have read both the classified and the un-classified version and they are about the same. There is a huge amount that is blacked out on this page. But the language states, notwithstanding, "Blank," blacked out, "has spoken of 'eliminating' blank" blacked out, "sometime in the future."

Did your use of the word "eliminating" there, in quotes, imply what I took it to imply that it meant, actually proceeding to kill someone whom they wished to dispose of? Or was it something general like eliminating them from this kind of activity?

Mr. ALLEN. I don't recall the sentence. It has been a long time since I've read the memorandum. There were comments made at some point in 1986 that the Iranians—some elements within the Iranian Government could threaten Mr. Ghorbanifar, threaten his life. And I don't have an un-redacted version. But it could refer to that. I would have to see the un-redacted version, sir. But there were rumors, or some of the intelligence I saw could have implied displeasure on the part of some elements—not all—within the Iranian Government at Mr. Ghorbanifar's activities, although he seemed to have good credentials with some key officials, because he went in with MacFarlane. He didn't go in on the same aircraft. But he was in Teheran when Mr. MacFarlane and others were in Teheran. And he came out totally unscathed.

Senator CRANSTON. I thank you for the clarification.

I would like to make two comments: one, I am glad that you stated that your memory and your strong belief is that this referred to some Iranian who was speaking of eliminating someone else, and not an American official; and secondly, I am concerned on the point that Senator Metzenbaum brought up about whether we were dealing with terrorists at a time when it was the law not to do so.

The way this reads, it sounds like it was someone we were dealing with that made the statement about eliminating someone else, and not some third party somewhere else in Iran, which would lead to some substantiation of the fact that we were dealing with some pretty tough characters, and not the sort of reformists that someone suggest we were seeking to deal with.

But some would believe there were not any visible reformers we could find at that time in Iran.

Mr. ALLEN. Well, I think that some of the individuals with whom we were dealing in Teheran, we hold some data on those individuals. Based on some aspects of their activities, one would have concerns about their reliability and their devotion to good principles of government, yes. However, it was looked upon by the White House as explained to me, that it was to probe the Iranian government to try to secure the release of hostages. And as you recall, we had Reverend Benjamin Weir, Father Jenco, David Jacobsen released, and to see if we could find elements within the government with

which we could engage in some long-term dialogue, and hopeful change. However, some of the immediate individuals with whom we were dealing—and I can't go into it in this room—were not the most pleasant people in the world, from my perspective.

Senator CRANSTON. Apparently we have not found such a person, in this particular person, whomever it may have been.

Thank you very much.

Mr. ALLEN. That is correct, Senator Cranston.

Senator METZENBAUM. Thank you, Senator Cranston.

Senator BRADLEY.

Senator BRADLEY. Thank you very much, Mr. Chairman. Mr. Allen, we have been over this territory a lot. And so I do not want to spend a lot of time going over it. I would like just to touch on four or five quick things. And then I would like to move to Iraq, if I could.

You told Mr. Kerr, in August, that you had some concerns about what was going on; that there possibly could be a diversion. A day or two later, Mr. Kerr met with Mr. Gates and told him this. And in fact, Mr. Kerr recalls that he wanted to make absolutely sure that Gates knew that there was an over-charging on pricing of weapons, and that the money was being diverted to the Contras. This is what Mr. Kerr says.

Mr. Gates says that he really has never—he said in that meeting, he did not say that he had heard rumors of this diversion. Mr. Kerr reports that he said he heard rumors that there was this diversion, and Mr. Gates says no, the first time he ever heard about this was October 1. The first time he ever heard about the diversion was October 1. And that's a conflict between what Mr. Kerr says Mr. Gates said, which is I heard rumors; and what Mr. Gates says, which is I never heard about it until October 1.

You cannot help us with that?

Mr. ALLEN. Sir, I cannot help you at all.

Senator BRADLEY. But you can help us with the next point, which we went over a little bit today, which is on October 1, you told him that the diversion had taken place, and that you had real concerns that there was active involvement by Mr. North, who was part of the NSC.

Mr. Gates certainly recalls you telling him that there was a diversion. But he says, specifically, that no one on the NSC was involved. This morning you testified that he had a look of shock, or a look of startle on his face when you told him both that there was a diversion, and that there were people at the NSC involved. Is that not correct?

Mr. ALLEN. Yes, that is correct.

Senator BRADLEY. And therefore, it stretches, just a little bit, to say he would remember that there was a diversion, but that he would not remember that the NSC was involved?

Mr. ALLEN. Well, let me make it clear that my analysis led to the conclusion that there could be. I didn't have proof. I didn't have it confirmed at that time, nor did I put it in a sense of absolute certainty. We put it—it was an analysis. There were uncertainties.

Senator BRADLEY. But he clearly knew that what you were talking about was a diversion.

has always had a lot of respect for North because of crisis management. But now he's going too far. So there's no mistake in your mind that he knew somebody on the NSC was involved.

Mr. ALLEN. That was my recollection that—and in fact, Lieutenant Colonel North had done remarkable work in the field of crisis management. And I think everyone acknowledges that—absolutely unbelievable work in some respects. And so it was clear that Mr. Gates was familiar with the work that Lieutenant Colonel North had done on crisis management. And I recall that he said that this is going too far. I admire Colonel North for the work he's done in the past.

Senator BRADLEY. So only Mr. Gates can answer that discrepancy.

Mr. ALLEN. My recollections are along the lines you just described.

Senator BRADLEY. The next day or so, after this meeting you had with him, he goes to the White House for a weekly meeting with Poindexter. And the memo from the CIA, the CIA memo of the meetings says the special Iran project was discussed.

Now, Mr. Gates says that he has no memory of this. No memory—that the special Iran project—what that refers to. Is it credible to you that two days before, when he heard about it for the first time that there was a diversion, and that members of the NSC, specifically, Mr. North, was involved, that two days later he could not remember a discussion about the Iranian project?

Mr. ALLEN. Well, Mr. Gates will have to answer that. I have recounted the discussion that occurred on 1 October.

Senator BRADLEY. But you also recounted how startled he looked, and how much this registered, and how this was the first time he had heard about this.

Mr. ALLEN. It was my distinct impression it was the first time he had heard of the possibility of a diversion.

Senator BRADLEY. So only Mr. Gates can answer that.

Mr. ALLEN. Mr. Gates will have to respond.

Senator BRADLEY. Now, also, one week or two later, some time—the exact dates I do not have right in my mind, but some time in a two-week period in October—after these meetings, he goes on a trip, and on the trip Mr. Twetten says that he discussed the diversion to the Contras with him, with Mr. Gates. Mr. Gates says he has never discussed this with anyone.

Now there is a question—did he discuss diversion to the Contras with Mr. Twetten on the trip or not? And that, I suppose, is something that only Mr. Gates can answer.

Mr. ALLEN. Only Mr. Gates could answer that question, sir.

Senator BRADLEY. All right, now, on the last point, which is the November 7 memorandum that you did, in which you alluded to money being diverted for—I think the reading is unauthorized U.S. and Israeli projects—I think that is what you said.

Mr. ALLEN. This was 7 November?

Senator BRADLEY. Was that the 7 November memo?

Mr. ALLEN. No, I think I said something a little more specific on 7 November.

Senator BRADLEY. What was that?

Mr. ALLEN. I don't have a copy. I didn't bring copies of my memoranda. I think that Mr. Furmark said that if I recall correctly, we met at the Key Bridge Marriott Hotel. And he said—and this was on the 6th of November, the memoranda was dated 7 November—that the Canadians involved in backing Adnan Khashoggi were of the belief that the bulk of the proceeds or the profits from the sale of Iranian arms had gone to Central America. And that was about the way I think it was characterized in the memorandum. I don't have a copy of the memorandum.

Senator BRADLEY. Mr. Gates says he has no memory of every having—of ever reading the memo. Now you say—I think you said today—that you recall discussing the memo with him.

Mr. ALLEN. I do recall, but I don't recall specifics.

Senator BRADLEY. But you recall discussing the memo?

Mr. ALLEN. I recall that there was some exchange on that. And shortly after that, I left on a trip to the Middle East.

Senator BRADLEY. Which is a direct contradiction of him saying that he never remembers ever reading the memo.

Mr. ALLEN. Our memories are not always perfect, obviously.

Senator BRADLEY. And essentially, Mr. Gates is the only one who can answer that?

Mr. ALLEN. Yes, Mr. Gates can answer that. He has no recollection. I have a recollection, but I do not recall the specifics. And then I recall leaving shortly for a trip to the Middle East.

Senator BRADLEY. If I could move from this subject to Iraq. Let me ask you, how long have you been the National Intelligence Officer for Warnings?

Mr. ALLEN. A little over 3 years, about 3½ years.

Senator BRADLEY. Well, it's about 1988.

Mr. ALLEN. March 1988.

Senator BRADLEY. And in 1988, essentially the war comes to an end, and the Intelligence Community arrives at an assessment that says Iraq would not make war on any of its Arab neighbors for the next several years. You knew that was the Intelligence Community's assessment. Is that right?

Mr. ALLEN. I recall there was an estimate in September 1989 that I believe made a statement along those lines, yes, sir.

Senator BRADLEY. Did you know there were large areas of uncertainty in that estimate?

Mr. ALLEN. Yes, there were uncertainties.

Senator BRADLEY. Could you describe those at all?

Mr. ALLEN. I can't recall the uncertainties. We in Warning, had a lot of uncertainties about Iraq, starting in 1988, after the war. We had worked on warning issues during the war. And we began to look at Iraq as a very fundamental, front-line player among Arab states, because of its massive army.

Senator BRADLEY. So it did not decrease its army?

Mr. ALLEN. It did not decrease its army. Some agencies speculate and wrote that it would develop into a leaner, and even more effective fighting machine. It had over 50 divisions when the war ended, and it maintained over 50 divisions in November 1988. We were concerned over some of the public statements that were emanating from Baghdad, of a fairly coercive nature towards Kuwait. And we flagged that issue at the time for the Director.

Senator BRADLEY. So that you knew that Iraq had no lized?

Mr. ALLEN. Yes, sir.

Senator BRADLEY. You knew they had gassed the Kurds; you knew that they were still in active pursuit of strategic technology.

Mr. ALLEN. Yes, sir.

Senator BRADLEY. You knew that they had revived clandestine ties with terrorists.

Mr. ALLEN. Absolutely.

Senator BRADLEY. And you knew they had the largest army in the region and they were not demobilizing.

Mr. ALLEN. That is correct.

Senator BRADLEY. But you did, or did you not know, that they had invested vast sums of money in an ambitious uranium enrichment program for nuclear weapons?

Mr. ALLEN. I'm not sure how far I can go in this particular forum.

Senator BRADLEY. But did you or did you not know that?

Mr. ALLEN. I believe that we were aware that a nuclear weapons program was being pursued. The question was—and I'm not competent to make the judgment—was how close were they, were the Iraqis to developing a nuclear weapons capability. We were concerned in that time-frame over Iraqi non-conventional weapons development in all three areas: nuclear, biological, and chemical.

Senator BRADLEY. Were you aware of all the methods that they were pursuing?

Mr. ALLEN. We were not aware, no sir.

Senator BRADLEY. For nuclear development?

Mr. ALLEN. For nuclear development.

Senator BRADLEY. At that time?

Mr. ALLEN. At that time, sir.

Senator BRADLEY. And you say that you felt that there were warnings that Iraq was planning to invade Kuwait, or at least you felt that was—

Mr. ALLEN. We saw aggressive tendencies on the part of Iraq. We saw it one, become a front-line player in the Arab confrontation with Israel. We—and this was 1988, 1989. And into 1990—we were particularly concerned by the speech that Saddam Hussein made on April 1, 1990, which I read and reread many times because of the threat that he made to, I believe, burn ½ of Israel. I remember sitting and reading the speech he gave number of times, just to get the sense of what this man really had in his brain.

Senator BRADLEY. Yet, the prevailing view in the Intelligence Community was that he was not going to invade any of his Arab neighbors for 3 or 4 years.

Mr. ALLEN. Well, we in the Warning community are Cassandras—and we never accepted that premise. We always—

Senator BRADLEY. But that was the prevailing view.

Mr. ALLEN. That was a prevailing—that was—assuming that what you quote was accurate from the estimate, that was a prevailing view.

We in the Warning community, and that includes officers around the Community, as well as my own staff and myself, we were very questioning towards Iraq and its posture. My staff worked with

DIA and with CENTCOM looking at a possible threat scenario to Kuwait by Iraq. And it turned out to be a very good scenario, in fact.

Senator BRADLEY. And when did you develop that threat scenario?

Mr. ALLEN. That was in January 1990, January—early, in the winter of 1990.

Senator BRADLEY. Let me ask you, did you ever receive a request from Mr. Gates, as Chairman of the Deputy's Committee, to challenge the consensus view that Iraq was not going to invade any Arab neighbor for several years? Did you ever receive a request from them?

Mr. ALLEN. No, I didn't. But as the NIO for Warning, I'm a fairly independent individual, and I don't need the Deputy National Security Advisor to ask me to do something like that.

As Judge Webster and Dick Kerr knows, I don't hesitate to put my opinion forward.

Senator BRADLEY. To your knowledge, did anyone else in the Intelligence Community receive such a request from the Chairman of the Deputy's Committee, Mr. Gates?

Mr. ALLEN. Not to my knowledge, sir, no.

Senator BRADLEY. Not to your knowledge.

Mr. ALLEN. No, sir.

Senator BRADLEY. If you had received a request, what would you have done, if you had been asked, in early 1990, why and how Iraq might use force?

Mr. ALLEN. I would have utilized the methodologies that we normally do in doing an intelligence warning assessment. We would have looked at—using our techniques and methodologies—we would have done a total review of political, economic, social, as well as possible military indicators, and pull them together in some sort of a long-term warning assessment, something that we do regularly.

Senator BRADLEY. But did you do that?

Mr. ALLEN. We did not do a formal—

Senator BRADLEY. Because there was no request.

Mr. ALLEN. There was not a request. We began to warn on ominous developments in Iraq, though, in the fall of 1989, and I think we wrote a couple of warning pieces that dealt with some of their ballistic missile developments—which I don't want to go into in any detail, but which gave us concern in warning. And we provided that to the senior intelligence and policy officials.

This is case where I think some of views were put around the community, and around the policy community.

Senator BRADLEY. Did you receive any guidance from the Deputy's Committee about keeping a closer watch on Iraq in 1990?

Mr. ALLEN. I did not personally receive any such guidance. But the Chairman of the National Intelligence Council, Mr. Frits Ermarth encourages me to be the devil's advocate, and to be the individual that turns over rocks to see what's under them. So I certainly had the mandate to do so.

Senator BRADLEY. Do you think that more active interests on the part of the Deputy's Committee, with regard to early warning would have enabled you to generate better information?

Mr. ALLEN. I think that early warning is the way we should engage in threat management in this Government. And I think the Intelligence Community should get more oriented to threat management than crisis management.

We can always warn at the last minute when it's obvious that war is going to occur. But if you warn early enough, you can truly give the policymaker the tools to avert, diffuse a crisis. And that's the way I do national intelligence warning.

Senator BRADLEY. So the answer is yes.

Mr. ALLEN. Yes.

Senator BRADLEY. If there had been an active interest on the part of the Deputy's Committee, there would have been a better set of information.

Mr. ALLEN. Yes, I think—I think we have to have regional and country analysts. And I think we have to have functional warning analysis, if we're going to avoid the kind of problems that we suffered in 1973, 1979, and again, I guess, in 1990—certainly at the policy level.

At the intelligence level, as we move towards actual military mobilization, as Mr. Kerr and I have testified, the Intelligence Community record is reasonably good.

Senator BRADLEY. Thank you very much.

Thank you, Mr. Chairman.

Mr. ALLEN. Thank you, Senator.

Chairman BOREN [presiding]. Thank you very much, Senator Bradley.

I think the last series of questions indicate how important early warning is. It is going to become even more important in the new environment because we are going to have fewer troops forward-positioned around the world. We are going to have fewer installations, fewer troops out there. A kind of Panama situation where we are already on the ground is going to be the exception, rather than the rule.

So earlier warning to give the policymaker other options as a way of averting conflict becomes all the more important.

Mr. Allen, I thank you. I do not believe there are any more questions from members of the Committee, Thank you for taking the time to come and answer all of our questions. We appreciate your cooperation with us in these hearings.

Thank you very much.

Mr. ALLEN. Thank you, Mr. Chairman, very grateful.

Chairman BOREN. If we could ask Mr. Kerr, the Acting Director, to come and take the witness stand at this time.

It is my hope that we complete Mr. Kerr's testimony today. I have been told that there will be a vote on the Floor at 7:00, and at 7:15, and then perhaps another one after that. So we will proceed ahead with the hopes that we can complete the questioning of Mr. Kerr.

As I have indicated, Mr. Kerr has previously testified before us. The Intelligence Committee Members have had an opportunity to question him recently. So I hope we can complete our questioning of Mr. Kerr this afternoon, in light of the fact that we have already had a good opportunity to question him.

ously, there are some very important questions that need to be directed to him.

Our last witness today is Richard J. Kerr, currently serving as Acting Director of Central Intelligence. Mr. Kerr has been serving as Deputy to Judge Webster since he was confirmed by the Senate in March of 1989. Prior to this, from January of 1986 until March of 1989 Mr. Kerr served as the Deputy Director for Intelligence, the DDI, where he had previously served most of his career at the CIA.

As we have heard, Mr. Kerr was told by Charles Allen—and we have just heard Mr. Allen's testimony through the course of today, Mr. Kerr—that you were told by Charles Allen in the summer of 1986 of a speculation concerning a possible diversion. And subsequently, according to Mr. Kerr's testimony, he reported this to Mr. Gates.

Mr. Kerr, in fact, has testified at length about this matter, in a deposition taken on September 11 which we released last week to the public. And while we will be unavoidably retracing much of the same ground that we went over in the deposition, there are also some additional questions we wish to pose.

And Mr. Kerr, let me say, we appreciate very much your willingness to return in public, and go over this matter with us again. We gave you very short notice the last time, and had you come late in the day. And I apologize for the fact that we have now given you three different times and dates when we thought we would get to your testimony in these proceedings, and we appreciate your patience with us in understanding that the schedule is sometimes hard to control.

As with all of our witness, I would ask, since we are in the confirmation process, that you stand and be sworn at this time.

Do you, Richard Kerr, swear that the testimony you are about to give will be the truth, the whole truth, and nothing but the truth, so help you?

Mr. KERR. I do.

Chairman BOREN. Mr. Kerr, are there any opening comments you would like to make before we go on to the questions?

TESTIMONY OF RICHARD J. KERR, ACTING DIRECTOR OF CENTRAL INTELLIGENCE

Mr. KERR. No, I—just go directly to questions.

Chairman BOREN. We already have your deposition before us, and it has been made public.

In response to the written questions posed to you by the committee, you stated, in late summer 1986, Charles Allen came to you and said that U.S. arms were being sold to Iran. He told you there was reason to believe that these arms were being sold at inflated prices, and at the end of the discussion, he speculated to you that the money might be going to the Contras. That was his analysis, there might be a diversion.

He offered no evidence of this, you say, in your comments to us, merely giving you his personal speculation.

You went on to say you raised this with Mr. Gates, who was the DDCI at the time, either the same day or the following day. You

where you walked into his office and discussed a number of other items, including this one.

You say you do not know what Mr. Gates did with the information, but you recall Mr. Gates asking you to keep him informed. Is that correct as far as I have gone at this point?

Mr. KERR. That is correct.

Chairman BOREN. In your deposition of September 11, 1991, you say that your best estimate in terms of when this conversation with Charlie Allen occurred was in, I quote, "late August."

Mr. Allen, in his testimony, says mid-August, and he refined that for us in testimony today to say he thought it was the third week in August.

Now, since your deposition last week, the Committee has obtained notes of two interviews in December 1986 that raise some questions concerning the time of Mr. Allen's report to you. I asked Mr. Allen about this this morning.

Since we did not have these at your deposition, I would like to cover them with you this afternoon for just a moment.

The notes of the first December 1986 interview with you say, "Charlie told me on 12 or 13 May that he suspected some of the money from the sales was going to the Contras."

The notes of a followup interview with you on the 7th of December, 1986, a little later in the same month, reflect that you were asked by the interviewer if you could narrow the time between May and late summer when you were informed.

You say that you were confident that the visit was before September and most likely was in the June to July period. It may have been as early as May or as late as August. And the note says, referring to you: he is convinced that in his own mind that it was closer to the beginning of the time span than the end.

The other interviews done during the same period suggests a possibility that the diversion issue might have been raised in conjunction with the briefings Mr. Allen gave in preparation for the May 25, 1986, trip by Bud McFarlane to Tehran.

Of course, we know that Mr. Allen was reading certain highly compartmented intelligence reports that, as early as March and certainly by June, indicated that the Iranians had been seriously overcharged for the weapons they were buying.

As you know, Mr. Allen said to us that during June and July, his concern about this was on the increase.

What we are having trouble sorting out is this. There was some discussion at one time of a meeting in May or earlier in the period. Mr. Allen now remembers it was the third week in August. You said in your most recent deposition with us that you think it was in mid to late August.

Were there two separate meetings with Charlie Allen on the subject of the diversion, or was there only one meeting with Charlie Allen on this subject?

Mr. KERR. There was only one meeting. And if I can, let me tell you about the timing.

I was un—very uncertain about the timing, and I still could not—cannot pin it down to a precise time. In part I think it is useful to say that, first of all, this was a meeting that took place over a period, this conversation dealing with this particular sub-

ject probably took place over a period of about a minute. It was a piece of other business. It was not a formally scheduled meeting. It was a walk into an office to just—

Chairman BOREN. You are talking about Charlie Allen's visit to you?

Mr. KERR. No, my meeting to—the whole meeting with Bob Gates, following that. So both that meeting and the meeting with Charlie I do not have either on a schedule or I don't have a clear time frame to put it in.

I've looked back at my own notes and my own records, and the only conclusion I can come to, first of all, there was only one meeting, and the only timing that I can get—give you is that it was sometime between—I thought between that period of the end of May and early September.

I really don't have much more precision except to look at my notes and find that Charlie Allen did come to see me several times during August.

Chairman BOREN. So there was not a May meeting and an August meeting? There was only one meeting?

Mr. KERR. That's right.

Chairman BOREN. One meeting. And your latest best estimate is that it probably occurred in August sometime.

Mr. KERR. That's the best I can do, given my own records and my own notes and my recollection. But I cannot be precise about that.

Chairman BOREN. Is the difference between your thinking first that it was in May and now thinking in August based upon your refreshing your memory and looking at your schedules?

Mr. KERR. Well, I was trying to put limits to the time, and I am uncertain about, I don't remember saying a specific time in May, because I would not have been able to come up with a particular time. I never had a date, but my view initially was, the best I can recall, that it was between the end of May and the end of August sometime.

As I said, I have tried to narrow that down a bit by looking at my own records. In talking to John Helgerson, who is uncertain about the date, who sat in on the meeting with me with Charlie Allen, so we have kind of narrowed it down to that time.

But again, I have no specifics I can give you in terms of a specific date.

Chairman BOREN. Did anybody else other than Charlie Allen discuss the possible diversion of funds with profits from the overpricing of the arms to Iran with you at any time before this became public in November of 1986?

Mr. KERR. No.

Chairman BOREN. No one else?

Mr. KERR. No.

Chairman BOREN. Now let me first go to the meeting Mr. Allen had with you, and then we will go to your meeting with Mr. Gates, as you recall it.

Mr. Allen described his meeting with you today and his sworn interrogatories were pretty much reflected again in his statements to us this morning.

And I quote from Mr. Allen's answers to our interrogatories:

I stressed to Mr. Kerr that project's lack of operational security and pointed out that no arrangements were being made to shut down effectively the first channel, the Ghorbanifar link to the Iranian Prime Minister's office.

I described in some detail the pricing impasse that intelligence showed had existed for over a month. The intelligence showed that the Iranians in Tehran believed that they were being grossly overcharged by agents of the U.S. Government. I further described why I believed the NSC was mixing the Iranian project with the White House initiatives in Central America.

I cited a number of indications, this including the fact that Mr. Albert Hakkim and Major General Secord were totally managing the new established second channel, and that they were also the key individuals in the so-called private efforts to support the Contras in Central America.

After I detailed my concerns, Mr. Kerr asked me to keep him closely informed on these developments. I ran into Mr. Kerr later in the day at the CIA Operations Center, and he again returned to our earlier conversation and expressed the view that it was not a question of whether the initiative would be leaked, but when.

Let me stop right there and say is that a fair summary? Does your memory of the conversation with Mr. Allen track that description?

Mr. KERR. I think that is a fair description. Let me, though, put it in a bit of context. First of all, this is the first occasion I had at any time to have any information about the activity that Charlie related relative to this arrangement, about Ghorbanifar, about the people involved so that you have to put it in the appropriate context. That is, I got a fairly big dump of information from Charlie that really did not have a lot of, that I could tie a lot to or put in any context.

What I got out of that conversation was essentially what you described, Charlie saying as well, and that is that there was evidence indicating that the Iranians were being overcharged, and also speculation on the part of Charlie that it is possible that money gained from being overcharged was being diverted.

Now, as I remember that, it was much more speculative on the part of Charlie Allen's part than you had just read in that testimony. I don't remember evidence or information that would be supportive about that. It was merely the people involved and the nature of the fact that there was money.

Chairman BOREN. So you remember the discussion of the people? You do not essentially remember it differently, but it was more speculative, at least in your memory, than the way it has been stated by Mr. Allen as I read it?

Mr. KERR. That is correct. And if I may, I did my own little note on the 25th of November, just to myself on this, which I have been using as the basis to my recollection. It is the most current recollection that was done in 25 November in 1986 and I said, at that point in time, that Charlie came by to fill me in on developments, including the fact that arms were being provided in this arrangement with Iran.

He also expressed his concern that some of the money being received from the Iranians was being used to support the Contras. It was in that context and in that relatively brief form, that I recollected it.

Chairman BOREN. Well, now, let me now turn from this conversation that you had with Mr. Allen in which Mr. Helgerson was also present; is that correct?

Mr. KERR. That is correct.

Chairman BOREN. Now, let us turn to the follow-up conversation that you had with Mr. Gates. At your deposition I asked you whether you had passed on all of the information that Mr. Allen had given to you to Mr. Gates, and you said, no, that "the only thing about that conversation that it seemed to me was worth from our perspective at least, making sure Mr. Gates knew, was the issue that funds were being overcharged, and that money was being passed to the Contras.

Was that a fair statement of what you passed on to Mr. Gates? Would you describe for us now the nature of the conversation? Could you set the scene for us, describe just exactly how this conversation took place and what you said that related to this whole Iran-Contra matter during that conversation?

Mr. KERR. After talking to Charlie, when I concluded that exactly those two points that you made were worth at least calling to Bob Gates' attention, one that to make sure that he had heard that there was overcharging, and that there were arms provided—make sure that he knew that.

Also, to pass on this speculation that there was—the funding, the extra money was being used to fund the Contras. I considered it to be speculative and to be rumors, but I nevertheless thought it was sufficiently important to make sure, at least, that he had heard just that much.

So, I did not schedule an appointment. I went down to Bob Gates' office, and this is something I did rather frequently. After all, I had worked with him for a number of years. I was a close associate and a colleague and a friend, and also I often went to Bob Gates for a whole variety of things as the Deputy Director for Intelligence.

So I went into his office, and in a very brief forum, summarized Charlie Allen's comments and then also conducted some other business of things that were going—that I was—

Chairman BOREN. Do you remember how long the entire meeting took?

Mr. KERR. It could be a minute—you know, it would be 60 seconds or 2 minutes in terms of that conversation. It was very brief, and the entire meeting was not very long. As I said, it was not a scheduled meeting. I didn't have an agenda. I just had some things I wanted to pass on and talk to him about.

Chairman BOREN. So the part dealing with what Mr. Allen had told you, you say lasted a minute or two?

Mr. KERR. At most.

Chairman BOREN. Can you explain why you limited what you told Mr. Gates in this way? In other words, you did not go into all the things that Mr. Allen had told you.

Mr. KERR. Well, as I said earlier, first of all I have to go back to say that the detail that Mr. Allen provided was considerable, but nevertheless, it didn't fit into my knowledge or my understanding very well, and so I didn't come away with a lot of the facts.

Charlie delivers you a lot of information over a relatively short period of time. I had no context to put it in, and what I was trying to do was pass on what I thought were the key points that I was concerned about to Mr. Gates. And that was—I wasn't interested, quite simply, in providing all the detail, but merely to highlight those two points.

Chairman BOREN. Mr. Helgeson has stated in his sworn response to our interrogatories that he was present during a meeting with Mr. Allen, as I mentioned. He cannot confirm the date of the meeting either, but he remembers the meeting. He says he remembers Mr. Allen saying he had reason to suspect funds from Iran had been diverted, and he also recalls Mr. Allen indicating to you that he thought the NSC staff was somehow involved in the suspected diversion.

The notes of the first interview with you in December of 1986 suggest that you might have mentioned the NSC involvement to Mr. Gates. According to this report, when you gave Mr. Gates the information, he responded, "God only knows what Ollie is up to."

Now, in your deposition on September 11, 1991, you say, at page 21 of the transcript that Mr. Allen's information was "very interesting primarily because of Ollie North and a view that most people had of Ollie North, and this was kind of a loose cannon." From this it is likely that you reported Allen's information to Mr. Gates relating his concerns about the diversion to Lieutenant Colonel North or the NSC staff.

Let me go back to that. Do you recall whether or not you said in this conversation something in addition to saying Charlie Allen has a speculation that arms are being overcharged and that there is a diversion of funds, maybe going to the Contras? Do you recall if you said in this brief conversation was either something about Colonel North or NSC involvement?

Mr. KERR. Well, Charlie had in his original conversation—and I—I had mentioned this earlier, but Charlie had mentioned—I mean, obviously, in that conversation had mentioned that Ollie North might have been involved in this. Ollie was involved, and obviously, in arms to Iran and the connection between that and the excess money was the connection I think that drove Charlie to believe that the people involved might well have a connection with supporting, giving the Contras money.

So that's where he drew the association, and it is pretty clear, and I clearly mentioned that to Bob Gates as well, saying this is something that at least Charlie is concerned about in part because of the excess money, and because Ollie is involved.

Chairman BOREN. Now, do you remember what Mr. Gates said in response? You told him briefly you say in one to two minutes Charlie Allen is speculating to me that there is overcharging and there may be a diversion and that Ollie North of the NSC might be involved.

Do you recall what he responded?

Mr. KERR. Well, first of all, let me say that I am more certain about what the essence of my conversation in terms of what I was conveying than I am about the response. But my understanding, and again, I refer back to some notes I used, and I wrote on the 25th of November in '86 saying that—

Chairman BOREN. That was after the diversion became public?

Mr. KERR. Shortly after the meeting with Charlie I went to Bob Gates and told him what Charlie Allen had conveyed to me and asked him if he had heard about the Contra connection. He indicated that he had heard rumors, but knew nothing about the rumors.

rumors no matter where he was. Some connection, real or otherwise, would have been made to Contra support.

He said at that point in time, kind of following that, and that is about the total extent of the conversation. He said keep him informed.

Chairman BOREN. He said keep me informed? That is a quote, again, from what you said in your deposition. He said to keep you informed?

Mr. KERR. Yes, that's right.

Chairman BOREN. For you to keep him informed?

Mr. KERR. That's right, sorry.

Chairman BOREN. Now, as you know, this is a very serious matter for this Committee to try to determine. Mr. Gates says now that he just does not recall that conversation or at least that part of the conversation about the diversion. It did not register with him.

By the way, you and Mr. Allen testified this morning—I have been a little unclear on this, and so have other Members of the Committee—that you later told him that you had not told Mr. Gates?

Mr. KERR. I later told Charlie Allen?

Chairman BOREN. Yes.

Mr. KERR. I am uncertain. I probably did. I do not know specifically but I would—

Chairman BOREN. He said today that you told him that within a day or two after the diversion became public by Attorney General Meese.

Mr. KERR. I have no reason to disbelieve that whatsoever.

Chairman BOREN. I believe this morning you said that you said something to him after this was all made public: well, you know, I told Bob Gates about that, and that sure is a problem for him or he has a problem about that, or something? Do you recall?

Mr. KERR. Well, it was clear when we began the review of all of this, and IG's, and people were talking to us. As I told this story of what I passed on to Bob Gates, and Bob Gates' reaction, and Charlie's initial informing of me, and then I heard that Bob could not recall the conversation, it was clear that there was a disconnect there.

It obviously has led to a ton of ink in print and discussion since that time. I can do nothing but provide to you my recollections of this.

At the same time, I think it is quite easy to understand from my perspective, quite easy to understand why Bob Gates might not remember. First of all, I did not do this as an element of high drama as something that was terribly exciting and a breaking piece of intelligence.

I did it as a piece of information that I considered to be very speculative and without having any context or anything to put it in, merely information to make sure that someone, my boss, knew a piece of information. I would have done that about a lot of other kinds of information outside this in terms of rumors, intelligence, things that were happening that I had no certainty about, but nevertheless would make sure that you give somebody a heads up. I

At the same time, it is quite easy for me to understand from my own perspective, someone coming in and giving me information like this that I couldn't put in context, getting a lot of different inputs from people, that it is quite possible to forget that and to not recall that.

Chairman BOREN. Mr. Kerr, let me ask you, and again this is an extremely important point. As I said to Mr. Allen this morning, in some ways you, Mr. Allen, and Mr. Gates are in the best position to shed some light on this.

I asked Mr. Allen for his opinion this morning as to whether or not he thought that the point about the diversion had registered with Mr. Gates prior to his telling him on October the first. Mr. Allen's answer, in essence, to me was I do not think so. I do not think it had registered with him in a meaningful way prior to that because he expressed such surprise. I do not think he is that good an actor. That was the gist of his answer.

I would like to ask you for your assessment. I know you have indicated you are a friend of Mr. Gates and a co-worker for a long time. You are the Acting Director of this agency now. Undoubtedly if Mr. Gates is confirmed, you would continue to be a colleague of Mr. Gates.

But to the best of your ability and standing back from all of that, do you believe that it is really credible for this Committee to believe the testimony of Mr. Gates that if, indeed, you did tell him this information in August sometime, that it did not register with him, and that he does not remember receiving it?

Mr. KERR. I think it is quite credible, and I have great confidence in Bob Gates' integrity. If he would have remembered, he would have told you so. He would have in his discussion with the IG and with others have said so, I am quite confident that he does not remember.

And, again, I would say that that doesn't surprise me. I had a lot of conversations with him on a variety of different subjects. I didn't bring this in as a crisis or as a major issue. There are times when people are distracted by other things and don't pay attention even when you are talking to them. That happens to me; I have other things on my mind. And I am sure that if I went back through my own record, I could not recall many visits of people who came in and talked to me, even if I try to put a specific time on it. But I think that is quite credible, and I have confidence that that is exactly what happened.

Chairman BOREN. Well, according to your recollection of this conversation, you do remember him saying back to you, keep me informed, or something like that?

Mr. KERR. Yes, something to that effect.

Chairman BOREN. Did you ever get back to him on this subject?

Mr. KERR. No, I never got any more information on it.

Chairman BOREN. You were, as DDI, a senior agency manager. Usually the DDI sits on a high-level panel to review covert operations; is that right?

Mr. KERR. That is now true. At that time, it was a more informal system in terms of the review of covert action programs, but it certainly is true now. There is a group that reviews them systematically.

Chairman BOREN. The DDI now sits on that?

Mr. KERR. Yes.

Chairman BOREN. But that was not formal at that time?

Mr. KERR. I believe that it was instituted. I'm not sure when the formal structure was instituted to review them, but the previous practice had been to provide to the DDI a copy of the finding which was then handled in a very careful way with one of the principal officers in the directorate.

Chairman BOREN. Well, setting that aside, if a senior NIO expressed concerns to you as Mr. Allen did about the likelihood that, at the very least, the operational security of a highly sensitive covert action was about to be compromised. He conveyed that there was this overcharging. Let us suppose there was not even a diversion, but that overcharging, as it had been handled, could cause this very sensitive operation to be divulged.

Looking back on that, do you not feel that you had an obligation to have more than just a casual conversation with either Mr. Gates or Mr. Casey or somebody about that?

Mr. KERR. Well, hindsight's a great thing. Looking back on it, I wished I would have done a lot of things with regard to that. I'm not sure that at the time, and in the context of the way of my own responsibilities and in the context of what I knew about that, that quite simply, if I were to do it over again with that same knowledge, I would do it differently.

I heard information that I found a bit confusing, but nevertheless enough alarming that I wanted to at least notify my immediate boss, and I did that.

I did not see in that an area that I had responsibility to pursue or an activity that I would pursue.

I am reasonably curious and aggressive and not necessarily stuck in a particular little rut. I am inclined to look at other things, but in this case, it seemed to me this was an activity that, one, Charlie was involved in and that I had passed the information back to Mr. Gates.

I did not feel more needed to be done at that point in time. Perhaps I should have.

Chairman BOREN. Looking back on it, do you wish that you had been more aggressive about it?

Mr. KERR. That's nice speculation, but that's not very satisfying, quite simply.

Chairman BOREN. Let me turn to one other matter and then I will turn to my colleagues. The Committee has in its possession another memorandum recounting your September 2, 1987, interview with the Iran-Contra Committee prepared by a staff member of CIA's Office of Congressional Affairs. According to this particular memorandum, you told the Iran-Contra Committee that when you informed Mr. Gates of Charlie Allen's speculation, he responded that, "He was aware that rumors were circulating, that profits were being made on the sales of arms to Iran, and that money from the arms sales was being made available to the Contras."

In looking at the notes of the Iran-Contra staff, we have also found a notation at this point of the interview with you confirming that Mr. Gates was "aware of rumors." At your deposition, you said, and I quote the deposition that we just took recently, "My im-

pression, again, looking back over and trying to recall precisely that event, was that he expressed surprise, concern, with some suggestion that there had been rumors or there had been something to that effect that he had heard before."

Now, Mr. Gates, in his testimony before us at the beginning of the confirmation hearings, stated that he had heard rumors about the contribution by third countries to the Contras but he did not say that he recalled hearing rumors about the diversion per se.

In your conversation with him, was there any possibility that he was referring to third country contributions and not to the information you were relating to him on the diversion? Let me split that in two parts. First, do you recall his saying something about being aware of rumors?

Mr. KERR. Yes, I did. And my notes—the contemporaneous notes that I made suggest that.

Chairman BOREN. Can you spell out in your own words your best recollection of what he said about rumors?

Mr. KERR. I am uncertain about that. I believe, based on my own notes, that it was speculation about that there was funding or donor funding or finding for the contras, but I cannot go beyond that. I do not recall—for instance I can't with any specifics recall him saying I have heard of rumors of the diversion of money from the covert sales to the contras. I do not believe he said that.

Chairman BOREN. You do not think he talked about rumors of diversion per se?

Mr. KERR. No, I do not believe so.

Chairman BOREN. He talked about rumors, and you did not know whether he was talking about rumors of diversion or rumors of contributions to the contras?

Mr. KERR. Again, going to my own notes, it appears to be, and the best of my recollection is it was rumors about funding for the contras but not funding out of the diversions. But I cannot be specific about that. Again it was a very brief conversation. It was 5 years ago. Even my notes were written some considerable time after that.

Chairman BOREN. Would you be willing, Mr. Kerr, to provide a copy of your contemporaneous notes for the record?

Mr. KERR. Certainly.

Chairman BOREN. We will receive those then for the record.

[The document referred to follows:]

SSCI# 91-5229

25 Nov 86

DOT + specifically Dick Kavis involvement in the Iran arms deal.

~~When did you find out what was going on.~~
12/13 May 86

Just before the McFarland/North visit Charley Allen + George Case asked me to provide some DT support & develop a slicking (including satellite photography) of the Soviet threat to Iran that could be given to Iranian contacts. Briefing was prepared by Soviet ^{Soviet} and presented to McFarland who came to the building

After ~~May~~ ^{May} 86 (May?) June

Subsequent to that meeting Charley Allen came by to fill me in on developments including the fact that arms were being provided in this "arrangement" with Iran. He also expressed his concern that some of the money being received from the Iranians was being used to support the Contras

Shortly after that meeting (hours) I went to Bob Bates + told him what Charley Allen conveyed to me. I asked if he had heard about Contra connection. He indicated that he had heard rumors but knew nothing about ~~the~~ rumors. Ollie's involvement probably would generate any number of rumors and no matter where he was some connections deal or otherwise would be made to Contra support.

Chairman BOREN. I apologize for breaking in at one point about matter for the record that I forgot to read into the record earlier. We received September 25th—today, I lose track of time—a letter to the Committee that is addressed to our General Counsel, Mr. Snider, and it is from Mr. Stanley Arkin, attorney for Mr. Fiers. I want to read this letter into the record. I would point out it is not a sworn statement. It is a letter from Mr. Arkin asking that the record be corrected that on Mr. Fiers' testimony in one regard. And this is addressed to Mr. Snider.

"This is to confirm the information transmitted to you earlier that upon receiving press reports of his testimony before the committee last week, Mr. Fiers believes that the record should be amended in the following respect.

Mr. Fiers testified to a meeting in the fall of 1986 involving himself, Oliver North, William Casey, and Clair George, and testified that just after the meeting, Mr. George had speculated to him that "sometime in the dark of night, Bill Casey had said, 'I'll take care of Central America. Just leave it to me.'"

This is a quotation from the New York Times' account.

Mr. Fiers recalls that Mr. George's speculation was that Mr. Casey had said this to the President.

I trust from your earlier conversation in my office you will take appropriate steps to amend the record in this respect. Thank you for your attention. Stanley S. Arkin.

We will release copies of this letter. This is the conversation that Members will recall where Mr. Fiers described that he thought he had been put through a charade. Do you recall that conversation with Mr. George, Colonel North, Mr. Casey and himself? As they were walking away, Mr. George had an additional conversation and he said that when he was quoting Clair George as saying that he speculated that Mr. Casey had sometime said, "Sometime in the dark of night, 'I'll take care of Central America, just leave it to me.'" Mr. Fiers recalls that Mr. George was speculating that Mr. Casey had said that to the President.

So I put that in the record just to correct the record as he requested.

[The document referred to follows:]

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September 24, 1991

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SSCI# 91-5178

CHADBOURNE & PARKE

Britt Snider, Esq.

2

September 24, 1991

I trust from your earlier conversation with my office that you will take the appropriate steps to amend the record in this respect.

Thank you for your kind attention to this.

Very truly yours,

Stanley S. Arkin
Stanley S. Arkin

(212) 408-5110

VIA FACSIMILE 202-224-1772

Britt Snider, Esq.
United States Senate
Select Committee on Intelligence
Washington, DC 20510-6475

Re: Alan Fiers

Dear Britt:

This is to confirm the information transmitted to you earlier that upon reviewing press reports of his testimony before the Committee last week, Mr. Fiers believes that the record should be amended in the following respect. Mr. Fiers testified to a meeting in the fall of 1986 involving himself, Oliver North, William Casey and Clair George and testified that just after the meeting Mr. George had speculated to him that "Sometime in the dark of night, Bill Casey has said, 'I'll take care of Central America, just leave it to me.'" (This quotation is from the New York Times account). Mr. Fiers recalls that Mr. George's speculation was that Mr. Casey had said this to the President.

Chairman BOREN. That completes my questioning for now, Mr. Kerr. I will turn it over to the Vice Chairman. Senator Cranston is next in order of arrival at the afternoon session.

Senator METZENBAUM. Senator Chafee, if he wishes to return to ask questions. Senator Bradley, Senator Rudman, and Senator Danforth.

We will turn first to Senator Murkowski.

Senator MURKOWSKI. Mr. Kerr, you mentioned about an Inspector General's review of the CIA involving the Iran-contra affair. I think that would be December of 1986. Was not Mr. Gates Acting Director at that time?

Mr. KERR. I believe so, yes.

Senator MURKOWSKI. I will repeat that. You talked about an Inspector General's review of the CIA involvement in Iran-contra in December of 1986, and my question was, was not Mr. Gates Acting Director at that time.

Mr. KERR. Yes, he was.

Senator MURKOWSKI. And did he not request the Inspector General to undertake the investigation?

Mr. KERR. Yes, he certainly did.

Senator MURKOWSKI. Can you explain how significant this is in view of some allegations concerning Mr. Gates in this matter?

Mr. KERR. Well, I think Mr. Gates was quite confident in terms of having IG inspection. He did not know, obviously, because he could not recall my conversation with him that we were going to end up with a statement by me that indicated a conversation that he couldn't remember. But that's what happened.

Senator MURKOWSKI. But it clearly appears to be the appropriate action of an administrator pursuing, if you will, a correct procedure, as opposed to somebody who was trying to hide something.

Mr. KERR. No, I do not think there was any attempt to hide anything.

Senator MURKOWSKI. You have never denied that you might have mentioned Charlie Allen's speculation to him in August of 1986 and I guess you simply had no memory of it. So do you recall whether you and Bob Gates discussed Charlie Allen as the source of this information and whether you thought it was reliable?

Mr. KERR. At the time—you are talking about in the August conversation?

Senator MURKOWSKI. Yes.

Mr. KERR. No, it would have been, as I said, a very brief conversation.

Senator MURKOWSKI. You did not dwell on the source, then?

Mr. KERR. No, I am certain—I would be certain that I told Mr. Gates about where the source of my information, which was Charlie. But beyond that, and beyond saying that it was Charlie's speculation, I don't think there was any further conversation.

Senator MURKOWSKI. No conversation into the reliability?

Mr. KERR. Of Charlie? Of Mr. Allen?

Senator MURKOWSKI. Of the source.

Mr. KERR. I do not believe so, although it is possible. Charlie can be excitable at times.

Senator MURKOWSKI. Well, we all can. Generally the information from Charlie Allen, you would regard it as what?

Mr. KERR. Having worked with Charlie over the years, and I have a lot of respect for Charlie in many ways, I am always careful about the information he provides and judgments about that.

Senator MURKOWSKI. You might typify it by taking his information with a grain of salt or something like that?

Mr. KERR. That's exactly right.

Senator MURKOWSKI. You would not necessarily speculate. It was just knowing him, you feel comfortable with it, and you just—

Mr. KERR. I think that is fair.

Senator MURKOWSKI. You were head of the Intelligence Directorate in 1986 and met frequently with Mr. Gates before and after the diversion became public, which was November 25, 1986. I am interested in your assessment of Mr. Gates' attitude. Did he seem to want to learn more facts or did he tend to ignore the facts about the diversion after October, 1986? Was there any appreciable change?

Mr. KERR. I think after the Meese announcement, I do not think there was any question. My involvement in putting together any information after that was very limited, but I sat in a couple meetings and I clearly was involved in staff meetings and things. I think there was a very aggressive attempt to try to understand the facts. And Bob Gates is a person who is inclined to do that, to try to organize and manage and try to get to the facts and to array them and get people working on them.

Senator MURKOWSKI. And that was evidenced in his demeanor and—

Mr. KERR. No question, no question.

Senator MURKOWSKI. Now in Mr. Gates' opening statement before this Committee, he acknowledged that he personally could have done better, he could have been more sensitive, he should have pursued more information. I think you have indicated a similar willingness, with hindsight, to have taken a more active and aggressive posture. But I think he said in his statement that he learned from those mistakes.

You occupied a position of leadership in the agency and are now acting head of the agency. Give us an assessment on how the Iran-Contra matter was handled within the CIA in 1986 and how others in a position of leadership responded to the information which Charlie Allen provided. Was it like a bomb shell?

Mr. KERR. Well, certainly the announcement itself and the revelation of involvement was a bomb shell in the sense of new information. People—I think, again, people tried very hard to try to organize the information and organize the facts and the chronology of what happened in that period because we were under great pressure of course to get the information straight, to get it organized and presented.

In this particular situation, the one characteristic that I think I found in CIA over the years is the record of intelligence has a capacity to array and organize its information rather easily because its business is the production of information. It has dates, times, and information all neatly arrayed. So it can recall and organize what it did rather systematically.

The Directorate of Operations is quite good in organizing its re-

getting it organized. But it is much less able to organize its operational activity and recall it in a systematic way because, in part, a lot of it is done verbally without memo of records and without a written record. I think during that period my impression was that we were having a very difficult time getting the story and the chronology and the information together from the various participants, which had been kept essentially compartmented.

So while there was a very real effort to do that, it was a very difficult process.

Senator MURKOWSKI. I am interested in that meeting held November 20th to prepare the testimony for Mr. Casey. I think Mr. Allen indicated under oath this morning that there were seven or eight principals there, and the hot potato clearly was the diversion of funds that was not mentioned. And, of course the Committee did not ask the right question directly of Mr. Casey.

Tell us your recollection of how it was handled. How could something as hot as this not come up as an issue of whether it should be included or excluded? Was it just so hot that nobody wanted to address the appropriateness of including it?

Mr. KERR. No, I think there's a simpler explanation than that, that it was not principal to the agency's business. It was not involved in the diversion of funds. It was not involved in this activity in any way. What it was trying to do was document the record of what it was involved in. So it focused on its own business and on the things it had knowledge of, not on the things that were outside of its immediate area.

So it would be quite logical not to focus on that and that that would not be central to putting together information on this particular subject.

Senator MURKOWSKI. The diversion question would have been appropriate for somebody to ask Mr. Casey had somebody on the Committee thought of it, wouldn't it?

Mr. KERR. I think the focus though was on the business of that particular hearing, and quite simply, I think that is the area, trying to get our own information together, that is where our own emphasis was placed.

Senator MURKOWSKI. Yet the diversion topic was the burning fuse, so to speak, of the whole plan running awry even though it was under the auspices of Colonel North.

Mr. KERR. I think the other side of that is there were relatively few people in that room who had any knowledge or any detail of that particular set of activities, Charlie being probably the one with the most extensive amounts of knowledge. We have heard his testimony describing the nature of that meeting.

Senator MURKOWSKI. I guess in hindsight one wonders whether you would expect to ask the Director how he was going to answer the question if it were to come up, but that did not come up either.

Mr. KERR. Not to my knowledge. Did it come up in the testimony, I guess would be the question.

Senator MURKOWSKI. Let me turn briefly to another topic, slanting of analysis. You succeeded Mr. Gates as head of the analysis side of the CIA. You were his deputy prior to that. From the association which you had with him, which was a long one, and your

background as an intelligence analyst, did Mr. Gates to your knowledge ever slant intelligence to make it fit policy?

Mr. KERR. No, I don't believe that for a moment. I believe what he did was aggressively push analysts, and push people, and have them check their own evidence and their own assumptions. And he had strong views about various issues but he also was quite willing to listen to the views of others when presented with a comprehensive case and presented with evidence. But he would certainly test people's arguments. And that is the business that we are in; so that is not surprising. If you don't do that, you make a mistake.

But I have known Bob over the years, and we haven't agreed on a lot of things on substantive issues. We've had a lot of discussions about them, and I have found him quite willing to change his views when given a good argument. And I hope I have done the same.

Senator MURKOWSKI. This has received a lot of attention. Is the allegation that the CIA slants intelligence for political reasons something new or has it always been around?

Mr. KERR. It has always been around. It is not new. I do not think it is accurate. I think to the contrary, to the degree that it is possible, we are as an agency as objective as you can be. We sometimes follow a wrong course or set of assumptions and lead ourselves into conclusions that may not be helpful. Often we are wrong in some of our judgments, but I have not been, in my experience there, I have never been told what to write, told to change my conclusion.

And I would argue quite simply I think that assertions that Bill Casey somehow gave us instructions each morning to change our information to coincide with his beliefs is just dead wrong. I found him willing to listen to arguments. If you could persuade him, he would side with you on conclusions that went against his initial views on something. I think he was susceptible to persuasion and to evidence.

So I think the idea that somehow we are going to twist the analysis—for one thing, in my judgment, I would not know how to twist it because I do not know who—what the customer is I am going to twist it for because there is no agreement across our customer line about what the answers are either.

So my belief in this is and has been over the years that you do the best, most objective job you can. You do it as clear and as precisely as you can.

Senator MURKOWSKI. We have already heard at least one or two cases where Mr. Gates had an aggressive statement or speech that he was asked or told not to release or give. I am referring to an instance where the Secretary of State was not too happy with some preparation for a major address. So recognizing that occasionally somebody in the Administration sat on Mr. Gates because they did not agree with him, to your knowledge did Mr. Gates ever suppress intelligence analysis that he thought would upset senior policy makers?

Mr. KERR. No, to the contrary.

Senator MURKOWSKI. But sometimes they might sit on him?

Mr. KERR. Sit on him in terms of a public speech is one thing, but not in terms of the production of finished intelligence. Those are quite different things.

Senator MURKOWSKI. I appreciate that distinction.

Concerning this business of slanting intelligence that we hear about—it seems that much of it has got to be in the eyes of the beholder. But you said allegations have been around for some time. I assume they were common before Gates joined the CIA.

Mr. KERR. They have been with us from the time I came to this agency in 1960.

Senator MURKOWSKI. Then one could assume as well that they have continued since he left the CIA to go to the NSC?

Mr. KERR. They have. I have people and customers and people who still are not convinced at times we are giving them information that is not colored somehow. I argue strongly that it is not. I think the problem of politicizing intelligence is a much more complex problem than shaping a product. There are times in intelligence when we produce intelligence on a particular subject where we write frequently about a particular subject, and a customer will reach the point where they believe we are over-emphasizing the threat or the danger on a particular issue.

So it is a perception that we are taking the subject, writing about it too often, using fragments of information to draw analysis out. There are people who argue we are carrying a line too far and becoming alarmist. Quite simply, George Schultz believed that when we wrote about coups in the Philippines. He criticized us for picking up every coup threat. We also had a major coup there not long afterwards. So I take all that with a grain of salt, quite simply.

We do provide some context as best we can. There are times when aggressive analysts may carry a particular subject more consistently in our product than perhaps it deserves. But we try to balance that out with good judgment.

Senator MURKOWSKI. So you would take issue with those that contend that Gates has been responsible for slanting intelligence?

Mr. KERR. I take serious issue with it.

Senator MURKOWSKI. It went on before he got there; it has gone on since he left.

Mr. KERR. I take issue with it in part because if he did it, I did it, and I didn't.

Senator MURKOWSKI. And we can always ask him whether he did it.

Mr. KERR. No, this is not just a single person. This is a partnership and an organization that produces intelligence, not an individual. And I think the organization and the individuals in it can take great pride in their objectivity. I'm not saying they are always right or they fully understand the issues or have the complete evidence in all occasions.

Senator MURKOWSKI. So the distinction you are making is that he could not have done it without you, he could not do it individually?

Mr. KERR. An individual can have an impact certainly but it is in terms of questioning and probing and asking questions. Certainly the leader of an organization can have an impact on the product, but you cannot tell this organization to change the yeses to nos, and the left to right. It will not stand still for that.

Senator MURKOWSKI. Can you turn from white to grey?

Mr. KERR. You can push people if they are willing to be pushed. If they are willing to modify their judgments because they cannot stand up to your own arguments, you can push them around in that regard. Good, thorough analysts stand up, argue their cases, and win their cases. In my judgments they won their cases as often as not with Bob Gates as they did with anyone else. Again, I would assert we won our cases with Bill Casey as often as not.

Senator MURKOWSKI. You do not feel that in your long association with Mr. Gates that you were ever pushed against your will in one way or another?

Mr. KERR. No, not whatsoever.

Senator MURKOWSKI. My last question is, in your judgment, should Bob Gates be confirmed?

Mr. KERR. Yes, I don't think there is anybody I can see who can do a better job of taking the leadership of the agency at this point in time, and I think it is an important time, and I think he has the vision to keep it on the right direction. I think it is an extraordinarily strong agency now, but I think its future is very critical and I think he is important to its future.

Senator MURKOWSKI [presiding]. Thank you, Mr. Kerr. We very much appreciate your testimony.

Senator Cranston is next.

Senator CRANSTON. Thank you, Mr. Chairman. I welcome the opportunity to meet with you again.

When did you first see the October 14, 1986, memo that Mr. Allen prepared at Mr. Casey's request?

Mr. KERR. Senator, I'm not sure that I saw it until very recently. I don't think I saw it on any occasion contemporaneous with its preparation; I'm quite sure of that.

Senator CRANSTON. Did the memo differ in substance and tone from the conversation and had with Mr. Allen in August of that year? In other words, did the memo change your mind about the nature of Mr. Allen's concerns when you finally read it?

Mr. KERR. Well, when I read it this time, obviously it was more complete, more comprehensive, and is a little more black and white. Looking back at it of course I do not know how much I have added from my other knowledge about all this. As I would say right now, my view of it is quite different.

Senator CRANSTON. I believe you said in your previous appearance before this Committee that you do recall discussing with Mr. Allen his follow-up meetings with Roy Furmark on the subject of the diversion of the funds, but that you do not recall sharing that additional information with Bob Gates, who you said had asked that he be kept informed of further developments. Is that correct?

Mr. KERR. I cannot recall the detail the subsequent conversation with Charlie, but I believe it only involved the issue of overcharging for the arms. I do not believe there was further discussion of the diversion. But I did not go back on the particular issue. No I did not.

Senator CRANSTON. Mr. Allen testified this morning that he does not recall speaking again with you until November. Where do you recall any additional conversation you and with him?

Mr. KERR. My conversations with him on other subject were on the warning issue, but I do not believe we talked about this particular issue again.

Senator CRANSTON. Do you recall seeing memos Mr. Allen prepared after the meetings with Mr. Furmark?

Mr. KERR. No.

Senator CRANSTON. What is your review now of the nature of Mr. Allen's concerns, having read the memo?

Mr. KERR. Well, I go back again to an earlier time frame of August. I am not sure how I would have, even in hindsight, interpreted his conversation or his information at this point in time, differently. Certainly in the later period, you see this building of concern and also the concern and the problem of security and other things coming out, which are more extensive and certainly raise more concerns.

Senator CRANSTON. Why did you not share with Mr. Gates the additional information you got about the Furmark meeting and what you derived from your additional talks with Allen?

Mr. KERR. I cannot say why precisely except that Charlie Allen—again I did not look as someone who was the responsibility of the Director of Intelligence. And I thought it more appropriate that Charlie talk to Bob Gates. I believe at one point in time in this conversation that I recommended that he go and talk to others about it because I had no authority in this particular area, which of course Charlie did.

Senator CRANSTON. In retrospect, was there anything you would have done differently from the way you handled the information you got from Mr. Allen?

Mr. KERR. I would like to say, Senator, I should have spent more time on this and focused on it and gathered more information and then gone forward with a more persuasive case. But I have to admit, even in hindsight, I find it difficult to imagine that I would have done that given the nature of the information I had and the circumstances. It would have been nice. It would have looked good on the record, but I am not sure in fact even in hindsight, it was a practical judgment.

Senator CRANSTON. I would like to ask you one general question based on the fact that you have this background in analysis but that you also presently have experience in broader responsibilities. Some experts believe that it would be wise to separate analysis from operations, clandestine, covert, overt, and so forth. Do you have any concerns that the mix of having the two types of work in one agency can lead to less subjective analysis, to a temptation at least to back up, justify, or otherwise help out your own colleagues and your own agency by the way you analyze something that relates to an operation they are carrying on in one way or another?

Mr. KERR. That is an important question and one we had discussed over the years. I believe it would be a serious mistake to take the Directorate of Operations away from the Directorate of Intelligence. I believe that the two work in some ways against and with each other in a very constructive way.

I think it is important to have the people, for instance, who are running clandestine, particularly covert operations, separate from those who are assessing the developments in the country where

covert operations are being run. To me it is a little bit like having General Motors do their own Motor Trend assessment of their cars. It is probably not a good idea to have the two in the same organization.

When you have them in separate organizations, you create some tension across that line. And I think is a useful, healthy tension. I think you should maintain some of that tension so that the people doing the analysis do not get coopted into being enthused about running the operation.

But I have seen in my experience no instance where that has been a problem. To the contrary, if anything, where we have had problems, sometimes they are a little too antagonistic, not too close.

In the contra issue itself where the Directorate of Operations was involved in a covert action, we had a very independent and I thought a very aggressive Directorate of Intelligence assessment of the likelihood of Contra success. For the most part, that assessment was fairly negative about the prospects for the success of the Contras.

So I think in fact it works rather well. I think there needs to be a tension across the lines. I would not put them together. I think that would be a mistake. But I think they have reached the point also where they complement each other in very sophisticated operations. And if I can, the best example of that would be terrorism. There, having some analysts working closely with operations people and collectors I think has made a significant difference in our ability to take information and turn it into action. So there is an area where it works rather well. It's one you need to control and watch very carefully.

Senator CRANSTON. Thank you very much for a very thoughtful answer.

Senator MURKOWSKI. Thank you, Senator Cranston. Senator Metzenbaum?

Senator METZENBAUM. Thank you, Mr. Chairman.

Mr. Kerr, you served under Bob Gates as Associated Deputy Director for Intelligence, then you succeeded him as Deputy Director for Intelligence in 1986.

During this period, officials in your Directorate complained to you that intelligence analyses or estimates were being perverted.

On May 12, 1987, you wrote a memo entitled "The Integrity and Objectivity of National Foreign Intelligence Estimates," arguing that the process for drafting estimates was flawed.

Mr. Chairman, I would like to introduce that memo into the record at this time.

Senator MURKOWSKI. It will be entered into the record as requested.

[The information referred to follows:]

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012-87

12 MAY 1987

SSCI #91-4376
W/91-4099

MEMORANDUM FOR: Chairman, National Intelligence Council

FROM: Richard J. Kerr
Deputy Director for Intelligence

SUBJECT: The Integrity and Objectivity of National
Foreign Intelligence Estimates

REFERENCE: NFIB 89.9, dated 28 April 1987, Same Subject

1. Although generally satisfied with the integrity of most estimates, we believe that the objectivity, quality and usefulness of Community estimates could be significantly improved by changes in the process -- and the role that key individuals play in that process -- by which estimates are produced. Individuals, not process, are the critical element in the integrity and objectivity of national intelligence estimates. Without individual integrity and objectivity at all levels, particularly at the top, no process will work; with it, any process will be successful.

2. The role of the National Intelligence Officer, in our judgment, is critical. An impartial estimative process requires the full expression of views by participating agencies and the clear identification for our consumers of areas of agreement and, often most importantly, disagreement. In order to fight what is often an unhealthy desire to reach consensus, the NIO must, above all, see himself as a manager of the process, the one who ensures that the tough questions are addressed, that consensus views represent real agreement and not papered-over differences, and that minority views are fully expressed. It has been our experience that when the NIO subordinates this responsibility to the advocacy of a particular analytic line that the integrity of the estimative process suffers.

3. The manner in which the NIO interprets his role usually depends on how the Director of Central Intelligence interprets his role in the estimative process. The DCI must first reconcile the potential conflict between his roles as both policy and intelligence advisor to the President. Maintaining the integrity and objectivity of the estimative process requires, above all, that the DCI prevent his role as a policy advocate from undermining the impartiality of his intelligence support to the President. But it also further requires, in our judgment, that the DCI recognize -- as we believe the NIO must -- that his first responsibility is to ensure the full and clear expression of views by NFIB principals. The DCI must, of course, provide the President with his assessment -- estimates are "issued by the Director of Central Intelligence" with which "the National Foreign Intelligence Board concurs, except as noted in the text" -- but a DCI overly concerned that estimates reflect his assessment,

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rather than the interplay of his views with those of other NFIB principals, risks seriously undermining the objectivity and integrity of the estimative process.

4. Since the current estimative process provides both the DCI and the NIO multiple opportunities to weigh in, the degree of self-restraint that both exercise is critical. We believe that it is almost impossible for the NIO to draft an estimate and manage the coordination of that draft in an objective manner. Similarly, we believe the integrity of that draft in an objective manner when the DCI -- or, more frequently, the NIO acting in the name of the DCI -- tries to make draft estimates conform to his views before entering community coordination. We tend to be distrustful of those NIOs who presume community the authoritative voice of the Community because their desire to be sole spokesmen often undercuts their willingness to seek alternative views. We are especially concerned with the tendency of some NIOs to circulate their own uncoordinated material and views as possessing the same significance as printed NIEs with NFIB approval. These "private" communications, of course, are not subject to the same rigorous review and testing that other products go through.

5. Our suggestions for improving the integrity and objectivity, as well as the quality and utility, of foreign intelligence estimates fall into several categories:

--We are clearly doing too many estimates, and too many of our estimates look more like research papers than estimates. NIE/SNIEs should address critical intelligence questions on important policy issues and should be analytic and estimative in nature. We believe that NFIB -- or perhaps a subgroup consisting of the principal production agencies -- should approve TORs to ensure that only important topics are selected for NFIB consideration, and that the critical issues are being addressed in the estimative process.

--The role of the National Intelligence Officer as the manager of the estimative process can be improved in several ways. NIOs should never draft estimates, accepting instead that their principal responsibility is to seek the full and clear expression of views including their own. We also believe the NIOs should recognize that their status derives from their facilitation of community positions on intelligence issues, not their own substantive views which can be misconstrued as community views. The institutional role of the NIOs -- as well as their perceived objectivity -- could be strengthened, in our view, if the NIOs were located away from CIA Headquarters, a move that would enhance the impartiality of the estimative process and reduce the temptation that NIOs sometimes have to serve as the advocate of the DCI's view to the exclusion of others.

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--We must work harder to facilitate the expression of minority views, which, in our judgment, is critical to the integrity of the estimative process. Even as we have expressed our concern about the impact that the NIOs and the DCI may have upon the openness and objectivity of national estimates, we also recognize that each NFIB agency must recognize its responsibility to state fully and clearly its views and avoid "brokered" estimates reached largely through a desire to form a consensus. We in the DI should be more willing to take minority positions and resist the tendency to strive always for a common position with the DCI, a pressure that may lead both the DCI and the DDI to mute important differences in judgment. We also believe we must develop better ways of presenting minority views, possibly through direct incorporation into the text or the use of split text.

--As we suggested earlier, we believe the role of NFIB should be strengthened. The DCI, as Chairman of NFIB, is clearly "first among equals," but, in our judgment, the weight and status of a National Foreign Intelligence Estimate derives largely from the fact that it represents the judgment of the Intelligence Community, including the DCI. NFIB itself should decide what are appropriate topics and intelligence issues by passing on TORs as well as final drafts. The Senior Review Panel -- a useful external check -- should report directly to NFIB, commenting on TORs and final drafts for NFIB consideration rather than to the NIOs for sometimes arbitrary treatment.

Richard J. Kerr
Richard J. Kerr

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Senator METZENBAUM. I would like to quote some of your comments from that memo.

Without individual integrity and objectivity at all levels, particularly at the top, no process will work.

You went on to say:

An impartial estimative process requires the full expression of views by participating agencies and a clear identification for our consumers of areas of disagreement. In order to fight what is often an unhealthy desire to reach consensus, the national intelligence officer must above all see himself as the one who ensures that minority views are fully expressed.

I think this was underlined, but I am not sure.

It has been our experience that when the NIO (National Intelligence Office) subordinates this responsibility to the advocacy of a particular analytic line, that the integrity of the estimative process suffers.

You went on to say:

The Director of Central Intelligence must first reconcile the potential conflict between his roles as both policy and intelligence advisor to the President. Maintaining the integrity and objectivity of the estimative process requires, above all, that the DCI prevent his role as a policy advocate from undermining the impartiality of his intelligence support to the President.

A DCI overly concerned that estimates reflect his assessment rather than the interplay of his views with those of other principals risks seriously undermining the objectivity and the integrity of the estimative process.

Now, we all know that, that at that time, Bob Gates had been in charge of that process which you were criticizing. He had been in charge of that process for several years. Would you tell us what were the problems with estimates written under Bob Gates' leadership?

Mr. KERR. Well, first of all, that is a memo that I prepared. It was not directed at estimates necessarily prepared under Bob Gates, but it was directed at the estimates process generally.

Senator METZENBAUM. He had been in charge of the process for 5 years at that time?

Mr. KERR. He was the chairman of the National Intelligence Council and also the Deputy Director for Intelligence. And so he did have responsibility for estimates, but there was the estimative process, and the drafting of that was done in an office, a separate office.

And the problem I had and the reason I wrote the memo was, first of all, to state some rather general principles that I thought were worth restating at a time when we were relooking at—taking another look at the estimative process, how it was done, how things were drafted, when the DCI should get into the review process, and how to make the process work.

My concern at that point in time, and it is still a concern, is to try to make that process as good a process as possible. I had had, and you in this Committee have looked at two estimates and held, I think, two estimates as examples, I think of what has been characterized as politicizing products.

In my judgment, the Mexican estimate, which was one of the estimates that I was concerned about, and actually referring to. This estimate, one that you have dealt with, and the Iranian estimate, were not politicized. They were just poorly done. They were examples of what I thought was a bad process on those two estimates.

Now, there are a hundred other estimates that I think were done rather well, but on those two, and on some others, I had some problems. And my problems were fairly straightforward.

One was, in both of those cases, the NIO was the drafter of the estimate. I found it difficult having an NIO draft the estimate and then sit at the head of the table and take the comments on his own draft.

Unless you are a very big person, that's tough to do, and I don't think that's the way the process should work. So, I was complaining about that.

On the other hand, I believe on the Mexican estimate, the initial draft of that estimate was what I considered to be a very bad draft. It was a very good paper. It was a very interesting monograph and a very bad estimate.

I wrote to the drafter when I saw the first draft at the very beginning in this 1-year process and said exactly that. This is a bad draft for an estimate. It has no evidence. It has a lot of assertions and a lot of conclusions, but it would be nice if you had some facts in it.

That started off, in my judgment, a Mexican process, a process for the Mexican estimate that ended up with a bad estimate with eight or so footnotes on the first page. It wasn't politicized, it was just a bad job and a bad process.

And what I was trying to do in this particular memo was to say we need to look at the process. We need to have the NIO's play the appropriate role as a mediator and in listening to people. Sometimes that doesn't happen. So I was trying to emphasize that point.

Finally, the only other thing I would say is that you have to remember that at that point in time, I was the Deputy Director for Intelligence, the Deputy Director for Intelligence and the head—the National Intelligence Council, are always a bit at odds as to who is going to be the premier analytic element, the estimative group in the NIC or the DI. So there's always a little bit of creative tension there.

So that was the purpose of it. And that was the objective, but it was to make the process more sensible and to make a better process and hopefully to make a better product.

Senator METZENBAUM. Well, Mr. Kerr, I have a little difficulty with your answer, because your answer sort of indicates that you were doing a textbook commentary, that you were just looking at this overall process.

But your memo is far more specific than that. You say, "maintaining the integrity and objectivity of the estimative process requires, above all, that the DCI prevent his role as a policy advocate from undermining the impartiality of his intelligence support to the President." You go on to say not a general view about how to do analysis, but that "a DCI overly concerned that estimates reflect his assessment rather than the interplay of his views with those of other principals, risks seriously undermining the objectivity and integrity of the estimative process."

Now, your answer is a very, very lengthy one, and almost confused the issue. You weren't writing an estimate. You were writing a memo having to do with the integrity and objectivity of national foreign intelligence.

that Bob Gates had been the director of that process for the previous 5 or 6 years.

You were addressing yourself to the responsibility and the role of the DCI; wasn't that the case?

Mr. KERR. I was, but what I was doing, it was not addressed to a Bob Gates or to a Bill Casey or to a Stansfield Turner, or to an individual. It was to the Chairman of the NIC. I mean, it wasn't to the Director. It was to the Chairman of the National Intelligence Council, which, at that point in time, I believe, was General Horton.

My objective was to say there are some first principles, there are some principles that we should follow in this, and I wouldn't even argue all of them were violated or had been or anything else.

What I was saying, there are principles that you need to follow, and you need to think about these. Sometimes our process in the past and my particular concern was with the way several estimates, particular estimates had been handled.

Senator MURKOWSKI. Senator Metzenbaum, I wonder if you would yield to accommodate Senator Rudman who has to leave at 5:00, and I believe just had one question or two?

Senator METZENBAUM. If it is two short ones, Warren, I have no problem.

Senator RUDMAN. About how long, how much more time does Senator Metzenbaum have?

Senator MURKOWSKI. Well, Senator Metzenbaum's 10 minutes has expired.

Senator RUDMAN. How much more time does Senator Metzenbaum need?

Senator METZENBAUM. I guess I would to another 10 or 12 minutes. I don't mind if Warren wants to go and I will come back.

Senator RUDMAN. Well, as a matter of fact, Mr. Chairman, let me just ask a procedural question. What are the plans of the committee? Are we going to finish this witness this afternoon and then recess until tomorrow for a closed session?

Senator MURKOWSKI. That is the intention of the chairman.

Senator RUDMAN. Do you know what time that closed session is going to be tomorrow?

Senator MURKOWSKI. I am advised 9:00.

Senator RUDMAN. Well, actually, Mr. Chairman, you know I have been listening to all of this, and Mr. Kerr has answered just about every question that I believe is relevant to the nomination of Robert Gates to be Director of Central Intelligence, so I have no questions.

Senator MURKOWSKI. Senator Metzenbaum, you may proceed.

Senator DANFORTH. Excuse me. On the 10-minute rule, what is the reason for the rule? Can any Senator just go on for as long as we want, or are we going to have rounds?

Senator MURKOWSKI. I think it is fair to say that the chair has accommodated the Senators to the extent of their questions, and while it was the intention to try to limit it to ten minutes, and then go a second round, in actuality we have accommodated the Senators' extended remarks.

Does the Senator object to the procedure, or were you just asking for a clarification?

Senator DANFORTH. What does the list look like now?

Senator MURKOWSKI. The list looks currently like Senator Chafee, Senator Bradley, Senator Rudman, Senator Danforth, Senator DeConcini, and Senator Warner.

So Senator Warner is dead last.

Senator METZENBAUM. I would like to point out my questions have not been quite that long. The answers have been rather lengthy.

Senator MURKOWSKI. I could time them, if you want to compare them. I think they have been about equal, but go ahead.

Senator METZENBAUM. Admiral Inman suggested last week, in his testimony, that while the more senior officials were more resistant to change, are against Mr. Gates' nomination, the youngsters at the CIA, as he put it, are looking forward to his leadership. Do you agree that there is internal opposition to Mr. Gates from the more experienced people at the agency? If so, is this due only to a fear of change or is it due to more serious concerns?

Mr. KERR. The Agency, generally, is always concerned when it gets a new leader. However, it has a good deal of knowledge with Bob Gates. I don't think there is great concern about him by any means. People, I think, are looking forward to someone who is effective and has the confidence of the President and he is able to provide leadership to the Agency.

I believe they believe he can do that.

Senator METZENBAUM. And that is pretty true across the board?

Mr. KERR. I believe that is true.

Senator MURKOWSKI. Could you speak a little louder? It is hard to hear.

Senator METZENBAUM. Thank you. I guess I was too far from the mike. Sorry about that.

Let me go back to the estimates. One of the estimates that prompted the most criticism was the one in May 1985 that overstated the threat of Soviet inroads in Iran and recommended Western arms sales.

At Tuesday's hearing, Bob Gates finally admitted that he had intervened to stifle dissent on this estimate. Were there complaints that your analysts made to you regarding that estimate?

Mr. KERR. Well, Senator, I don't know. I'll have to watch the hearings completely, but I don't think Bob Gates would have said that stifled an estimate. I think he said, as best I understand, that he talked to Mort Abramowitz and said that he didn't think Mort had a real footnote and was taking a footnote of something that was already in the estimate. I believe that was the case.

You don't stifle, nor have I ever seen in this process, Bob Gates stifle an estimate. To the contrary, and again, I would say this of Bill Casey as well, they encouraged estimates. If you don't agree with the footnote—if you don't agree with the estimate, take a footnote, and express your views in a systematic clear way has been a statement that I have heard rather consistently in the National Foreign Board meetings from both Bob Gates and from Bill Casey.

Senator METZENBAUM. Is my recollection wrong? I thought I remembered Bob Gates saying that he had called for some footnotes

Mr. KERR. I believe he talked Mort out of it, but Mort usually was not intimidated. If he wanted to take a footnote, he did often and frequently did take footnotes. Mort was quite willing to express different views, and so if Bob persuaded him, he must have been persuaded that it wasn't a useful footnote.

Senator METZENBAUM. You told the Tower board that when you briefed Bob Gates on Charlie Allen's concerns about a possible diversion, Gates said that this sounded like something Ollie North would do.

Did this give you the sense that Gates was already aware of something? Did it give you any signal?

Mr. KERR. Sir, I think it gave me a better sense of judgment and perspective on Ollie North than anything else.

Senator METZENBAUM. Would you repeat that, please?

Mr. KERR. What it did was to say, this is something he might do, Ollie might be involved in. I think it is a better statement and commentary on Ollie North, but not—I think it was a casual statement at most.

Senator METZENBAUM. You do not think that it indicated that Bob Gates comprehended what was being told to him, or understood or remembered?

Mr. KERR. No, I believe he comprehended what I told him. I believe he did, yes, at least at the time I thought he did.

Senator METZENBAUM. You said you were not terribly surprised that Bob Gates might forget his meeting with you in August of 1986, but Bob Gates has also testified to failing to recall the December 1985 meeting with John McMahon at which he first he learned of an arms sale Finding.

He also forgot his involvement in White House efforts to sell CIA the assets of the so-called private benefactors.

From your experience, could Bob Gates have that bad a memory that he forgot all three of those things?

Mr. KERR. Bob Gates has an excellent memory, Senator, but, I mean, that card on both sides is filled with today's activities as the Acting Director. That's about what Bob's card daily looked like at about 15 or 20 meetings with people on 15 or 20 different subjects.

I don't find it at all surprising that a one minute conversation on something that's tucked into other issues and is based on speculation would be forgotten.

Senator METZENBAUM. Even when it involves possible violation of laws by representatives of the United States?

Mr. KERR. Sir, I think it is important to say that it did not involve violation of the law by the CIA or by the organization that we are responsible for. It was rumors about what somebody else had done outside the organization.

Senator METZENBAUM. Somebody at the National Security Council?

Mr. KERR. That's right, yes, sir.

Senator METZENBAUM. I realize you were not given a copy at the time of Mr. Allen's October 14, 1986, memo regarding his concerns about the security of Iran arms for hostages operation.

I believe, however, that you have had a chance to review it. I had asked that that be done this morning. You have served as Deputy Director or Acting Director since Mr. Gates left the CIA in 1989

What if you were given a memo that included the following: "Ghorbanifar and his creditors appear determined to recoup their losses even at the risk of exposing U.S. covert arms shipments in exchange for release of our hostages, and Ghorbanifar has said he would not sit idly by and permit himself to be made the fall guy in this matter," and "Ghorbanifar might tell the press the U.S. Government acquires substantial profits from these transactions, some of which profit was to be distributed to other projects of the U.S.," a memo that gave recommendations for action, underlining the fact that Ghorbanifar had too much documentary evidence that implicates U.S. officials? What action might you have taken if you had been given such a memo?

Mr. KERR. It's hard in hindsight to say that, but certainly, if I were given that today, I would take action, and I'm sure that Bob Gates, given that today would take action. I don't know specifically what action he took on the basis of that, but we learn rather quickly.

Senator METZENBAUM. How does the CIA decide whom to give monetary awards such as a performance award, a meritorious officer stipend, or distinguished officer's stipend?

Mr. KERR. It's a process that starts with the immediate supervisor in every component who recommends people at the SIS level, the executive level, either for, recommends a stipend and at what level or decides that that person should not get a stipend.

It then works its way up to the, usually at the component level, there is a career service associated with each component, the DDI, the DDO, DDS, and DDA, that is reviewed by a board there. Usually it is by a panel of people who would, in effect, vote on their ordering of priority among people that are recommended, and then finally, at the end, the component chief makes the final selection, usually based on that recommendation.

Ultimately, the DDCI and the DCI then either add to that or slight changes based on their knowledge. It's a very systematic process.

Senator METZENBAUM. The Director himself is not the final word?

Mr. KERR. The Director until lately is the final word, but very seldom does, in my experience, and I've been involved in this now for quite some years, does the Director ever do anything—do very many things. He may add somebody or move somebody up on the list. He may actually reach down and recognize an individual for exceptional work. Or he also can take somebody off the list. But they are few in number.

Senator METZENBAUM. Do you care to comment on the fact that while Bob Gates was Acting Director, awards were given to Clair George, Allen Fiers, and Dewey Clarridge, all of whom were disciplined months later for their Iran-contra activities? Clair George even got an award in 1988 when Bob Gates was Deputy Director. Do you think that is just one of those things, and nothing for us to really be concerned about?

Mr. KERR. Well, I can't judge the reason for the awards except to look at the jobs they held and the performance independent of those reprimands. That came later. But in terms of the impact

their activity, again, I didn't make that judgment, but it seems to me that it is not unlikely that they would have been put in for awards.

Senator METZENBAUM. Thank you, Mr. Chairman.

Senator MURKOWSKI. Thank you very much, Senator Metz-enbaum.

Senator Danforth?

Senator DANFORTH. Thank you, Mr. Chairman. Mr. Kerr, I would like to direct your attention to the meeting in late August between you and Mr. Gates at which this subject of the overcharges and the Allen analysis or speculation or however you characterize it, took place and ask you to describe that meeting as fully as you can. Where was it?

Mr. KERR. The meeting with Allen?

Senator DANFORTH. No, with Gates.

Mr. KERR. It was in his office.

Senator DANFORTH. In Gates' office?

Mr. KERR. What I did was—

Senator DANFORTH. And only the two of you were present?

Mr. KERR. Yes.

Senator DANFORTH. It was either about another subject or about a number of other subjects.

Mr. KERR. Yes.

Senator DANFORTH. How long would that meeting have lasted, and I know that it is looking back 5 years, and it seems impossible to remember, but if you do know?

Mr. KERR. It was very brief. I would say 5 minutes total.

Senator DANFORTH. It was a drop-in kind of a thing?

Mr. KERR. It was a walk in through the secretary without a call in advance, which I did occasionally.

Senator DANFORTH. And during that meeting, more than one subject were discussed by you, one of which was your conversation with Mr. Allen?

Mr. KERR. That is correct.

Senator DANFORTH. And what do you remember saying to Mr. Gates?

Mr. KERR. I said that Charlie Allen had come to me and had described some of this information that led to his judgment that there had been overcharging for the weapons and that profits, significant profits had been, money had been made beyond the cost of those weapons.

I also remember him specifically saying that Ollie North had been involved in this. He also then—

Senator DANFORTH. Now, wait a second. This is you talking to Gates?

Mr. KERR. I'm sorry, I'm getting back to.

Senator DANFORTH. What I want you to do is to try to recall what you said to Mr. Gates.

Mr. KERR. My conversation was very brief with him as I have said, and it indicated that Charlie had come, indicated that there had been money from the sale of weapons beyond that, and that that money was being used, diverted to the Contras.

That was Charlie's speculation about what purpose that money might be used for.

Senator DANFORTH. Did you characterize it as Charlie's speculation?

Mr. KERR. Yes. I'm quite sure I did, although I cannot recall the precise wording. But that would have been, I almost certainly would have done that.

Senator DANFORTH. What was Mr. Gates' response?

Mr. KERR. He expressed concern. And as I said in my note, again that indicated that it would not surprise him to find that Ollie North was involved in such an activity.

Essentially then, that was about the extent of it indicated. He asked me to keep him informed.

Senator DANFORTH. Is that when he said that he had heard rumors to that effect?

Mr. KERR. Yes. Rumors to the effect, I believe, that money was being raised from donors, or given for the Contras. Again, I am not at all certain of the connection between that and the diversion of funds.

Senator DANFORTH. You are not sure one way or another whether he indicated that he had ever heard that Iran proceeds were being diverted to the Contras?

Mr. KERR. I don't believe he did indicate that, but I cannot, I would have been surprised had he indicated that.

Senator DANFORTH. So you don't believe he, to the best of your knowledge, he did not indicate that?

Mr. KERR. No.

Senator DANFORTH. So what he meant by rumors was what?

Mr. KERR. Donors, or money being raised for the Contras.

Senator DANFORTH. Just that donors were being used but not that money was being diverted?

Mr. KERR. That is my assumption, but again, I cannot with precision recall his precise words.

Senator DANFORTH. Did anything in Mr. Gates' response to your comments to him surprise you?

Mr. KERR. No. Did his comments back to me surprise me? No, they didn't. He expressed concern, surprise, but again, we were dealing the way I presented it, at a level of speculation and low key and not with any supporting evidence behind it.

Senator DANFORTH. It would be impossible for me to try to remember words after 5 years, but do you remember the words that he used?

Mr. KERR. No, I cannot.

Senator DANFORTH. In essence, did he more or less just say he was surprised or was not surprised?

Mr. KERR. I really cannot, I'm afraid, recall the precise words. I have a little more precision on the words, but I think I gave because I had gone up with some idea of what I wanted to tell him, so I am more confident about that than I am about this precise response.

Senator DANFORTH. But you think that he said that he had heard rumors, that there was this benefactor program going?

Mr. KERR. I believe so, yes.

Senator DANFORTH. But he did not indicate any prior knowledge hint one way or another that there was any diversion of money from Iran to the

Mr. KERR. I do not believe so. The only thing that I can dredge up, quite honestly, Senator, out of this is a comment to the effect that he wouldn't be surprised if Ollie would be involved in such a thing. But that is not fore knowledge in my judgment.

Senator DANFORTH. That would be in your view more of a statement of his view of Ollie North?

Mr. KERR. Yes.

Senator DANFORTH. And sort of the manner of Ollie North and not a statement about foreknowledge of this particular statement that you had made to him?

Mr. KERR. That would be my judgment, yes.

Senator DANFORTH. Thank you.

Senator MURKOWSKI. Thank you, Senator Danforth. Senator Warner?

Senator WARNER. Mr. Chairman, I think the witness has responded to the questions that you and the Chair and others have put down. I would simply follow up on one question there that Senator Danforth asked about the meeting, and you said Bob Gates sort of said keep me advised.

Did you keep him advised?

Mr. KERR. No, I had no further knowledge about it. I found it would have been useful to pass on, and I knew Charlie Allen essentially was involved in it, and that he, in some point in time had certainly engaged Bob and the Director in this. So, I had no particular knowledge to pass on.

Senator WARNER. Mr. Gates, in appearing before the Committee on the first day, set forth in his opening remarks some goals that he had. Have you had an opportunity to look at those goals?

Mr. KERR. Yes, sir, I have.

Senator WARNER. Let us discuss the one: We must dramatically expand our clandestine human intelligence collection effort. At the same time, we must consider the implication for our covert action capabilities.

A dramatic decline in Soviet aggressiveness and disruptive activities in the Third World, we must remedy the gap between the 21st century collection systems and a 19th century system for informing policymakers. Let us pick up on that last one, and would you share your views:

Mr. KERR. Well, this is an issue where I certainly agree with Bob Gates, and we have talked about this before he left the Agency, and in fact, we had a project going with a Director of Intelligence to look at an automated system using for the dissemination of our product and what amounts to real time and to have a current intelligence product, not just the publication each day, but a product that went to people electronically.

We had funded some activity on it and had developed it a fair distance. But it reached the point where rather significant costs were going to be involved, and at this point in time it wasn't obvious to either of us that either our customers or the organization were quite ready for it, but I think I would agree with Bob that it is a necessity and is going to be a necessity. We need to update our distribution system.

Senator WARNER. Another one. The intelligence budget should be considered by the President, the senior advisors in the Congress,

within, but independently of the defense budget. You are familiar with the process now. Let us start off with a question.

What about making the defense budget, I mean, excuse me, well. The defense is public. But that portion therein of the CIA budget public, the top line. You Are A Career Man.

Mr. KERR. On this issue, I'm fairly conservative not because I am particularly concerned about the number itself. I don't think that is the issue. What I am concerned about is that the explanation of that number and in breaking it down into its component parts and having a discussion of that, which seems to be the inevitable process, that would result from an open number, then leads to, I think, problems in terms of protection of information about where we are putting our emphasis and what kind of activities we are involved in.

It seems to me that is the appropriate purview of our Oversight Committees. We report to them, and quite simply, that process I would find more satisfactory than trying to defend it in an open forum.

Senator WARNER. So you lean towards, as I do, making the least amount of it public?

Mr. KERR. I do.

Senator WARNER. This is a very interesting one on page 12: CIA's Relationship To and Support For the U.S. Military Must Be Improved.

Mr. KERR. I agree with that.

Senator WARNER. Did you have an opportunity to look at General Schwarzkopf's remarks before this Committee?

Mr. KERR. Yes, I did. I don't think they accurately reflect the role intelligence played. I don't think General Schwarzkopf, to be honest, understood fully what intelligence he got, how he got it and where it came from. I'm not sure he needed to understand that as a commander in order to command troops, but I don't think he appreciated it fully.

I think the intelligence he got was much more comprehensive now. I think there are problems. And I think there are things that we could make some significant changes, how to move from a civilian fundamentally a civilian strategic organization, as CIA is, and to an organization that can effectively help and apply that information to the military.

I think it is an important challenge for us. It works the other way, too. The military needs to figure out how to tap the resources of the national community more effectively. Those are things we are working on. We have some things underway right now that I think are important that will help that. Some more gaming of intelligence problems. To involve the military in intelligence before we have a crisis. I think we need to practice together more. And they need to have more confidence in us and we need to have more confidence in how they handle materials.

But there's work to be done in this area.

Senator WARNER. Another one, the relationship between national and tactical intelligence programs must be dramatically—and I underline dramatically—improved.

Mr. KERR. Well, that goes essentially to the point I was trying to

become fairly fine, nearly an indistinct line. National resources that were used in Desert Storm, together with tactical, for the same objective. And the commander didn't care where he got the information. he only wanted it at the right place at the right time.

Senator WARNER. His last remark:

The Intelligence Community, and the CIA in particular, must build on openness, Director Webster, the foundation that he has laid and encouraged to develop better popular understanding and support for the U.S. intelligence activities.

I would you pick up on that one?

Mr. KERR. I think I have changed my view about this in the last several years. Intelligence officers, historically, have said they always wanted to made no comment publicly on everything. Because the minute you make a comment, then you had to explain it, and then you had to go further and describe it. And then you were never in a position to describe the full story, because you could not use the full extent of your information, which was classified.

But I think we do need to describe to people in a more graphic way, what the business of intelligence is; what it does for the policymaker. We need to describe the oversight process, this process that we're involved in with your Committee. I think that's an important one. People need to understand that there is oversight, and there is responsibility involved in this. And I think that's extraordinarily important. And we need to have the confidence of people.

Senator WARNER. Do you feel that that will help build the moral—a greater degree to openness and public understanding of the dedicated work that the CIA personnel perform?

Mr. KERR. I think so. Although morale is very high, it's an organization that doesn't let—I mean it's used to criticism, it's used to scrutiny. It's used to doing its work, and doing it well. And so I think it's very high. And it's not—the CIA is not particularly worried about the fut—its own future.

Senator WARNER. I wasn't suggesting that, but I'm glad that you brought that up. I—of course, I'm pleased that it's in the State of Virginia, the majority of them. And I find in my contacts there morale is quite high. And they're very proud to be a part of it. And they feel that the work product being used, from the President on down by the policymakers in our country.

Mr. KERR. Well, that's true. I believe that.

Senator WARNER. And if I may say, I think you've done a fine job in stepping in and carrying on for this period of time. Good luck.

Mr. KERR. Thank you, sir.

Senator WARNER. Thank you, Mr. Chairman.

Chairman BOREN [presiding]. Thank you very much, Mr. Kerr.

Senator DeConcini has joined us and has indicated—he was here earlier and had to step out—and he does have some questions he would like to ask. So I recognize Senator DeConcini at this time.

Senator DeCONCINI. Thank you, Mr. Chairman.

Good afternoon, Mr. Kerr. I would like to touch on just a couple of things that maybe you can help me with.

Please put yourself in the frame of mind of 1985 and the papal assassination and who might have been involved. Are you familiar with the subject matter?

Mr. KERR. Yes, I am.

Senator DeCONCINI. And realize—I am not interested in getting into classified information—obviously we cannot. I am looking for some answers and would like to verify some of the facts that have been reported to us.

It has been reported to the Committee that prior to the drafting of this 1985 assessment, a meeting was held, chaired by Director Casey, in which Mr. Casey expressed his views that the Soviets were behind the attempted assassination of the Pope. It has been reported that there was disagreement on the Soviet involvement, and that Mr. Gates suggested that the Soviet analysis division draft an assessment that lays out a specific case that there was, indeed, Soviet involvement.

Did you attend such meetings? Are you aware of any such meetings?

Mr. KERR. I'm not sure I attended the precise meeting you're talking about. But I'm certainly aware of the process, and the tasking of the paper, and was involved during that process, yes.

Senator DeCONCINI. But you were not at a meeting where it might have been, or was suggested by Mr. Gates that the Soviet analysis division go prepare something implicating the Soviet Union?

Mr. KERR. Senator, I may have been. But I certainly—if I wasn't at the meeting—I certainly—if I was at the meeting, regardless, I knew about the tasking for the Soviet Division, yes.

Senator DeCONCINI. Do you know why Mr. Gates would have gone ahead and told them to do that based on the information you recall now about the incident?

Mr. KERR. I think the process—yes, I do remember. This was a debate that had been going on for quite some time in the Intelligence Community, and outside matters, the degree of Soviet involvement. And there was, I believe—and I know Bob Gates believed this—a tendency to disregard the possibility of Soviet involvement. I think at times our—there was a tendency to say we don't have evidence of it clearly, so—and it doesn't make sense, so it probably didn't happen. And I think Bob Gates, and I certainly would agree with him, believed that you should push this evidence, and push this—

Senator DeCONCINI. Well, is there a difference here between pushing or letting the analysis division know that you want a certain answer from them?

Mr. KERR. No, I think in this case it was make the case. In other words, the idea was, sit down and try to make a case for—

Senator DeCONCINI. And, if indeed you could not make a case, that's what you should come forward with?

Mr. KERR. I think—quite often in this process of intelligence, you ask people to test the hypothesis, to see if you can make a case on this—

Senator DeCONCINI. And in this particular case, the recommendation, I guess, did come forward, and ultimately some kind of a report was put together—

Mr. KERR. That's correct.

Senator DeCONCINI [continuing]. That indicated there was such involvement—

Mr. KERR. It certainly laid out the evidence for that. It still was ambiguous, I think, in the end.

Senator DECONCINI. Do you recall the assessment?

Mr. KERR. Yes, I thought it was—

Senator DECONCINI. Was it a balanced—

Mr. KERR. I don't think it was intended to be—

Senator DECONCINI [continuing]. Assessment?

Mr. KERR [continuing]. Balanced.

Senator DECONCINI. You don't think it was?

Mr. KERR. No, I think it was intended to do exactly what the title suggested, and that was make a case for it.

We are, for example doing—we do this on a regular basis. We set up a scenario and pursue that, to see if, in fact, the evidence would support it—

Senator DECONCINI. Excuse me.

Mr. KERR. Go ahead.

Senator DECONCINI. It has been brought to this Senator's attention that there was a cover page on it, on top of the assessment that pointed out that there was some difference within the department, and there were some—whoever wrote the cover memo did not feel like this was indeed what it should be.

Did you ever see a cover sheet, or cover memo?

Mr. KERR. I have, subsequently, only in reviewing the process recently.

My understanding is that that footnote, or that forward was written by the Soviet Division as a part of their contribution to the paper, and was subsequently—but did not relate to the whole paper. In other words, it's just—

Senator DECONCINI. Do you know what the cover page said?

Mr. KERR. I can't recall it precisely, but I have read it, yes.

Senator DECONCINI. You can't recall?

Mr. KERR. It was—I mean I can't recall the detail of it. It essentially was—

Senator DECONCINI. Was it in contradiction to the report?

Mr. KERR. No, I think it was a forward that described the context of how the report was made, and the fact that this was a case for it, a case for Soviet involvement.

Senator DECONCINI. Oh, you think it was an argument supporting the Soviet involvement, and supporting the assessment that was attached to it?

Mr. KERR. I believe it was a description of the purpose of the paper, and the purpose behind the paper.

Senator DECONCINI. I see—I think I see. That means that to the best of your recollection, it said, we have put this together because we have been asked to put everything we can put together that implicates the Soviet Union in this. Is that more or less—

Mr. KERR. It made the case for. I believe that's the situation. And that is, I believe, fundamentally the title of the paper was the case.

Senator DECONCINI. Do you know that we have not seen the cover page? Is it because it is lost, or do you know? That cover page?

Mr. KERR. I think I've seen a copy somewhere.

Senator DECONCINI. I don't want to make a big deal of it

Mr. KERR. I know I've seen a copy, so I see no reason why you couldn't see a copy of it.

Senator DECONCINI. I am not making a big deal about it, but I would like to see it because it has been brought up so many times. If you could help us find it, maybe that is all I need to know.

Mr. KERR. Sure, we can provide a copy.

Senator DECONCINI. Or any cover sheets, if there are more than one.

Mr. KERR. I believe there's only one.

Senator DECONCINI. Thank you. Let me turn to another area briefly, an issue that was raised with Mr. Fiers when he testified, that is monitoring, or collection, or having a report—or whatever it's called—of information on members of Congress, Congressional staff, and American citizens.

Were you ever involved in the collection of such information, the dissemination of it, or monitoring of any kind on members of Congress, their staff, or just general American citizens who might be in opposition to some Administration policy on Nicaragua or any place else?

Mr. KERR. No, the only thing that I can say I was involved in, directly, Senator, on this issue, is I have, on occasion, seen reporting that was directed against foreign nationals that had some reference to a U.S. citizen in it. And the material that I have seen, most often the names are not in there. They are deleted as part of a process for keeping the names out. But that was kind of inadvertent collection, when I have seen it.

Senator DECONCINI. You are not privy—you were not privy, then, to the fact that there was supposedly a report put together regarding former Congressman Barnes?

Mr. KERR. I have subsequently seen that material, and read Casey's notes on it. But I was not involved in it at the time.

Senator DECONCINI. You were not involved in it.

Mr. KERR. No.

Senator DECONCINI. Do you know who was involved in that, besides—

Mr. KERR. I think Alan Fiers certainly was the principal, and Bill Casey was personally involved in it. So I'm not sure, beyond those two. But certainly those two were.

Senator DECONCINI. You were left out?

Mr. KERR. No. I was not involved in that issue, no.

Senator DECONCINI. Do you know if Mr. Gates was?

Mr. KERR. No. I do not. I can't speak to that.

Senator DECONCINI. What, as far as you are concerned, is there for acquiring information on members of Congress for any reason?

Mr. KERR. No, there is no—to my knowledge—there is no direct, certainly no intention to do that. There is inadvertent information acquired as part of other collection. But again, we have rather—certainly, very careful procedures for handling that material, and for protecting the individuals involved.

Senator DECONCINI. There is information that Mr. Casey had actual names of supposedly either members of Congress or staff members of Congress that were collected through intelligence gathering means, where now—

Agency—I mean the name of the person is kept by the Agency or blacked-out. And Mr. Casey had that. Do you know if that's true?

Mr. KERR. I believe that is true. In the specific case you're talking about, that was—I believe, if I'm not mistaken—was a human intelligence collection report, and not a technical intelligence where those names are taken out. And I think that was the nature of that particular report.

Senator DECONCINI. How would it be that he would get that, because he would order it up?

Mr. KERR. I believe—and I only know this quite simply based upon what I saw briefly of Alan Fiers' testimony—but my understanding is that Alan Fiers personally brought that to the attention of the Director. But that is my only knowledge of it.

Senator DECONCINI. Is it your understanding that the Director could instruct the gathering unit or agency to give him the actual names? Was the policy of that collection intelligence group or agency always to black out the names?

Mr. KERR. I'm not sure of the procedure, if we're talking about the signals area. I'm not sure of the precise procedure for acquiring names when they're not included in the report. I don't know the answer to that. I'm sure that you can—somebody could acquire them. But I don't know the procedure for that.

Senator DECONCINI. You're not familiar with any reports being sent to the President or the Vice President from Mr. Casey involving aid or the policy of Nicaragua that dealt specifically, or made reference, specifically, to any members of Congress or their staffs?

Mr. KERR. No, I'm not.

Senator DECONCINI. Mr. Chairman, I want to ask this witness a question on intelligence-sharing of our Government with Iraq during the Iran-Iraq War. I am not sure that I can do that here. It is not a question of any great significance, and it occurred a long time ago. But I need your guidance.

Chairman BOREN. Why don't I ask the General Counsel to come and confer with you just a minute about what it is. And if this is something we cannot handle in open session, we can ask for Mr. Kerr to answer in writing. Or we can convene privately, for a minute, as we break up, and have you have an opportunity to ask that and then enter his response into the record.

Senator CRANSTON. Could I ask a question while we are waiting?

Chairman BOREN. Yes.

Senator Cranston.

Mr. KERR. Is this fair?

Chairman BOREN. We do not want to let you have a breather, Mr. Kerr.

[General Laughter.]

Senator CRANSTON. You mentioned Bill Casey's notes on conversations between Members of Congress and the Sandinistas. Do you know the dates of those notes?

Mr. KERR. No, I don't know them. We certainly could provide the date for you.

Senator CRANSTON. I would appreciate it if you would.

And Mr. Chairman, do you know if the Committee has copies of those notes?

Chairman BOREN. I do not.

I am sorry.

Senator CRANSTON. Do you know if the Committee has copies of the notes Bill Casey made between Members of Congress and the Sandinistas?

Chairman BOREN. I assume we will get that as one of the things we have requested. I know Mr. Kerr, as Acting Director and his staff are putting together all of the information on it. I asked for a comprehensive survey of all the information that might have been collected by Members of Congress, what was the extent of it, and what was done with it, and so on. When we go into our closed session tomorrow, we will have a report.

As I understand, Mr. Kerr, there is someone from the Agency who will be prepared to come and present that material to us and answer any questions. So we will have an opportunity, in closed session, to go into all of that.

I take that as a very serious matter. I think at the very least, there has been no evidence, thus far, that anyone set out to intentionally target a Member of Congress. But in the course of collecting against other targets that were legitimate, contact showed up. They may have been very harmless contacts, but they showed up. And therefore they became of record.

And so the question of how to safeguard that information and how to make sure it is not abused has come up. Admiral Inman had his suggestion that, for example, it would not be disseminated to other agencies. It would be protected. As I recall, one of our witnesses—maybe it was Admiral Inman—suggested there should be a policy, perhaps, of conveying some improper behavior or questionable behavior privately to the Leadership of the Congress, to discuss it with them, as to how to proceed in this kind of joint fashion if it involved a Member of Congress, or a member of a Congressional staff.

But I do think this is something we need to probe not only to make sure that nothing improper happened here and to find out what the facts were, but also to determine if we really do have sound enough policy guidance. We really need some standard operating procedures to cover a situation like this.

We have not found thus far that there was any illegality in the sense of deliberately targeting a Member of Congress, or trying to operate domestically by the Agency, or improper targeting by the Federal Bureau of Investigation, which obviously is the other agency primarily involved here under their counterintelligence responsibility.

I understand from staff that the Agency has indicated they will be able to give us a comprehensive report.

Senator DeConcini.

Senator DECONCINI. Senator, I can finish up if the Senator is finished.

Mr. Kerr, in May of this year—May 21, as a matter of fact—I was at a hearing up here. And you appeared before us regarding Desert Storm. You said, regarding sharing of intelligence information with Iraq during the Iran-Iraq conflict, we never provided sensitive information, no imagery was provided.

Now, there is some dispute as to that. The Inspector General came out with a report in July—and I cannot go into that.

stance, I am told, because of the nature of it—But I think it is very fair to say that there was sensitive and substantial intelligence that they believed our government gave over to Iraq.

Do you still stand by your statement as of May 21, 1991?

Mr. KERR. I would have to go back and look at the context of it. But I think I—as I remember my response, what I was referring to is sensitive, in terms of sources and methods, and providing them information that would compromise our own capability, and also, quite simply, providing them imagery that they then held—in other words, we didn't give it away. We may have given briefings, we may have given line drawings, and we did give some information.

But when I—the context that I was answering it, and if I misinformed you then I'm sorry—was sensitivity of the intelligence sources and methods—not that we didn't give intelligence.

Senator DECONCINI. No imagery was provided?

Mr. KERR. Imagery was shown—again, I draw—we probably should do this in another—

Chairman BOREN. I want to allow the Senator from Arizona to get an answer, and we will get an answer. But I am very concerned we not tread into specifics here, because we have been particularly admonished—

Senator DECONCINI. I understand, Mr. Chairman. I remember that meeting so well, and I have the greatest respect for you, sir. And when you told me that, I was surprised. I said my God, here it comes from the Acting Director—I guess you were Acting Director then in May.

Mr. KERR. I was something, I don't remember what it was.

Senator DECONCINI. You were certainly in a position that you knew about it, which I gathered very clearly, so I went back and asked my staff to pull out the language. It just seems to me that there's a big difference between the information you gave us—

Mr. KERR. If I can on that, let me provide—go back to the record on that, what I said, and provide a written comment, if that would be helpful to you.

Senator DECONCINI. That would be helpful.

Mr. KERR. There was certainly no intent to misinform you. I may have misunderstood the question.

Senator DECONCINI. I understand, and my concern is during the period of time that this information was given over, what involvement was Mr. Gates', if any, in the information. Because I intend to ask him the same questions, how substantive it was, and what it was—which we cannot go into here. So if you are going to research that, I would like to know what involvement, in your recollection, was Mr. Gates aware of?

Chairman BOREN. Let me suggest this, that perhaps, Senator DeConcini, you and Director Kerr could have a verbal conversation about this so that you understand each other and then have Mr. Kerr supply his answer, which would track what he tells you verbally, so we could then have it officially as a part of the record as well.

Senator DECONCINI. All right, Mr. Chairman, thank you.

Chairman BOREN. It would then be a continuation of the sworn response here.

Mr. KERR. That's fine. I would be glad to submit that.

Senator DECONCINI. Mr. Chairman, that's fine.

May I ask one additional question, and then I will wind up?

Chairman BOREN. Yes, sir.

Senator DECONCINI. Mr. McMahon testified here on something that was really interesting to me. Whereas, prior to Mr. McMahon we had testimony by Mr. Fiers indicating that indeed, when Mr. Casey was Director, there was references made. And I don't know that it is any such bad thing, to the political situation and how the results of some intelligence affected the Administration.

The reference he gave, I believe, that Mr. Fiers gave, if my recollection is correct—was about a training manual provided to the Contras by the CIA. In the presence of Fiers, Mr. Casey said that this was hurting the President in the polls; that this was the only thing that he was down in; and what were we going to do to fix it?

My question is not so much as to that specific incident, but more so as to the statement by Mr. McMahon that politics was never part of any report or decision that he was involved in there. I do not know that it is so bad that it is, but those kind of statements really are doubtful in my mind, because I think the people I know in the CIA are just as politically aware—if not more—than most Government officials, because that is their job: to know what the politics is in other countries, and you cannot avoid that without knowing what the politics is in your own country.

I just wonder if you can give me your candid view as to how much the political process weighs in at the Agency? Obviously, I am sure you are going to say that it is unprofessional to sit down and create intelligence to justify a political premise that the President wants to make a statement on. I am not suggesting that. What I would like to know is in the course of developing information that you have been tasked to do, either within the Agency or from outside that Agency, what is the political involvement?

Mr. KERR. Well, that is a serious and important question.

No one sitting in the job of DCI, or the Deputy, or in a senior job in CIA or elsewhere in the Community is unaware of the politics or the pressures on particular issues. I mean, after all, we have to be sensitive to that, because if you don't know that, it's not just politics, it's—you have to understand what is important to the policymaker, and what is making the difference to them, or you do not fully understand how to—what they need from you as help.

But when I say help, I don't mean we tell them what they want to hear. In my judgment, our obligation, and my obligation to the President, and to other policymakers is to tell them as accurately as I can, the information. That's the obligation. And not telling them is falling down on that obligation, in my judgment.

So—but we—there are times when you practically you will say we have driven this point home again, and again, in our product. If we do it one more time, we're going to lose a policymaker in terms they won't pay attention to us.

Senator DECONCINI. Then based on that, do you think Mr. Gates—I'm sure I know the answer to this—but for the record, do you think Mr. Gates could withstand someone from the White House, even if it be the President, calling him and telling him, you know, put together something here, justifying my position, when

indeed he could not do it. That Mr. Gates would say, I can't do it—that isn't right.

Mr. KERR. I think that's quite easy to withstand. It is not that much of a problem, quite simply.

I have had, as, you know, a person—and certainly Bob Gates has had—I've had people call me and express great unhappiness with what I—with what the Intelligence Community or CIA had written about a particular issue, at very senior levels, saying they disagreed, they thought it was wrong, they thought we were on the wrong course and we were hurting policy. And again, my reaction to that—that doesn't happen very often, I'll tell you—but if my reaction to that is my obligations are rather clear in this regard. And Bob Gates, I would think would have no hesitation, whatsoever. He's done that over the years. He understands that issue. But he also is going to do it as I would try to do it, in a way that's helpful to the policymaker.

It is not just enough to provide them information that they don't want to hear. It's also useful to try to tell them—help them understand it and put it in some kind of context—and perhaps even describe opportunities that might exist for doing things.

Senator DECONCINI. Thank you, Mr. Chairman. Thank you, Mr. Kerr.

Chairman BOREN. Senator Chafee.

Senator CHAFEE. Thank you. I apologize, Mr. Chairman, and Mr. Kerr for being so late. I know that you have had some previous discussion here about a sensitive source that was targeted on the Sandinistas that disclosed information, or from which it was learned that meetings were taking place between Congressional staff and Sandinistas—I believe you mentioned that, haven't you?

Chairman BOREN. We have talked about that.

Senator CHAFEE. Now, my question is, was any classified information being transmitted to the Sandinistas from Congressional staff, that you know of, Mr. Kerr?

Mr. KERR. I don't believe so, Senator Chafee. But it would seem to me that as we were discussing earlier, Senator Boren, if we could discuss this in a closed hearing, I think we probably could give you a better description of what it was, and what we were talking about and what our controls are, and how we handle it, and what this particular incident involved.

Chairman BOREN. Senator Chafee, we have requested, beginning with the time in which the first news stories were carried about this matter, the Agency to provide us with a full briefing and information. Director Kerr has tasked the Agency to come up with that. I do not know if he is yet, personally familiar with all the details of the data—

Mr. KERR. Yes, I am.

Chairman BOREN [continuing]. But tomorrow, this will be one of the items that we will take up in closed session. We will go into all the information that they have gathered together for us, and go into what it was, what was done with it, and the rest of it.

So we will be able to pursue all that tomorrow.

Senator CHAFEE. Well, I think that is good, Mr. Chairman. The only reason I brought it up—and I just do not want anybody to go,

any press or anybody to go out of here with the idea that dossiers were kept on certain—

Chairman BOREN. Of course not, no.

Senator CHAFEE [continuing]. Members or staff, because that just is not the case. There are no dossiers kept. It was—this information came up, and through these sources, and—

Mr. KERR. I think you will find out of this—if I can say this much—and that is that there was a legitimate—a very careful process. And my understanding of how the information was then used, and subsequently used, I think is, you will find it is very constructive. And there is nothing sinister, there is no problem about it. I think it was used very openly.

Senator CHAFEE. But I think that is right. And I think that we should destroy the suggestion that there was anything sinister, if, indeed, the suggestion is out there. I believe that completes the questions, Mr. Chairman.

Could you roughly go through our time now? Are we meeting at 9:30 tomorrow?

Chairman BOREN. We will meet at 9:00 tomorrow in our closed Committee room. And tomorrow it is my hope that we could complete all of the classified items. We will be talking about intelligence sharing with other countries. We will discuss, specifically, the matter of Iraq that has been raised this afternoon, and been raised previously by Senator Bradley. We will be talking about the politicization of intelligence. We will be able to go, in that session, into the classified intelligence estimates. And we will also have this report on the collection which touched on members of Congress, or Congressional staffs.

So those will be the three topics tomorrow. It is my hope that we can cover all three of those topics in closed session. It will be a lengthy session, throughout the day and perhaps into the evening hours tomorrow.

Then, my thought is that we will begin Thursday morning with the nominee as our concluding witness. First, Members of the Committee can ask any classified questions of the nominee they wish to ask in closed session; items that might have been stimulated by other things they have heard during the course of the hearings.

Then we will come into open session for Members to complete their questioning of the nominee. It would be my thought that we have at least a good opportunity to complete the hearing process on Thursday, with the last rounds of questions of Mr. Gates. And unless there is something else that we do not foresee at this point, he could be our concluding witness.

There are two or three Members that has indicated they still had additional questions to ask him. I think Senator Metzenbaum had indicated to me he had maybe 15 to 20 minutes more of questions for Mr. Gates. I think Mr. Bradley had 10 or 15 minutes in addition to any questions that might have been stimulated during the process. I had a few questions on the future of intelligence. We really have not had a opportunity, that many wanted to have earlier, to focus more questions about the ideas that the nominee might have for the future

I see no reason why we could not complete our business by the close of business on Thursday, giving staff then time to prepare the transcripts for us to study over the weekend.

Senator CHAFEE. That would take us into the week of September 30, and we go out on that Friday, under the latest arrangement. Presumably during that week, we might have a chance—at least in the Committee—to vote.

Chairman BOREN. I think we could deliberate in the committee and vote, and that would be done in public session, sometime during that week.

Senator CHAFEE. Then it is up to the leader, when it would be taken up on the floor.

Chairman BOREN. Exactly, our Committee Rules provide that we have to have at least 48 hours after the time the transcripts of the hearing are available to Members before we vote in the Committee. But I would think that if we complete our business on Thursday, that should give adequate opportunity to take action some time the week of the 30th.

Senator CHAFEE. Just casting thoughts ahead, the chances of a Floor vote, then coming up before that Columbus Day recess, before we go out on the fourth, are probably slim.

Chairman BOREN. Probably, just because again, you have the 3-day rule, after the Committee vote, before it can be done by unanimous consent. But I do not know that any nominations to this post have ever been handled by unanimous consent on the Floor. So I would doubt that would be practical.

Senator CHAFEE. And then we come back on the 15th, I believe. So it would probably be in that week?

Chairman BOREN. I imagine so, but I have not discussed that specifically with the Majority Leader. But he has indicated to me that he intends to take it up in a timely fashion when our Committee has finished deliberation, barring some major controversy in our Committee.

I have a couple of last questions for Mr. Kerr. I know he would be disappointed if we allowed him to leave so early in the evening. It is only 6:00—just a few more questions that really touch on the future.

In the course of our hearings, as you know, we have, in this Committee, Senator Warner, Senator Nunn, myself, and others, a large majority in this Committee, have adopted as part of our bill for this year what we call the National Security Education Fund. This program would be located, essentially, in the Department of Defense, with an advisory committee drawn from the Intelligence Community, the Defense Department, and the State Department, and so on. This is aimed at making improvements in the area of foreign language, and area studies like Middle Eastern studies, African studies, Latin American studies, and others. It should also strengthen those courses of studies at our colleges and universities. Some graduate fellowships would be provided in these areas of study for those that then would agree to accept some employment with the Government.

Now, Mr. Gates has indicated his support for this concept, having had his own experience with the National Defense Educa-

tion Act. Admiral Inman also was very strongly supportive in his testimony.

I wonder if you would agree that improvements in the academic background of our future Intelligence Community work force are needed?

Mr. KERR. There is no question. I think the area studies programs, and the loss of those in universities has had an impact on the Intelligence Community. So from that perspective, I think it is always valuable, I think, to have additional area studies, and familiarization and training.

Chairman BOREN. So you believe there is a national security requirement for programs like the National Security Education Program we have talked about in our Committee?

Mr. KERR. I do. I would be less than candid, however, if I didn't say I was concerned about where the money comes from, and the National Foreign Intelligence Program.

Chairman BOREN. I understand you have to defend the priorities of the budget. But you would regard this as a valid national security concern?

Mr. KERR. No question. It is important, and our ability to get qualified people and have people with area familiarization is important, very important for intelligence. And it will be more so in the future.

Chairman BOREN. Well, that is something that has been so alarming to me, to discover that only 8 percent of our college students, in any given year, are taking a foreign language at a time when we are internationalizing more and more—not only with the need for intelligence, defense, and diplomatic communities, but obviously also as a part of the global economic marketplace.

But it was interesting to me that when we had some of those that were present at the creation of the CIA come and talk to us in our Committee, really historians of the Agency, that one of the things they emphasized was the need to improve the quality of education; that so many of our universities had slipped back, done away with, and watered-down their international studies, their area studies and their language studies.

Mr. KERR. Or cancelled programs—as you know, we have a lot of—because of that, we have been forced to do a lot of our own training, internally, in language, and also some fairly rudimentary training, at times. But we do a lot, and we will do more in the future.

Chairman BOREN. It also increases the lead time it takes, does it not, when we talk about—and we have had a lot of talk, and certainly you have been a part of this process with this Committee—beefing-up human intelligence and also analysis, so that we have people that we can put into certain areas of the world where we have been thinner than we have been in others. And our coverage, either for operations officers, or analysts, is something that we just cannot snap our fingers and do overnight. As you say, if they are not coming out of the colleges and universities with the language skills, the ethnic studies, the religious studies, the cultural studies, and all the rest of it, very often they almost have to start from scratch, sending people back to school, training them themselves.

Well again, Mr. Kerr, thank you very much. I know it has been a long day for you. I apologize. And now, within just a few days we have had to bring you back twice. But I think you understand that your testimony and that of Mr. Allen is critical on certain issues. We would not have asked you to come back were it not for the fact that our members are trying to meet their own responsibilities, and felt it was essential.

I apologize that we have had to shift the time on you two or three different times, even today, at least twice because of our own scheduling problems. We are appreciative of the fact that you are very busy as Acting Director, and that you would come during this time slot and answer the questions that we had.

Mr. KERR. Thank you. I have had things to fill in while I wasn't here. And I wouldn't have missed it.

Chairman BOREN. Thank you very much, Mr. Kerr.

We will stand in recess until 9:00 in the morning when we will have our closed session.

[Whereupon, at 6:10 p.m., the Committee adjourned.]

NOMINATION OF ROBERT M. GATES TO BE DIRECTOR OF CENTRAL INTELLIGENCE

TUESDAY, OCTOBER 1, 1991

U.S. SENATE,
SELECT COMMITTEE ON INTELLIGENCE,
Washington, DC.

The Select Committee met, pursuant to notice, at 9:44 a.m., in room SH-216, Hart Senate Office Building, Hon. David L. Boren, Chairman of the Committee, presiding.

Present: Senators Boren, Nunn, Hollings, Bradley, Cranston, DeConcini, Metzenbaum, Glenn, Murkowski, Warner, D'Amato, Danforth, Rudman, Gorton and Chafee.

Also attending: Senators Cohen and Moynihan.

Also present: George Tenet, Staff Director; John Moseman, Minority Staff Director; Britt Snider, Chief Counsel; and Kathleen McGhee, Chief Clerk.

PROCEEDINGS

Chairman BOREN. The Committee will come to order. This morning the Committee takes up the subject of the record of Mr. Gates as Deputy Director of Intelligence, Chairman of the National Intelligence Council and Deputy Director of Central Intelligence in the preparation of intelligence for policymakers.

Initially, the Committee undertook to review this subject in closed session. We did so because the debate involves specific classified intelligence analysis. It became apparent that a substantial portion of the discussion could take place in a non-classified context. And because the issues are important to the American people, we decided that as much of the discussion and questioning should be held in open session as possible.

As I have said in the course of these hearings, it is not only our purpose to weigh the qualifications of the nominee for this important position, it is also our purpose to share to the maximum degree possible with the American people information about the intelligence process. The taxpayers of this country pay for the intelligence establishment of this country. I think there is great value in having the American people understand as much as possible about our Intelligence Community, how it operates, issues which impact it, and the future course of intelligence in the next century.

In preparation for today's session, we asked the CIA to declassify a large number of documents. The Agency has been cooperative in this regard, and that number of documents have been declassified, all of which, I believe, have been released to the public today.

Agency has, however, decided that it should not declassify those portions of finished intelligence products known as National and Special National Intelligence Estimates and intelligence assessments. It was my hope that at least the key judgments or findings of these estimates could have been made public. It remains my hope that in the final report to the Senate, the Committee will be able to add more to the public debate from these documents. And we will certainly endeavor to do so at any point that we can. But for now, I believe that we have more than enough to begin a healthy public debate on this very difficult and complex subject.

There may be some instances during the course of our questioning, we will have to enter into classified areas which will have to continue in closed session because of the classified nature of the underlying document or the underlying pieces of raw intelligence that would compromise sources and methods. As I have said privately to all of our witnesses this morning, if at any point in time they are asked a question by Members of the Committee they think will force them to go into classified information in their answers, I hope they will not hesitate to notify the Chairman so that we can pursue those questions that might involve classified information in private session. It is my hope, again, that most of this discussion can take place in public and I think certainly most of it can. But we do want to be sensitive to make sure that all of us try to keep clear in our own minds the line between those matters which are classified and not classified. I do appreciate the willingness of the witnesses today to help bring those matters to our attention when any Member of the Committee might inadvertently ask a question which would get into a classified area.

The Committee has conducted an extensive review of specific allegations by some of the politicization of intelligence. This has not been easy because we lack even a consensus of opinion on a definition for politicization. What is to one individual the skewing of intelligence, to another is effective management review of intelligence.

However one chooses to define it, politicization of intelligence analysis is a very serious matter for this Committee and for all of those who care about the independence and integrity of U.S. intelligence. If the analysis of intelligence information is slanted or misrepresented at the back end of the process, then what use are all the resources costing, over the years, billions of dollars, that we commit to the front end in collecting intelligence, everything from human intelligence to satellite collection. We must be assured that all of the information gained through those costly resources will be marshaled in a fair, an impartial way, and an objective way to be given to the policymaker in a form that will be most useful to the policymaker in trying to reach the best decision that is in the interest of the American people.

As a result, the Committee has undertaken a very serious review of all the credible allegations of politicization. The Committee staff has conducted over 80 interviews, reviewed dozens of intelligence products, tracked down several internal CIA memoranda and other documents that might shed light on particular cases. Staff investigation has highlighted four cases that we hope to lay out for Mem-

bers and to the public today as we continue in the course of these hearings.

First, a 1985 special study was commissioned by Mr. Gates, that laid out the case for Soviet involvement in the 1981 attempt to assassinate the Pope. New evidence had come to light, and although the Office of Soviet Analysis and the Directorate of Operations continued to believe that the Soviets most likely were not involved, the objective of the fast-track study was to challenge this conventional wisdom and to discover if a strong case for Soviet involvement could be made. The key issue for this Committee is whether the case was accurately represented by Mr. Gates to policymakers and whether he took sufficient steps to obtain balance of intelligence in this area.

The second case is one that took place in May of 1985. A May 1985 Memorandum to holders updating a special national intelligence estimate that had been produced in October 1984 is also at issue. It is alleged that the National Intelligence Officer who called for the update cited support from Mr. Gates, who at the time was simultaneously Chairman of the Council and head of all CIA analysts, to persuade CIA Soviet analysts not to formally object to inclusion of his view that the Soviets had major opportunities in Iran. Some imply that this estimate laid the predicate for the subsequent Iranian initiative on the part of the White House staff. And we will be looking at that whole question of Mr. Gates' involvement in that matter as we proceed today.

Third, a series of Inspector General reports in the late 1980's examined the flagship office of the Directorate of Intelligence, the Office of Soviet Analysis, and found that there was at least the perception of, quote, "politicization", and that it was widespread. Staff investigations also found considerable indications that morale in SOVA, the Office of Soviet Analysis, became a serious problem in the mid 1980's, continuing to this day. The issue for this Committee is to what extent any of this was caused by Mr. Gates or any of his actions and policies.

The fourth area that is a focus for us this morning is a 1986 speech by then-Deputy Director of Central Intelligence, Robert Gates, on, quote, "The Soviets and SDI", unquote, which was largely based on an unofficial CIA working or white paper that was produced in a short time by a senior CIA directed energy weapons analyst, and then quickly declassified. The speech openly supported the President's strategic defense initiative. As Mr. Gates indicated in his testimony, that probably wasn't a good idea.

We've assembled before us today six witnesses who have knowledge of these and other issues based upon their experience in the Agency.

First, Mr. Mel Goodman, a former CIA analyst and manager of intelligence analysis, now with the National War College.

Second, Mr. Graham Fuller, currently with the Rand Corporation and a former National Intelligence Officer for the Near East and South Asia, will provide his views on these issues.

Third, Mr. Hal Ford, who has some forty years of intelligence experience and who, from 1980 to 1986, served in various positions on the DCI's National Intelligence Council

Fourth, Mr. Larry Gershwin, National Intelligence Officer for Strategic Programs since 1981. He is also here today to provide his perspective on the issue of politicization as it relates to Soviet strategic programs.

Then we will hear, fifth, from Ms. Jennifer Glaudemans, former CIA analyst, who will give her views from the perspective of that echelon in the organization.

And then we will finally hear from Mr. Douglas MacEachin, currently Chief of the Central Intelligence Agency's Arms Control Intelligence Staff and formerly Director of the Office of Soviet Analysis.

In order to have a balanced presentation of this matter and to try to be as fair as possible, it's been determined that it would be valuable for us to hear the perspectives of all of these witnesses. We will first hear them one at a time. We've allocated approximately twenty to twenty-five minutes to each of these presentations. Although I would say to those who are testifying this morning that we do not want to limit you in any way that will make it impossible for you to lay out all of the items you wish to bring before us that you think are relevant to us. So we will not keep an exact time clock. I would just ask for cooperation as much as possible to try in as brief a period of time to bring forward all of those substantive matters that you think that the Committee should hear. So you will be the guide of your own time limitations but I would just ask that you would be as sensitive as you can to the time of the Committee.

We will hear from all six of these in terms of their opening statements without interruption by questioning from Members of the Committee. This will give us all six of these perspectives before we begin the rounds of questioning by Members of the Committee. After each has testified, I'll ask all six of our witnesses to come forward and act as a panel. Members of the Committee will be able to direct questions in our questioning rounds to any members of the panel of six to whom they wish to address questions.

We will begin with ten minute rounds of questioning and simply continue those rounds of questionings as long as we need to in order to complete the questions that any Member of the Committee wishes to ask.

I think in fairness we will go through the rounds and then continue with additional rounds as long as there are Members who want to ask those questions.

We do have two or three votes that will begin at approximately 11:00 o'clock. We should be able to resume then by about 11:45. We will go on for at least an additional hour at which time we will break for the caucus lunches which occur on Tuesdays, and then we will return at approximately 2:15 this afternoon.

It is our plan that we will complete testimony this week. I would put my colleagues on notice that we may well go into the evening hours tonight and any other evening this week so that we can complete this week.

When we have completed the questioning and testimony of these six witnesses and consider if there should be any other additional witnesses brought on this subject or any other subject before the Committee, we will then have testimony again from Mr. Gates, the

nominee, who will first testify in closed session to respond to still sensitive and highly classified matters related to liaison relationships with other nations or any other classified questions. And then we will return in open session so that Members of the Committee will have another opportunity in light of all of the testimony that we have heard over the past three weeks to ask additional questions of Mr. Gates or to request from him clarifications before the hearings are concluded.

So, I would ask first if there are any other statements that Members of the Committee would like to make before I ask Mr. Goodman to come forward.

Senator MURKOWSKI. Mr. Chairman.

Chairman BOREN. The Vice Chairman.

Senator MURKOWSKI. Thank you. I think the record should note that Senator Nunn and Senator Warner have been called down to the White House, and they didn't share with me the message so I can only guess that something significant will be coming back from them, but let the record note that.

A very brief statement, Mr. Chairman.

The allegation that intelligence analysis has been slanted or suppressed as you stated, is certainly a serious one. It goes to the integrity and it goes to the very heart of the intelligence process. The taxpayers have paid many, many millions of dollars to build an exotic collection and communications system and to maintain a massive intelligence bureaucracy. But what is that investment worth if the analysis that actually goes to the policymakers at the end of the day is tainted?

But the specific issue before us today is whether Robert Gates, as the senior manager of the CIA and Community analysis, was responsible for slanting or suppressing intelligence to please policymakers.

I think the record should note that we have heard from three of the most experienced and respected figures in American intelligence, John McMahon, Admiral Inman, and the current DDI, Richard Kerr, testify that they believe Robert Gates did not do so. Mr. Gates, himself, has given this Committee strong assurances that he regards the integrity of intelligence analysis as vital.

In my view, therefore, those who assert the contrary have a very heavy burden of proof. And let us insist that those who try to make the case for slanting intelligence—and those who rebut them—stick to the facts. Accusations are certainly very easy to make, but responsible testimony requires evidence.

Let us also keep in mind that as the DDCI Bob Gates would have to confront dozens of issues every day. As DDI he probably read and certainly edited nearly every major piece of intelligence analysis produced by the CIA—perhaps 25 major articles and monographs per week. That adds up to well over a thousand per year—not to mention internal memos, letters and so forth.

Out of the thousands of possible candidates for slanting of intelligence, how many do we have before us? Well, as the Chairman indicated, it's my understanding from staff that approximately four or five. That doesn't mean that they should be brushed aside by any means. They should be examined and where there seem to be issues, Mr. Gates will be invited to respond and explain.

After reviewing the prepared testimony of some of the witnesses, it is suggested that there is a pattern of harsh criticism by Mr. Gates of the Soviet Union. I think we're all reminded of that day in 1983 when we heard of the shootdown of the Korean Airlines Flight 007. I recall the circumstances where one of our Senators spoke on the Floor of the United States Senate—Senator Helms. He happened to be in Anchorage, Alaska with Senator Symms at the time the two Korean flights were about to depart, and he recalled the instance where he took two children that were on that flight 007 on his knee and told them a story while their mother took care of a few personal needs. I recall his statement at the Floor of the United States Senate that said that these two children, little girls, had a right to life and a right to be loved, and they were murdered in cold blood. I think as we reflect on the Soviet Union it's also fair to reflect on the contention that the Soviet Union's current situation is a result of our policy of maintaining peace through strength—that the Soviets bankrupted themselves in the arms race.

Finally, Mr. Chairman, I was struck by an eloquent op ed published recently by my distinguished colleague, Senator Moynihan. In it he notes that the 1975 resolution declaring Zionism a form of racism did not originate with the Arabs, but was instead a cynical Soviet maneuver. Bob Gates is chastised by his critics for taking too harsh a view of the former Soviet Union. Senator Moynihan has provided a useful reminder that those who took a harsh view did so with some justification.

Mr. Chairman, I would ask that this op ed by Senator Moynihan be entered into the record as read.

Chairman BOREN. Without objection.

[The document referred to follows:]

When the resolution appeared, our representative, Leonard Garnier, spoke up hard on Oct. 3. The new Israeli ambassador, Chaim Herzog, was furious and fierce. We hadn't a third of the vote behind us. I went over and hugged him and said "em," which was as much as I knew or understood of the situation.

We waited for State Department instructions. None came. We called Herzog. He had none either. Nor was there any outcry from the Jewish organizations in New York.

The first break finally came from William Kruer, then director of the international affairs department of B'nai B'rith. He told Suzanne Garnier, a member of our delegation, of the Pravda article.

After a little more digging, a historical pattern emerged. It went back as far as 1952, when Rudolph Shinsky, then general secretary of the Czechoslovak Communist Party, was charged with Zionist connections, and confessed. By 1975 it had become common for face superimposed on that of Hitler. On newsreels, footage of marching Israelis would be followed by marching Nazi stormtroopers.

The origins of this escalating campaign were complex. The disappearance of ethnic and religious attachments was central to Marxist prediction, but things weren't working out that way. The Israeli victory in the Six Day War of June 1967 generated great

David Patrick Moynihan

Big Red Lie

It was the Soviets, not the Arabs, who came up with "Zionism is racism."

On Monday last, in as fine an address as any American statesman will ever give, George Bush called for the United Nations to undo one of the most sordid acts of the age of totalitarianism: the 1975 resolution declaring Zionism to be a form of racism. In effect, it was a resolution to deny the state of Israel the right to exist.

If you would take the measure of just how monstrous that event was, you need only consult the news reports of the president's address. Without exception, so far as I know, Resolution 3379 is described as an Arab initiative.

It was nothing of the sort. It was a calculated lie of the Communist Party of the Soviet Union that began in the age of Stalin and culminated in a two-part article in Pravda Feb. 18-19, 1971, an article that asserted, among other things, "The tragedy of Babí Yar will forever be a reminder not only of the monstrous barbarity of the Nazis but also of the indelible disgrace of their accomplices and followers—the Zionists."

The author was one Vladimir Viktorovich Bobshakov, then or shortly thereafter head of the paper's international department. An English-language pamphlet followed promptly.

Today is the 50th anniversary of the massacre at Babí Yar. Just possibly the time has come when we can deal with the Holocaust—can "accept" it, "absorb" it or however it is the psychologists put it. For my part I can report that I never came near understanding it until I encountered the Zionism resolution.

I was our U.N. ambassador at the time. The motion appeared as from nowhere in October 1975, in what is known as the "Third Committee," which is to say the political committee. There had been faint rumblings of it—something floating about at the World Conference of the International Women's year, held in Mexico City that summer—but no real warning.

When the resolution appeared, our representative, Leonard Garnier, spoke up hard on Oct. 3. The new Israeli ambassador, Chaim Herzog, was furious and fierce. We hadn't a third of the vote behind us. I went over and hugged him and said "em," which was as much as I knew or understood of the situation.

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enthusiasm among Soviet Jews. Could the Ukrainians, they must have wondered, be far behind? Strong measures were called for.

What none could predict, certainly not a hack such as Bobshakov (now, incidentally, head of the Paris bureau) was the impact the charge would have.

At President Ford's personal direction, I lobbied vigorously against the measure when it came to the floor of the General Assembly. Herzog raised a storm of his succeeded, but on the final vote, we lost 2 to 1, and silence fell.

An Orwellian coup had occurred at the United Nations. The place that had been the embodiment of liberal expectation after

I never came near to understanding the Holocaust until I encountered the Zionism resolution.

World War II had moved toward totalitarianism: the inversion of truth, the Big Red Lie—this was now the language of the General Assembly.

Given those who should have understood lacked off from the fight. Ten days after the vote, my wife was seated at a formal dinner next to the French ambassador, who allowed that the resolution would never have passed if the American statement had not been so "congratulatory." In point of fact, with that in mind, I had spoken after the vote.

After it was over, silence fell, or near silence. No one wanted to talk about Zionism and racism. The totalitarian effect took hold: Don't fight, it's hopeless. It even seems to have prevailed in Israel, where, so far as I am aware, nothing much was written.

In 1979 The President's Commission on the Holocaust visited Babí Yar in Kiev. Elie Wiesel was chairman. They were taken, as he describes it, to the "huge, ugly, blasphemous" memorial the Soviets had finally put up. He could not contain his shock, his anger. There was no mention of Jews. Now,

this is Elie Wiesel, a survivor of the camps, the incomparable, unflinching witness to what totalitarianism can do, and yet he had never heard of the Pravda articles, the charge that Babí Yar was a collaboration of the Gestapo and the Zionists. Nor, evidently, had anyone with him. Like the Holocaust itself, it was somehow too horrible to know.

Now, finally, that long night has lifted. Two weeks ago, Wiesel was in Kiev, where Ukrainian President Leonid Kravchuk pledged to him that the Ukraine would vote to rescind the Zionism resolution. This past Wednesday, in Washington, Kravchuk met with senators and repeated this pledge, adding that the Ukraine had been the Soviet sponsor of the resolution back in 1975. This is something that appears all across: what was once Soviet society: the need to face up to the lies, somehow to express that past.

Presidents Bush and Kravchuk will need help. The gentlest thing to say about the U.S. State Department is that it has been indifferent to the issue from the first. I have been in the Senate 15 years now. We have enacted four statutes calling for the repeal of Resolution 3379. I have never once heard from the State Department acting on its own; never once heard of an embassy told to take the matter up with, say, Mexico, or we get into trade discussions, or say, Cameroon, during ad discussions.

The Arab need help in this regard, too. They were not alone accusing Jews of racism—such talk began to appear in their resolutions in the 1960s—but the Zionism resolution was *not* their initiative. The lead sponsor was *Soviet*, then a wholly owned subsidiary of Moscow. The Arabs went along, of course, but none of them whipped it up. The way Guyana did—to cite one example.

Let the Arabs, then, vote to rescind now, or if they can't do that, just stay away when the matter is reconsidered. We can count on the three current Soviet votes, plus three or four Baltic delegations. All of Europe will be with us. China doesn't matter. As for the nonaligned: Announce we will close our embassy in each and every country that votes against us. And as for the U.N., do this, and you just may have a part to play in the next millennium.

The writer, a Democratic senator from New York, was United States ambassador to the U.N. in 1975 and 1976.

Senator MURKOWSKI. Finally, Mr. Chairman, I look forward to the testimony; I commend each of the witnesses for coming forward. A democracy certainly depends on citizens such as these. I will listen closely to Mr. Gates' critics carefully, with an open, but somewhat skeptical mind.

I thank the Chair.

Chairman BOREN. Thank you very much.

I would ask first then if Mr. Goodman would come forward. Mr. Goodman, since this is a confirmation hearing I would ask that you be sworn. Would you please raise your right hand.

Do you solemnly swear that the testimony that you are about to give is the truth, the whole truth and nothing but the truth?

Mr. GOODMAN. I do.

Chairman BOREN. Thank you very much. You may be seated.

Senator BRADLEY. Mr. Chairman, would you make sure that all of the witnesses hold the microphone close to their mouth so that we can hear them at a normal level.

Chairman BOREN. That's a good point. These microphones are adjusted so that you have to be within three or four inches of the microphones in order to be picked up, so I would ask all of our witnesses to speak very close to the microphones.

Senator BRADLEY. Mr. Chairman, because I know that our microphone technology is primitive here in the Senate.

Chairman BOREN. We welcome your testimony, Mr. Goodman. We will hear the testimony of all six of the witnesses and then I would ask that you rejoin us as a member of a panel for questioning to all of you from Members of the Committee. We welcome you. We received your testimony already in closed session, and as we indicated at that time we felt that these are issues important for the American people to hear as we debate the future as well as the past of American intelligence. We appreciate your willingness to be with us again this morning.

TESTIMONY OF MELVIN A. GOODMAN, FORMER DIVISION CHIEF, OFFICE OF SOVIET ANALYSIS, CENTRAL INTELLIGENCE AGENCY

Mr. GOODMAN. Thank you very much, Mr. Chairman.

I want to say at the outset that I want to thank the Committee for the opportunity to address this very important issue of the politicization of intelligence. I also want to make the point that I am speaking on behalf of so many of my colleagues still at the Agency who share these views regarding the need to protect the ethics of the intelligence process. And, finally, I want to thank the Committee for the opportunity to discuss these issues in public. For too long the CIA has hidden behind a wall of secrecy not to protect legitimate assets or legitimate secrets, but to protect its reputation. I feel this has complicated our efforts, the CIA's efforts, to recruit the best brains in the country. And I also feel that it has created a public perception of the CIA's disregard for law, morality and public disclosure. I might add that I was very active in CIA's efforts to correct that preception—speaking on campuses, giving papers at academic conferences. The record will show that no Agency officer probably spent more time and was more active in that regard.

I also want to point out that I agree with Admiral Stansfield Turner, a former DCI, that the Agency owes the nation a better understanding of its mission and its activities. And if you'll permit me, I would just like to briefly describe my own background because it's important to understand my vantage point in being able to critique Bob Gates' performance as both an analyst and a manager.

I received my Bachelor's Degree from Hopkins in Diplomatic History and a M.A. and Ph.D. from Indiana University in Diplomatic History. My dissertation was on Soviet-American relations. I joined the CIA as a junior analyst in 1966. I was on the SALT I delegation as an intelligence adviser in '71 and '72, and I taught at the University of Connecticut in 1972 and 1973. I was with the State Department's Bureau of Intelligence and Research from '74 to '76. I returned to the Agency in 1977. I became a Branch Chief for Soviet foreign policy, a Deputy Division Chief from '79 to '82—also for foreign policy—a Division Chief for Soviet Foreign Policy in '82 to '85, and a senior analyst for Soviet Affairs in '85 and '86. I was sworn into the Senior Intelligence Service by Bill Casey in 1982 and promoted in the Senior Intelligence Service by Dick Kerr in 1984.

I must say that there has been some confusion with regard to the circumstances of my departure from the CIA and I'm going to take a few minutes to explain that.

In 1985, I was told privately by the Director of my office that Bob Gates had ordered my removal from my managerial position in SOVA. I was not the only one to be removed. There were three of us. One was considered too soft on Soviet-Third World relations. One was considered to have too bleak a view on the Soviet economy. And one was considered too apologetic on Soviet-American relations and arms control issues. This letter or memo also designated likely people to replace the three who were to be ousted.

At this point I became a senior analyst to the Director of the Office of the Soviet Analysis for Soviet Affairs. I was very productive during this period but I did seek the first good opportunity to leave SOVA.

In 1986 I was named to the National War College faculty. I consider the National War College one of the most unique teaching opportunities in the country. And one of the most challenging opportunities due to the presence of the best and the brightest in terms of military officers at the colonel level and Foreign Service Officers at the FSO 1 level.

It is a very competitive place with constant debate and great discussion. I received civilian awards from the DoD during this period and previously no agency official was ever given a four-year tour at the National War College. My evaluations at the National War College will document my high standing there. Just as my personnel record at the CIA will confirm my high standing there. You are certainly welcome to examine all of these records.

I only provide this detail because my position offered this excellent vantage point to work along side of Bob Gates and for Bob Gates over a long period of time. From 1988 to 1990 while I was still at the National War College, the CIA made numerous efforts to get me to return. In 1988 I was offered the job of Division Chief for East European Affairs.

In 1989 I was offered the job of Deputy Group Chief for Soviet Political-Military Affairs. In 1990 I actually became the Director of the Center for the Study of Intelligence for short period of time.

Nevertheless, in 1990 I resigned from the CIA to join the National War College Faculty on a permanent basis. When I did so, I carried my complaints about politicization to the DDI and the DDCI. I never carried them anywhere else, although I had spoken to the Inspector General on earlier occasions.

At the National War College I am Director of their Geostrategic Program. I teach courses on Soviet foreign policy and domestic policy and I direct the annual National War College trip to the Soviet Union. I've written books on the Soviet Union, numerous articles and op ed pieces.

Why did I leave? Why did I leave the CIA? I left because of politicization. And I must state at the outset that I agree with John McMahon that the integrity and the objectivity of intelligence is central to the mission of CIA. Second, I would like to say at the outset that I agree with Bob Gates that slanting intelligence would transgress the single deepest ethical, cultural principle of the CIA. Indeed I would argue that the CIA was constructed to protect analytical independence. And I certainly agree with the Acting Director of the CIA, Dick Kerr, who has stated that the Agency's strength is its ability to produce intelligence that represents the entire Intelligence Community.

Indeed, it is because intelligence data is subject to interpretation and because policy departments have their own intelligence bureaus and their own policy agendas that the CIA was established as the one place where objective analysis could be done without fear or favor.

That explains, for example, the need to separate the Directorate of Operations and the Directorate of Intelligence. After all, the Directorate of Operations is part of the policy process. Covert action is policy, operational policy, and the Directorate of Operations should not be able to influence the Directorate of Intelligence, which could lead to the slanting of intelligence to support covert action.

Moreover, I strongly believe that any effort to subvert the process of independent analysis—that is politicization—can lead to the loss of life as in Vietnam, to national embarrassment as in the Bay of Pigs, and to national tragedy as in Iran-Contra.

Now I can understand the country's desire to put Iran/Contra in the background and I can certainly understand the Congress' desire to put Iran/Contra in the background. But it should never be forgotten that the actions and the policies of very few people in government, including the CIA, led to the sale of arms to the same Iranians who held U.S. diplomats hostage for more than a year, and were linked—and we know this from intelligence sources—to the murder of more than two hundred Marines in Lebanon, the savage bombing of the U.S. Embassy in Beirut, and the death of a good friend, Bob Ames. I can assure you I won't forget and my colleagues at CIA and the National War College who sacrifice their lives for this country will never forget Iran-Contra.

One additional point before I begin. I have never said, I have never claimed and I will never write that Gates politicized all

issues that the Directorate of Intelligence had to deal with. Bob Gates is correct with regard to the fine work of some of my former colleagues on such issues as the Philippines, Lebanon and Soviet strategic forces.

These issues were not targets of Casey's politicization. And therefore they may have been protected from efforts to corrupt the intelligence process. There were two primary targets for politicization. First, nearly all intelligence issues connected to covert action; that is, the operational commitments that Casey had made regarding Iran, Nicaragua and Afghanistan. All those issues were politicized. The second area concerned Casey's other major concern. His world view of the Soviet Union; that is, the Soviet Union as the source of all U.S. problems in the international arena. Casey seized on every opportunity to exaggerate the Soviet threat. This included the case for Soviet involvement in the Papal plot, international terrorism, and Soviet-Third World relations, my own area of specialization. All those issues were politicized.

Gates' role in this activity was to corrupt the process and the ethics of intelligence on all of these issues. He was Casey's filter in the Directorate of Intelligence. He protected Casey's equity in these issues. And as the memo calling for the bombing of Nicaragua showed, he pandered to Casey's agenda. There were other memos of this type that maybe you have not seen. I remember one calling for military force against Libya to, quote, "change the map of the region," unquote.

Gates' other contribution was to ignore and suppress signs of the Soviet strategic retreat, including the collapse of the Soviet empire, even the Soviet Union itself. I will address that in my conclusion. Let me describe what I mean by politicization so I can give you some context for this charge, because I still don't think it's properly understood. And then I want to give you definite, direct examples of Gates' role in politicization.

I'm going to deal with politicization in terms of five issues:

One, the imposition of intelligence judgments without adequate evidence, often over the protests of the consensus in the Directorate of Intelligence and even in the entire Intelligence Community.

Two, I will deal with the suppression of intelligence that didn't support Casey's agenda or Gates agenda.

Three, I'm going to talk about the use of the Directorate of Operations to slant intelligence of the Directorate of Intelligence.

Four, I'm going to talk about the manipulation of the intelligence process that existed for forty years to protect dissent, to protect differences of opinion, to protect differing views and to protect the ethics of intelligence.

Five, I will talk about the manipulation of personnel or what I call judge-shopping in the courthouse, finding someone to do your bidding, to write your analysis, to reach your conclusions. That was how the Papal Plot memo was written. That's how links were suggested between drug dealers and international terrorists. That's how Soviet aircraft losses in Afghanistan were exaggerated, especially losses to STINGER missiles.

I might add that there were other agencies that had problems with these issues with regard to CIA analysis during this period. And it would be interesting to...

gence agencies with regard to their views of what the CIA was producing at this time.

I'm going to start with my first charge, the use of the Directorate of Operations to slant Directorate of Intelligence analysis. I will be making a very important charge. And I know it's a very serious charge. I believe that the CIA was responsible for providing the NSC and even the President with misleading and false information on a sensitive issue.

As you well know, George Cave, from the Directorate of Operations, joined Robert McFarlane on the trip to Iran in 1986. Upon returned he was allowed or encouraged to do several things. One, he sent a typescript memo to the White House regarding Iranian politics. This memo was never coordinated in the Directorate of Intelligence. The memo argued for the fact that there was a moderate faction in Iran that wanted to establish contacts with the United States.

Two, he sent Directorate of Operations reporting along with the PDB, that is the Presidents Daily Brief, to the President. These reports were at variance with the views of the Directorate of Intelligence and the senior analyst on Iran with regard to whether or not there was a moderate faction in Iran.

Three, he was allowed to brief the NSC on the basis of these reports. He was given a special channel to the White House and the NSC.

Also, I might add that the NIO for Counterterrorism, Charlie Allen, sent a memo to the NSC stating that moderates were eager for improved relations with the United States and that they were in sufficient charge to carry this policy out.

Five, the NIO for counterterrorism briefed the NSC on Iranian attitudes toward the United States. Again, the analysts of the Directorate of Intelligence were not consulted.

Now all of the activity that I've cited thus far was not coordinated within the Directorate or Intelligence. It was at variance with the views of the Directorate of Intelligence and with the entire Intelligence Community, especially with regard to the existence of moderate factions in Iran wanting contacts with the United States.

I believe—this is my opinion—that this was a conscious attempt to provide uncoordinated information to the NSC and even the President in support of operational activities. This effort had devastating consequences. It violated the ethics of the Intelligence Community and it may mean that when President Reagan said that he thought he was dealing with a moderate Iranian faction with interest in dealing with the United States he was acting on the basis of false CIA analysis.

So a question remains. Was the President himself a victim of CIA misinformation or even disinformation? I direct your attention to a ten-page memo, now de-classified, that describes this activity in detail with regard to a small group of agency officials who ignored the Directorate of Intelligence and in the process misinformed the President.

The lesson in this is that when you intentionally disrupt or even corrupt the processes and the integrity and the ethics of the DI you run the terrible risk of providing incorrect analysis to senior officials on very sensitive issues. Gates clearly did not protect our

system nor our ethical standards and did nothing in response to the ten page memorandum. He had no reaction, according to the author of this memo, and reportedly he called the drafter a "whiner" who complained of being out of the loop.

This was Gates' reaction to one of the most egregious misuses of the Directorate of Intelligence that I've encountered in nearly twenty five years at the Central Intelligence Agency. In other words, Gates, who has written eloquently about the importance of CIA's ethical principles, made no effort to stop the corruption of the central mission of the CIA—to present informed intelligence to policymakers, especially the President.

I'd like to make one footnote here. In Gates' testimony to the Tower Board on January 1987—you'll find it on page 39, in response to a question from General Scowcroft—he said that you will find no one in the Intelligence Community who will say there are moderates in Iran. Scowcroft asked, are you speaking for the Intelligence Community? Gates said yes, it was Iran and Israel that fed the notion.

What I am saying is that the CIA also fed the notion. The Directorate of Operations of the CIA, the Counterterrorism Center of the CIA and the NIO for Counterterrorism were feeding this notion.

My second charge deals with the imposition of intelligence judgments without persuasive evidence. I could cite many issues of this but I would like to emphasize the worst that I know of—the Papal Plot, the so-called case for Soviet involvement.

John McMahon told this Committee that Casey wanted to find the Soviets guilty of the plot, and this is true. He also told this Committee that there was no evidence linking the Soviets to the plot. And this is true. In fact, there was very good sensitive DO evidence that suggested and indicated the Soviets were not linked. This evidence was not reflected in the 1985 memo, and I can discuss it in closed session.

Gates told this committee that Agency work on the Papal Plot was haphazard and that the DO put little effort in collection. That is false. He has also argued that the DI was too cautious. That is also false. The DI stuck to the evidence and I direct your attention to the 1983 memo on the Papal Plot done by a senior analyst which concluded there was no evidence linking either the Soviets or the Bulgarians to the Papal Plot.

In any event, the point I'm trying to make is that there was pressure throughout to produce an assessment implicating the Soviets. Pressure on me to do so but the evidence wasn't there. But four years later, four years after the Papal Plot, a weak DO report—and DO officers acknowledged personally to me that they would not have issued that report, because the sourcing was so bad, and we can discuss that in closed session—but that because there was such high-level interest in the subject particularly on the part of Bill Casey that they felt they had to issue the report.

In any event that report led Bill Casey to direct Bob Gates to write the case for Soviet involvement. The Office of Global Issues was given the task originally and ultimately SOVA was brought in, that is, the Office for Soviet Analysis, to create a team, in camera, to make the case for involvement. Thus, a secret team was essentially a secret team.

Now the sources did not deserve such sensitivity or compartmentation, but we can save that for closed session. The point I want to make here is that the intelligence was just not that sensitive. Most of it was based on Agca's public trial in Italy. Agca, I might say is well known as a liar and a dissembler.

In any event, the assessment was terrible. The scenario was far-fetched. The analysis was tendentious. That was my view at the time when I fortuitously found out about the estimate, and it's also my view now after examining two in-house studies that were done of the assessment.

The important thing here is that when Gates received the assessment, he was not satisfied with it. In fact, the senior Soviet analyst told me that she tried her hardest to give Gates what he wanted but it still wasn't enough. After all, I might point that out her assessment did at least note the inconsistencies and the anomalies in the evidence. And that there was a reference originally to these inconsistencies in the Key Judgments and the Summary in the original draft.

Senator D'AMATO. Mr. Chairman, I am wondering, at this point could we ask who that senior Soviet analyst was to whom you made reference? What that person's name is?

Senator BRADLEY. Mr. Chairman, are we going to have questions or go through?

Senator D'AMATO. Well, I would just like that clarification, that's all.

Senator BRADLEY. Mr. Chairman, you know, I have a lot of questions, too.

Senator D'AMATO. Well, I haven't asked a question. I'm wondering if we could get the name, that's all. Point of clarification.

Chairman BOREN. If Mr. Goodman wants to clarify the name, he may. Otherwise, let's proceed and hold our questions. If you'll just make notations of names you want to go back into, then we'll ask those during the question period.

Mr. GOODMAN. I don't mind mentioning names as long as people aren't under cover. But I think I would like to complete my statement.

Chairman BOREN. Let's allow all the witnesses complete their statements and then if additional clarifications are desired by members of the Committee, we'll do so. I'm afraid if we start down this path we'll have too many interruptions. Mr. Goodman you may proceed.

Mr. GOODMAN. The important thing to me is that these inconsistencies in the argument were dropped from the Key Judgments and the Summary and I believe that Bob Gates was responsible for that fact.

It's also important that Bob Gates, I believe, dropped a scope note that was written for the assessment that noted the limits in the methodology, especially the failure to examine the counter-arguments, that the Soviets may not have been involved. Bob Gates, however, added his own cover notes to the assessments. And in at least one case, a cover note I'm familiar with, said, and I quote, "This is the most balanced and comprehensive work on this subject ever done." unquote.

In fact, two in-house studies noted numerous flaws in the paper. I'll summarize some. I just want to add that I perceived these flaws when I initially read the paper. All of the in-house studies just confirm my original analysis. But I do direct your attention to the studies. I do have one concern, however. The Committee has declassified one of those studies and I wish you would declassify the other one. It is not sensitive in terms of sources and methods. I think if you remove several sentences and I can help in that process, the entire text can be declassified.

Chairman BOREN. It is declassified and it is in the briefing books.

Mr. GOODMAN. I don't have it. The Cowey Memo?

Senator BRADLEY. Mr. Chairman, I understand the summary is declassified but not the report.

Mr. GOODMAN. The summary is not good.

Chairman BOREN. It was all provided I'm told to members last night.

Senator BRADLEY. The whole report is declassified? And available?

Chairman BOREN. I'm told that it is, yes.

Mr. GOODMAN. Thank you very much. I was not aware of that, Mr. Chairman.

Chairman BOREN. The full report is provided.

Mr. GOODMAN. I'm sorry. The important thing is that these two in-house studies are very important documents. They show that alternative explanations were never examined. They show that the seventh floor management—that is, Bob Gates—overwhelmed the analytical line of the piece. They show the lack of balance in the assessment. And they show the poor sourcing, and I think there is a reference to the poor use of sources.

I might add, from my own contacts in April 1985 when I learned about the paper, I made my own calls to DO officials and DI officials, both at the analytical level and some at the managerial level. And they told me they distrusted the paper, particularly its use of sources.

Now the important thing here to understand is that this episode and how we learned about this episode all contributed to at least a perception of politicization in the DI. Analysts believed there was politicization.

Now I want to deal with my third charge regarding intelligence on Iran which I believed involved every instrument of politicization.

Let me introduce this subject by providing some context. From 1981 to 1985, the Directorate of Intelligence, that is, the analyst in the Office of Soviet Affairs and the analysts in the Near Eastern Office developed rather strong analytical positions on several key issues. Iran support for terrorism was significant. Iran's political scene did not include a moderate faction seeking ties with the United States. The Soviet position in Iran was in decline. Soviet arms sales were declining significantly. I might add that in 1986 there were no Soviet arms deliveries to Iran.

The important point about all of this is that this analysis was based on very strong evidence. Now one thing is certain and can be documented.

views during a very important period. We're talking about mid May 1985, before the delivery of HAWK missiles to Iran.

I think it is also important that the views were changed without a strong evidentiary base, and over the protests of the senior analysts, particularly in SOVA. I find it is also interesting that in 1986, after the disclosure of many of these events associated with Iran-Contra, the CIA then reverted to the old line it had consistently established from 1981 to 1985.

I will now present the facts. They are all documented to show this tergiversation. But I feel compelled to add my personal opinion that the switch was designed in one way or another to support the arms sales to Iran. In any event, we are dealing with politicization. And we are dealing with Bob Gates' lack of candor with this Committee.

Now, I've already explained the role of George Cave and Charlie Allen and the special channel to the NSC and even the President which delivered incorrect information on Iran. I've stated how this channel circumvented the DI. Let me describe a 1985 estimate which changed several important analytical lines on the Soviet Union and Iran, ignored many trends and ignored much evidence that showed the Soviet role, its influence, its arms sales to Iran, were in decline. I might add that this was the view of the entire Intelligence Community.

Now, Gates has told this Committee that he was unaware of dissent, and he has told this Committee in his '87 testimony that there was no dissent. There were no footnotes. And that the DI, his own Directorate of Intelligence, had the opportunity to do both. In fact, Gates suppressed dissent. And he even strongly pressured one agency, the State Department's Bureau of Intelligence and Research, not to take a footnote. I think he also strong-armed his own Directorate of Intelligence.

Now there were two views. The view of one individual, the NIO for the Middle East; and the view of the Intelligence Community with regard to the chances for Soviet influence in Iran. The NIO felt there was, indeed believed, there was a good chance for Soviet influence in Iran. The Soviet analysts in the DI and the rest of the Intelligence Community supported the view that the Soviet Union had problems in Iran, influence was down, assets were down, and they had already tilted toward Iraq and would protect that position.

I believe that the NIO for the Middle East has conceded that the SOVA analysts did feel a great deal of pressure and that there was an effort to create a high impact scenario, even if it was an unthinkable one at that time.

Now, never mind that it was wrong and ignored the evidence and never mind that it was a minority one, a view of one man. But it was done in order to sound an alarm. But it was done to sound, what I think, was a false alarm. Now, it's worth recounting this in view of the letter that Bob Gates sent to you, Chairman Boren, in 1987 when he said that there was no dissent from any agency and that the integrity of the intelligence process was preserved. Actually, the analysis on Soviet and Iran was changed. And it was done without good evidence.

Now, on the eve of the HAWK delivery to Iran, there was another important analytical argument that was changed. This one regarding Iran's support for terrorism. Bob Gates has written in the Washington Post, in November 1987, in Foreign Affairs, in the winter of 1987-88, and in Studies of Intelligence, which is an in-house CIA publication—in all three places he used the same exact language—that few people in the CIA believed that Iran's support for terrorism was down and that no CIA publication ever said so. In fact, the CIA's Product Evaluation Staff, which reports to Bob Gates, concluded in late October 1987 that at least three publications said Iran's support for terrorism was down, and termed it, and I quote from their report to Bob Gates, that "this was a marked discontinuity in the analytical line. And even worse, no apparent evidence was cited explicitly or implicitly to justify such an abrupt departure."

Now, let me just review the bidding. At the same time all of this was going on, you have the Counterterrorism Center briefing this message to the NSC. You have the NIO for Counterterrorism, Charlie Allen, doing the same. And once again, I think this is important, neither the DI nor any other intelligence agency agreed with these views.

Now, finally we have the Fuller memo that made the case for lifting the arms embargo against Iran in order to pre-empt the Soviet threat, or what he perceived of as a Soviet threat to Iran. I personally believe this is dangerous policy advocacy, but I don't want to get into that issue now.

Now all lines of analysis were pointing in the same direction at this time in order to support the decision to supply arms for Iran. This was maybe intentional, maybe unintentional. But the point I want to make is that in the case of the estimate in '85, you have cases where you overstate and misstate the Soviet role in Iran and you ignore dissent.

In the question of Iran and its support for terrorism, you have a changed line. Iran's support for terrorism was not down. In the case of George Cave and the NIO for Counterterrorism, you're making a case for a moderate faction wanting U.S. contracts. Again, no analyst believed this.

And finally you have the Fuller memo with regard to lifting the arms embargo.

Now just to sum up this point. I think that this swerve in analysis in the estimate on Iran and the intelligence on terrorism and the view with regard to the moderate faction were all cases of politicization. That is my opinion. I believe that Gates suppressed dissent in the estimate. I believe that Gates then did allege falsely in the letter to Chairman Boren in 1987 that he had protected the process.

Now what I also believe is that the key players in all lines of intelligence were brought to bear to support arms sales to Iran. Yet I find it interesting that in Gates' own testimony to the Foreign Relations Committee in 1987 he completely ignored this swerve in the intelligence. Even though he had a contribution from the Office of Soviet Affairs that described this swerve. And I think you have documents to support that.

Let me make one footnote. George Shultz, at the Iran-Contra hearings, said that he had grave doubts about CIA intelligence. This Committee asked Bob Gates what he thought Shultz meant when he made that statement. Gates told this Committee that he thought Shultz was talking about the Philippines and Lebanon. In fact, Shultz said he was talking about Iran and terrorism. And we know that he told the President the same message.

Let me make one slight footnote here about misinformation as opposed to disinformation. I think this is important, not for the Committee certainly, but for the public that is watching what will become a debate on these issues.

Disinformation is a very serious charge. I know that. And I hope that what I have been describing was not disinformation. In the intelligence lexicon, there are several terms that describe inaccurate reporting. One is misinformation. That is simply information that is misleading or false. There may or may not be an intention to deceive.

Disinformation, however, is information known to be wrong, but is intentionally disseminated for some specific reason.

Now, I don't know the motivation for sending misleading and inaccurate information to the White House. It may have been an honest mistake, stemming from the strong convictions of Charlie Allen and George Cave, then working for Col. Oliver North on the shipment of missiles to Iran. In that case, the action was certainly one of serious misjudgment and corruption of the intelligence process, with the disastrous results that I have already noted.

The testimony of Robert Gates before the Tower Commission suggests, however, that the motivation may have been more manipulative. Mr. Gates stated that no one in the intelligence community believed there were moderates in Iran willing to deal with the United States, and that such a notion was being advanced only by the Iranians and the Israelis. In fact, as I have mentioned, such a notion was also being advanced by Mr. Allen and Mr. Cave in their communications to the NSC and even to the President.

If, in fact, no one in the Intelligence Community believed that notion, it is possible that disinformation was being passed to the President.

Now, I would like to deal with the suppression of intelligence. In some ways, I consider this just as important as my previous examples because it deals with all the things, all the analysis, we were never permitted to say. We are talking about the intelligence the policy makers never got. Trends that were never reported. Data that was suppressed, particularly with regard to Soviet retrenchment and retreat.

I must say that I have read very carefully Senator Moynihan's remarks about the CIA intelligence failure. And I am stung by those remarks. I think he is right. I think there was an intelligence failure. But I hope one day I could sit down with Senator Moynihan and have the opportunity as a professional intelligence officer to discuss all of the evidence we had on those issues and all of the evidence we could never report.

Now I know this area best because it is my area of specialization. That is Soviet Foreign Policy and Soviet-Third World relations. In 1982, I wrote a National Intelligence Estimate in which I assessed

Soviet strengths and weaknesses in the Third World. But I did conclude that there was tenuous evidence of a Soviet retrenchment and that the Soviet drive to expand may have reached its limits, due to the costs, due to the returns, due to the risks. I got a 1982 memo from Gates that killed the draft, but I think it is worth reading because it showed Gates' approach to the problem. His emphasis on ideology and his belief that Soviet-US relations were secondary to the Third World for Moscow. The fact that, according to Gates, the Soviets had unlimited political and military assistance to offer the Third World. The fact that the Soviets had tactical creativity in the Third World and that the Soviets had larger Soviet imperatives and motives in the Third World. All of that was in the Gates memo.

Let me just digress for a minute—please permit me this. The Gates' view in 1982 may indeed have been the conventional view for many people. But to hold that same view in 1985 when Shevardnadze became Foreign Minister of the Soviet Union; and to hold it in 1986, when Gorbachev went to the Party Congress and talked about the bleeding sore in Afghanistan; and to hold that view in 1987, a year that saw the purge of the military and the INF treaty; to hold it in 1988 when Gorbachev announced the withdrawal from Afghanistan and then at the UN in a shocking speech, announced his unilateral cutback of soviet forces; and to hold that view in 1989, when we saw the election of the Congress of People's deputies and the withdrawal from Vietnam; and to hold that view in 1990, when we saw the beginnings of a political revolution in the Soviet Union—this suggests a fixation. Not a line of analysis.

Now let me go on with the point I wanted to develop.

In 1985, my senior analyst on this subject and a scholar in residence from the State University of New York, returned to the same subject of the Soviets in the Third World. Now this time they did a study based on very hard information that we were not getting, that looked at the indicators of influence—and I think methodology is very important in this process and we were following the methodology of Professor Alvin Rubinstein of the University of Pennsylvania, who has written a very good book on how to assess Soviet influence in the Third World—we looked at indicators of military aid, economic aid, Soviet advisors, ship days in out of area waters, and all of these indicators were either stagnant, some were even dropping. And that was the reason for writing the paper. We thought we had an important message to say in 1985. We thought we had good evidence.

Now the paper was killed. What is interesting is that a year later, Bob Gates wrote in the Washington Times an article called "War By Another Name"—and remember that Gates told this committee that all public remarks were submitted to DI analysts and that his remarks followed the intelligence views of the CIA—that the Soviets were targeting the oil holdings in the Middle East, the Panama Canal, the minerals of South Africa. Now there was no evidence, no good evidence that you could cite to support these charges.

The point I want to make is that I am not aware of any DI analyst who ever reviewed this piece for the Washington Times, and it certainly didn't follow what the CIA...

of the DI on the Soviets in the Third World. Now this same article also talked about Soviet links to the terrorist activities of Syria, Libya, and Iran. Again, we did not have good evidence of such links. This article also advocated the use of military power in the third world.

My opinion is that no agency official at any level should ever get into policy advocacy. But what I find interesting in all of this is that in 1982, when my estimate was killed on the Soviets in the Third World, this was followed by a Wall Street Journal Op-Ed piece by Bill Casey, making the case for the Soviet threat in the Third World. And then in 1985, you get another paper killed in the Directorate of Intelligence, and this was followed within a year by Bob Gate's article in the Washington Times.

Let me digress just for a second to give to you one personal experience. In the mid-80's, I was briefing someone on Chet Crocker's staff—Chet Crocker of course is the State Department official who negotiated the cease fire in Angola—and in talking to members of Chet's staff, I always took the view based on evidence, that the Soviets would be cooperative in his efforts. I basically made the case for Soviet cooperation.

These views were met with disbelief. And I'd say, why are you so shocked, and his response was, but you don't write any of this in your products. And I told him we can't get this kind of line out. It is very difficult to publish this line of analysis.

Now, let me look at other areas of suppression of intelligence. We tried to get out a piece in the Office of Soviet Analysis, to make the case for why the Soviets would not deliver MIGS to Nicaragua.

On one of these episodes, we received a note back from Bob Gates, who killed the article, that it would be, quote, "unhelpful to lead with our chins on this issue," unquote. Now I only say this because General Schwarzkopf noted not too long ago, that he had certain difficulties with the intelligence he was receiving. And he said what he needed was the best guess of the Intelligence Community. Policy advisors, military officers, know that they are getting the best guess. But they want that. I think that is what we are there to do. The problem was, and why I consider this politicization, is we were always allowed to give our best guess when the Soviets were involved in one nefarious activity or another, but we couldn't even guess at all when it meant that there were signs that the Soviets maybe were being conciliatory, or moderate in some fashion.

I can tell you this same story with regard to a paper we did on the military limits of the Mujahadin. We were told this paper was too journalistic, even though other agencies were writing on this issue and getting it correct. Now we couldn't get this view out in the Directorate of Intelligence because I think—this is my opinion—it appeared to disagree with Gates' line that the Mujahadin would be getting more aid, they would be doing better, and as Gates said in his memo to me, that the Soviets, quote, "would have to consider more seriously more dramatic action," unquote, in Afghanistan.

We were arguing at the time that there was a case to be made for Soviet constraints in Afghanistan. And I might add that the Soviets did not add any troops to their presence after 1984 when we

were arguing this case. We just couldn't get this story out. We couldn't publish this kind of evidence.

Now this was true also with regard to Soviet problems in Africa. And I will give you a personal example from 1981. This was before Gates joined Bill Casey's staff—he was still the NIO for the Soviet Union. At that time, he commissioned an assessment on Soviet policy in Africa. I didn't believe the assessment was a good one. I had to go to the meetings for coordination because I was the DI representative to the coordination process. And I thought it was only fair to go to the drafter to give him some advanced warning that I was going to have some problems at the meeting. I thought the paper had ignored evidence that the Soviets were having their own problems in Africa. The analyst who drafted the paper said your problem isn't with me. I was just, quote, "a hired gun" on this paper. I asked, who hired you? He said, Bob Gates. I took my problems to Bob Gates. This was the first encounter I had with Bob Gates, someone who I have known since 1968. The first encounter with Gates on integrity and the intelligence process.

There was an angry exchange. It is not necessary to go into that. The important point I want to make is that when we got to the coordination meeting, even though some changes were made in the coordination process, at one point in these deliberations, Bob Gates says that this is the paper that Casey wants, and this is the paper that Casey is going to get.

One final example of suppression and manipulation. And I cite this one, because politicization is such an insidious process. It is hard to track. In July 1986, Gorbachev announced at Vladivostok that the Soviets would be withdrawing 6 regiments from Afghanistan. In September '86, the DI was getting evidence that actually 6 regiments were going into Afghanistan. In other words, we were dealing with what looked like a sham withdrawal. Indeed they were taking 6 units out, but they also appeared to be introducing 6 new units. The analyst wrote this for the National Intelligence Daily. That is the premier publication of the Directorate of Intelligence in that it is our serialized publication and it is coordinated with other agencies.

This view was blocked from the National Intelligence Daily and the manager of the product was told we can't run this. We need more indicators. We can only write with information. Therefore, there was a delay. More indicators came in, another item was submitted, again it was blocked. And the message we got from the leadership was that to run this item now would show that the Soviets can't be relied on in arms control negotiations. Now this wasn't Bob Gates who was involved in this. The point I am trying to make is that in October 1986, all of this activity with regard to the withdrawal of forces and the introduction of forces, had already been leaked to the press before the CIA ever even reported on it. The lesson here is how insidious politicization can be, in that anyone can resort to it, if he wants to, to protect his, or her, own agenda.

Now I want to talk about the manipulation of the system. What I call judge shopping in the court house, because you can always get someone to do your bidding in a situation such as this. Let me tell you one anecdote. A senior analyst was called in and told that Bill G.

to international terrorists. This senior analyst looked at the evidence and couldn't make those conclusions. The evidence wasn't there. He was told to go back and look again. He did that and said the evidence wasn't there. Gates took the project away from him and gave it to another analyst. I believe there is an ethical issue here.

In 1987, Gates at Princeton said that estimates were never seen by the DCI before they were published. That's false. It was true before Bill Casey arrived at the CIA, but it was false to say that in the 1980s because Casey and Gates introduced unprecedented measures that changed the process of how we prepared estimates. For one thing, we had to clear terms of references and drafts that went out to other agencies before coordination. In other words, Bill Casey and Bob Gates had a very early opportunity to weigh in on a particular estimate. We were also told individually—I was told, others were told, I can provide you names of people who can provide other examples—that the DI could not take footnotes to certain sensitive estimates. It is also true that during this period, from about '83 to '86, the Gates chaired both the Directorate of Intelligence and the National Intelligence Council. In other words, he has the filter for all intelligence analysis that came out of the CIA.

Now I still believe that the international terrorism estimate in 1981 was an example of politicization. I am not going to develop that now, it is important however because that was the estimate in which Bill Casey really cut his teeth on us. That's when he really learned a lot about us and we learned a lot about him. The important thing is that I was told personally by the chairman of the National Intelligence Council, during the process of writing this estimate, that we're operating under constraints.

Let me add one point here that I think is important in dealing with what I consider exaggerated analysis or even misinformation put out by the CIA. I think there were 3 classic instances where there was misleading agency analysis which I think—this is my opinion—placed a terrible burden on US policy makers and even created an ethical issue. I have already discussed the papal plot. I could discuss international terrorism in this same light. But I want to add a new issue. And that was the one of yellow Rain. In some ways, it is similar to international terrorism in that you had a charge from Secretary of State Al Haig, without evidence, that the Soviets were responsible for the use of chemical agents in Southeast Asia.

The DI, the Directorate of Intelligence, provided much of the misleading information on this subject. The important thing is that the intelligence was issued and that embassies in Southeast Asia were encouraged to spread this line about Soviet use of chemical agents.

The embassy in Bangkok—that is our embassy in Bangkok, didn't believe this charge. They set up their own investigation, they found no evidence, and they merely stopped making the charges they were directed to report regarding Yellow Rain and the Soviet use of chemical agents.

Now, finally, let me talk about the personnel problem at CIA. I don't have a lot to add to documents that I think you have in your own record. It's all in the Inspector General Reports, and it is all in

the management surveys and I think you have seen those surveys—you have them all. I think they show, on the basis of what I have given to the IG, and what I know is in those reports from others who have talked to the IG, that it shows a history, a record of ethical abuse and politicization.

I might add that I don't think the worst of it is in those reports. I was told personally that the worst of my charges did not go into the reports because it was considered too sensitive, but I was told—to be fair—that they brief this message to the DI orally. So that the message may have gotten across. All I am saying is when you see the Inspector General reports you are not seeing everything.

I would like to add two points however on the issue of personnel policy. Each example of politicization—and I know this first hand from dealing in the Directorate of Intelligence—led to a great deal of self-censorship by the analysts. The perception was held by many good analysts, senior analysts, that certain evidence was going to be ignored by the 7th floor if it did not suit a certain 7th floor policy agenda. And I think this self-censorship gets into the insidious nature of politicization.

I want to just point out one other issue. We lost a lot of good senior people in the Directorate of Intelligence because of this activity. I think we lost our best people. Some of our best people are working now for other intelligence agencies. I've already circulated a list to this Committee of the tremendous seniority of Soviet analysts up to 1985 in the Office of Soviet Analysts and the very inexperienced analysts and manager who now work there.

I think this exodus of analysts is important. I think the fact that there is almost an analytical diaspora out there, throughout Washington and the academic community, is very important. These are people who are fed up. These were people who felt an ethical dilemma. I know each one of them. I have talked to everyone of them. I think there is a waste of government resources in the fact that this has happened.

Let me tell you about one anecdote of someone who has stayed behind, who is still there. One day he wrote a piece that apparently attracted a great deal of anger from the management of the Office of Soviet Analysis. This was recent. This was in the last year. He was called in by his supervisor and told, and I quote, "You know, this isn't a democracy we are running here. Your job is to know the message the office wants and make sure the analysts get it right," unquote. This kind of thing is what gets people to leave the CIA. This is the kind of event that leads to the loss of very good people—very experienced people—very senior people.

Now, what are the implications of all of this? Frankly, I find this history distasteful. I find my own recollections distasteful. I don't want anyone on this Committee to think that I get any satisfaction whatsoever out of bringing any of this to you. I might add that I did not come to the Committee; the Committee came to me. I might also add that I have spent my entire professional life in government service, and I am proud of that fact. I've spent nearly thirty years in the United States Army, in the State Department, the CIA and the Department of Defense. I learned the culture and the craft of intelligence from people I respect, admired and took very seriously—people like Sherman, U.S. Army, and

son and William Hyland. Those were my mentors in the intelligence business. And I take the intelligence business very seriously—both its ethical dimensions and its analytical dimensions. I firmly believe that intelligence has a very special role to play in our government. I firmly believe that intelligence must have an ethical compass. Indeed, the very seal at the CIA states "Seek Ye The Truth." This motto goes right to the heart of the professional ethic of the intelligence officer.

Now, I have no idea frankly what you may think of the work we do, but I want to assure you that our standards are high and we believe that our only unique contribution is in terms of independent analysis done without fear or favor.

Now the fact has been expressed here by some that Gates lacks strategic vision in his own area of expertise—that he missed the strategic retreat of the Soviet Union, the collapse of the Soviet Union. Now that's important, and I'm not gainsaying that—that's very important. The fact that Gates was more often wrong than right, especially when he substituted his own judgment for the view of his analysts is also important. The fact that policymakers missed data, they missed trends, they missed analysis on trends that led to missing an historic opportunity with the Soviet Union, and certainly led directly to the sad venture in Iran, of course that's important.

But what I think is most important and most offensive is that Casey and Gates arrogated to themselves the power to make intelligence judgments; that they had contempt for a process designed to allow independent analysis; that they damaged the integrity of that process and the credibility of the CIA where I've spent twenty-four years; that they ignored the long established ethics and morality of an intelligence officer; and that even the President of the United States was given misleading analysis and uncoordinated views. Frankly, I worry about the signal that would be sent in returning Gates to the environment he created. I worry about the effect this would have on the standards of others back at the Central Intelligence Agency to be led by someone so lacking in vision, integrity and courage.

I might add that one of my great heroes is General Matthew Ridgeway—one of the great soldier-statesmen of the 20th century. And when he lectured at war colleges and staff colleges, he was asked about intellectual toughness. What does it mean to be intellectually tough? And the characteristics he always set forward were the vision to see the choices before you, the integrity to make the right choice, and the courage to act on that choice.

In closing, I guess what shocks me more than anything else is that so few people at the CIA could create such an environment and do so much ethical damage and that they could do it so easily. I think it is for that reason that I have such a sense of shame.

Thank you for your attention.

Chairman BOREN. Thank you very much, Mr. Goodman, for your statement. As I indicated, I would ask that you stand by when we finish the opening comments of the other five witnesses. Then you will resume as a panel which the members of the Committee will question and that, obviously, will take place some time this afternoon.

Thank you very much, Mr. Goodman.

Our next witness will be Mr. Graham Fuller. If Mr. Fuller will please come forward. Mr. Fuller, as I indicated in my opening remarks, is currently with the RAND Corporation, formerly with the CIA, a former National Intelligence Officer for the Near East and South Asia involved in the preparation of some of the intelligence estimates—one in particular that had been referred to in Mr. Goodman's testimony.

Mr. Fuller, we appreciate your adjusting your schedule to be with us today, and I would ask as we are in a confirmation process if you would be sworn and raise your right hand at this time.

Do you solemnly swear that the testimony you are about to give is the truth, nothing but the truth, the whole truth so help you God.

Mr. FULLER. I do.

Chairman BOREN. Thank you very much, Mr. Fuller. You may be seated. We would appreciate having your opening remarks at this time. We will withhold questions until later. If you can possibly present all the information you can to us in the shortest possible time, we had hoped to hold these opening statements to about twenty-five or thirty minutes. We've gone about double that time so far. So I don't want to put constraints on any individuals to skip over any of the items that they may feel are important, but, within the bounds of doing that and being sensitive to our time constraints, we would welcome any opening statements which you might like to make.

TESTIMONY OF GRAHAM FULLER, FORMER VICE CHAIRMAN, NATIONAL INTELLIGENCE COUNCIL

Mr. FULLER. Mr. Chairman I can stay within that time frame, I hope. I'd like to point out also that I was not aware that I would even be testifying at all until some forty-eight hours ago. I have not had opportunity to dredge through past documentation and such things as the previous witness has, so I am drawing, I'm afraid, on my best memories of events and incidents that have been referred to so far.

First of all, Mr. Chairman, I am happy to do what I can to shed any light on past work at CIA that involves Robert Gates. I do not want here to comment on many of the charges made against Bob Gates that relates to his handling of the DI. I was not in the DI. I was working in the National Intelligence Council, and I would largely limit my remarks to my experiences in that field.

Mr. Chairman, I served at CIA Headquarters first as NIO for the Near East-South Asia from 1983 to 1986, and then as Vice Chairman of the National Intelligence Council for the two following years after that. During those years, I had many occasions to work very closely with Bob Gates.

Now, let me give you something of my own background in brief and where I'm coming from. I have a BA in Russian Language and History and an MA in Soviet Studies, both from Harvard University with a minor in Middle Eastern Studies. I served overseas in the Foreign Service for nearly twenty years, most of the time in the Middle East and in various capacities.

sponsibility that I don't need to go into here. I then served at CIA Headquarters for five years. I finally left government service at the end of 1987 when I was able to first retire to go to RAND Corporation, where I am now a Senior Political Scientist. My goal in leaving the government was to get greater freedom, both to write and to speak out publicly on foreign affairs. I have just published a book on The Geopolitics of Iran, and I've completed numerous published studies for RAND on the Soviet Empire, on Turkey, on Gulf security policy and on the long-range outlook for the Middle East. Since leaving government I have published regularly in a variety of newspapers, magazines and journals, including Foreign Policy and Foreign Affairs on both Soviet and Middle Eastern affairs. I also have a book coming out in January called, The Democracy Trap: Pitfalls of the Post-Cold War World.

I mention these publications, Mr. Chairman, mainly to establish the fact that I have long had a serious interest in foreign affairs which I have maintained up to the present time, and hopefully to suggest thereby that I have not been merely some dutiful public servant fulfilling the political agenda of William Casey and Robert Gates—as some of the testimony about my tenure at the NIC might seem to infer.

Mr. Chairman, as I read the testimony of others in the past week, I find myself disquieted. Serious charges have been raised against Bob Gates, especially those of Mel Goodman. While I know and respect Mel Goodman as a very knowledgeable and experienced Soviet analyst, in all frankness, I do not readily recognize the Bob Gates described in his testimony. I am indeed disturbed at hearing the specific and worrisome accusations that he levels against Gates. But I find that when he talks on those incidents of which I am personally familiar, his account, in my opinion, contains serious distortions in content and in the manner of telling.

In brief, I do not believe that during my five years tenure at the National Intelligence Council I witnessed anything that I would call improprieties in the conduct of estimative work by Bob Gates. I have no direct knowledge of his leadership of the DI which has figured in so much of the testimony. But I do know that within the confines of the NIC and the National Estimates, I have not seen Gates engage in anything that can be loosely called politicization of intelligence.

Now how do we define that? In my terms I would call it the deliberate distortion of the intelligence to satisfy policy goals. That there is room for immense difference and debate within the Intelligence Community is well known and hardly limited to the Intelligence Community—these debates can be raucous and bloody. But I think it is very important to distinguish between sharp differences of opinion and sharp disagreements about the implications of those differences on the one hand and deliberate distortion of facts on the other.

During my entire time at the NIC I felt there was a scrupulous regard and concern for the integrity of the estimative process, and a singularly high proportion of time spent in talking about what the integrity of that process implies in concrete terms. To be specific, at no time was I ever told what either the Administration or Gates or Casey wanted to come out of an estimate, or what it

should say, or what conclusions it should reach. Not only was I never told what to say, but I would have regarded it as outrageously improper to even hear the suggestion, and I would have rejected it forthright.

I have taken flak from Casey for what we ended up saying on occasion—he did not always like the product that I delivered to him—but I have never been told what to say, even indirectly. There was never a hint that there was an unspoken line somehow to follow and that I was to respond to.

Mr. Chairman, I may have many failings, and I have indeed made errors in calling the political shots correctly on a number of issues over my many years in this very risky business of prediction. But nobody who knows me would ever call me a toady or patsy to upper management. If I have any reputation it is one of independence, feisty individualism, originality of viewpoint and perhaps even considered to be a maverick on some issues. But I have never had my own integrity questioned, and I have never been a snappish and salute man to the seventh floor.

I was, in fact, tested extremely early on in my tenure as NIO. I took on an estimate of the situation in Lebanon in 1983 after the Israeli invasion in which George Shultz's May 17th Accords were the cornerstone of U.S. policy there—an attempt to somehow get the Lebanese to join in a peace policy with Israel over Syria's live or dead body. Our estimate there stated categorically that U.S. policy aspirations were founded on unreality and would not succeed. Casey was unhappy with this result and he told me that we had not taken sufficiently into account the degree of American resolve to force a settlement in Lebanon through military use if necessary. We were asked to revisit the issue, bearing in mind the prospect that the U.S. indeed just might employ force in the region to attain a settlement and that might dissuade Syria from following a rejectionist line. The second estimate produced by the Community produced the same result. But by then Casey had come around to understand that perhaps this was, in fact, the correct analysis. But Shultz wanted yet another estimate, based on still another premise. And we still said his May 17th Accords were doomed to failure.

After the death of so many Marines and the pullout of American troops, Shultz later complained to Casey that, quote, "The Agency had not been supportive of American policy in Lebanon." Casey at that time replied to Shultz that it was not the CIA's business to support American policy in its estimates, and furthermore, that the estimates had not been wrong in their conclusions. Now, that is one reason why Shultz hated Casey and distrusted Agency estimates.

Mr. Chairman, I feel that it's important to impart at least a little flavor of the Casey tenure at CIA. Again, I can only speak of it from the vantage point of estimative work at the NIC. Casey was a man of huge intellect and far-ranging interests. I think he's well known to most of you in many different capacities. He had a geo-strategic mind if there ever was one. It was at once his source of brilliant strength and greatest weakness. Casey had a broad sense of global politics and the interrelationships of things. He could usually think of ten more implications of any international event than the average analyst could. He read widely.

to keep up with his restless mind and flow of various hypotheses. He was an unabashed Cold Warrior and tended to view all events in terms of their impact on the struggle with the Soviet Union, apart from other regional implications.

Now Mr. Goodman, I think, has suggested what I think is a slight parody of Casey's views on these things. I do not think Casey viewed all evils as emanating from the Soviet Union or from the Soviet Empire. He certainly was willing to blame them for a very healthy proportion of what went on in the world, but his major strategic concern was what world events anywhere in the globe meant to the American-Soviet confrontation. That was his particular focus—how does it affect the American-Soviet balance and the Western-Soviet balance.

While I shared a deep suspicion of Soviet motives and ambitions with Bill Casey, I often disagreed with him sharply in his interpretation of many issues where he was inclined to overstate the Soviet role or the Soviet ability to influence things. This was especially true in the Middle East where I constantly pointed out to him that the Syrians and the Iranians and the Libyans and others had ample reason to want to do many nefarious things on their own without much help from the Soviet Union. But the fact remained that the Soviet Union did give very, very considerable assistance to both Syria and Libya in pursuing those goals.

Mr. Casey was indeed impatient and analysts who cleaved to narrow interpretations of events. He could be intimidating in his style and his knowledge, but he was willing to take as well as to give if he had any respect for his interlocutor. I can think of few NIOs who did not need to respond firmly with him to hold their analytic ground on some occasion. But Casey respected the judgment of those who seriously defended their views, even if he did not like it. He could be withering if the analytic work in his view was weak or excessively narrow or formalistic. Long range strategic estimates, after all, is not a game for kids. We all had to be tough, but nearly all of us relished a Director who took a hands-on interest in the pith and substance of our analytic work. I frankly think that is far more desirable than a Director who stays aloof from the substance of the work of the Agency. But in Casey, the passion for involvement reached an excess that was obviously to be his Achilles Heel by the end.

Now, Bob Gates may be a skillful staffer who has served a number of differing bosses well, but he too is not a faceless bureaucrat. He is immensely intelligent, has a superb grasp of substance, he is a quick study, and he fully understands the relationship between policy and intelligence. He was indeed able to keep pace with Casey's own geopolitical instincts, but he was also able to tone down some of Casey's more far-fetched hypotheses in discussions were held in which I have been personally present. Where Casey did not always hide what he hoped intelligence might indicate, Gates was always fully aware of the requirements of analytic procedure and the validity of independent analysis from everything I saw within the NIC. I cannot speak to charges leveled about Gates' handling of research within the DI, but he was certainly respectful of the process in the work of the NIC.

Gates did share a hard line view, but a very well-informed view of the Soviet Union independent of Casey. The international situation at that time I would argue perhaps justified a fairly hard-line view in any case. The world was very different in 1980 to 1985 prior to Gorbachev than it has been in these stunning years that we have witnessed following the Gorbachev tenure.

Because of the strongly felt Casey position, I am afraid a counter-culture seems to have sprung up among the SOVA analysts that struck me quite vividly as I got involved in estimative work. As much as Casey tended to link many world events in terms of its implications for Soviet policy—although not as simplistically as his accusers would have it—SOVA seemed to bend over backwards to compensate. I think Mr. Goodman's own testimony very clearly indicates the degree to which this had become almost a running battle—at least in some portions of SOVA, and particularly the Third World area. We have heard as much from almost all recent witnesses in this area. SOVA, in my own personal observation—and I must say this is based primarily on SOVA's work in Third World areas—in my own personal observation seemed inclined towards, yes, a highly benign vision of Soviet intentions and goals as related to the Third World.

Mr. Chairman, at the time, I too, was frankly uncomfortable with much of SOVA's approach to Third World issues, personally and independently of Mr. Casey. I have two degrees in Soviet affairs myself; I speak fluent Russian; I dealt with Soviet diplomats abroad most of my professional life in the Third World. I personally felt that many SOVA analysts may perhaps have been expert on Soviet writings on the Third World and Third World issues, but few of them had gotten their feet dirty, so to speak, in the dust of the Third World, and had not watched Soviet embassies work abroad, and were far less familiar with the political environment of the specific Third World countries whose relations with Moscow they were following. These were countries and cultures in the Middle East in which I had lived and felt that I had a rather different sense of the kind of hard ball ad hoc approach that the Soviet Union could take in fast moving situations overseas.

Chairman BOREN. Mr. Fuller, I apologize. We're down to five bells on a vote on the Floor. We'll have three votes. It should enable us to, if Members will vote at the very beginning of the third roll call, to return by about 12:00. We'll continue with your testimony at that time, and perhaps be able to also have the testimony of Mr. Ford before we break for lunch. I apologize. We have to interrupt your testimony at this point. We will continue after a brief recess to vote on the Floor.

[A recess was taken from 11:31 a.m. until 12:40 p.m.]

Chairman BOREN. Could we resume, please. I apologize to the witness. I thought we were going to vote again immediately, and now I have been told that we are not going to vote before the break which will occur shortly. We probably will vote immediately after the 2:00 caucuses. So my suggestion is that we resume around 2:30 here in the hope that we won't be interrupted again. Mr. Fuller I again apologize that we've had to interrupt your testimony. You might want to go back over the last paragraph or so right before we break.

resume a sense of continuity in your statement. And then we will proceed to hear the remainder of your testimony. I think obviously now we will not be able to go on to any other witnesses until after we break for lunch. So the other witnesses will commence in the afternoon. I would remind you, Mr. Fuller, you do understand you are still under oath.

Mr. FULLER. I understand that, sir.

Chairman BOREN. Thank you very much, Mr. Fuller, and you may resume your comments where you think appropriate.

Mr. FULLER. Mr. Chairman, as you recall, I was simply discussing the question of what I felt was development of an adversary culture within the CIA. Within at least the Third World branch of SOVA given Mr. Casey's own strong views, Bob Gates' partial adherence to some of those views and the very strongly felt discontent within the SOVA Third World group that saw things quite differently.

I was also adding that in my own personal view, I had arrived independently in my own personal view at a feeling of concern about the general sort of approach of the Soviet-Third World group, in which there are a number of very fine, outstanding analysts. My own sense of them was not that they were wrong in their understanding of what Soviet stated positions were and what Soviet writings and analysis were on these things, but that sometimes they reflected less of an understanding of the countries whose Soviet relationships they were examining. As someone who had served overseas for many years I had a slightly different sense of reality about the Soviets on the ground than many of the analysts who had more of an academic approach in Washington than I did.

So I did have in part a regular concern about some aspects of the Soviet analysis that I was given by some Soviet analysts for our work.

As I was saying, Mr. Chairman, I had been in anti-American riots in countries where there was good evidence of close Soviet contact with the organizers of the rioting. I am not saying there would have been no rioting without the Soviets there, but the Soviets clearly were in touch with a panoply of anti-Western forces throughout the Third World in the ongoing zero-sum quest for influence. It's hard for many of us now, as we look back on that period, to remember how rough the game was up until about 1985. The Soviets were playing a tough game and so were we in influence, in every little backwater in the world. That was the essence of our policy.

Mr. Chairman, I stood on the roof of the American Embassy in Kabul, Afghanistan on the night of 27 May 1978 as pilots of the Afghan Air Force, controlled by the Afghan Communist Party, bombed the President's palace in the Communist takeover of the country. I believe that no SOVA analyst would have told you that Afghan—say a year prior to that event, that Afghan Air Force pilots trained in the USSR could and would pull off a coup in the name of the Afghan Communist Party. It was not part of the SOVA culture to believe that "that was the way the Soviets would do business."

No SOVA analyst would have been likely to tell you, until the troops were lined up and ready to go, that the USSR would ever

send the Red Army into Afghanistan. Because the Soviet Union had no history and no background of doing that. When Mr. Goodman suggests, for example, that in the year that we were doing the analysis on Iran, that the Soviets were losing a position in Iran and were systematically finding their position weakened, I would only like to point out that the same was true in Afghanistan in the year that preceded the Soviet coup there. The Soviet position was consistently weakening and the President of Afghanistan was moving gradually away from positions preferred by the Soviet Union.

So it was not a question of talking about will the Soviets pull a coup in Iran as they did in Afghanistan. Of course it was a very different country. But simply to feel that that was no precedent for believing that the Soviet Union would do, or could do the kind of things they did Afghanistan and therefore they wouldn't be likely to do it in Iran, it seems a very risky position.

Those actions that the Soviets fulfilled in Afghanistan were inconsistent with a generally shared SOVA vision that the Soviets intended to react defensively in the Third World and avoided risk. This almost became doctrine, and it was the standard language that SOVA usually offered in contribution to many Middle East estimates. It is significant that nearly all these analysts in the testimony that I've read of them from the past week, nearly all of these analysts referred to my own attempts at a new look at the Soviet-Iranian problem, in our 1985 Estimate, as a "swerve" from the SOVA line. While SOVA has many fine analysts, there was a tendency towards a certain homogenization, couched primarily in terms of Soviet dilemmas and problems, obscuring the fact that they had just taken over several real countries in the process in the late 1970s. Afghanistan, Nicaragua, Angola, Mozambique, Ethiopia and others.

Now I do not want to oversimplify what were complex views of both sides of these debates. But I for one independently grew unhappy with the product that I received from many SOVA-Third World analysts. There was a liberal vs. conservative struggle. And this was not a healthy situation within the Agency to have exist. I scarcely need add that.

In coming to the heart of the accusation against Gates in estimate work during my tenure as NIO for the Middle East, I would like to touch now upon the Special Estimate done on Iran in May 1985. Special Estimate by the way, I think most of you know, simply refers to the fact that this is an estimate done out of cycle or focusing on a specific aspect of Iran rather than a generic, full-blown analysis of everything you ever wanted to know about Iran. There was no sinister or particular meaning to be attached to the word Special Estimate. We did special estimates all the time on everything.

Mr. Chairman, as I watched the events of the bloody Iran-Iraq war in those years, I grew increasingly concerned over our policies towards Iran. As I mentioned, I have just published a book on the geopolitics of Iran—that has nothing to do with Iran/Contra, thank God, I hasten to say. I felt that Iran was ultimately the key power in the Gulf, and already a major ideological threat to the region and to Western interests there through its

But American policies were based solely on two factors and had only two goals: one was to strike back at Iranian terrorism and the other was to stop all flow of any weapons from the West to Iran. Now these goals were certainly understandable. Of course we wanted to stop Iranian terrorism and it was desirable to lessen Iran's ability to make war where possible. But I felt that these two factors hardly constituted a serious policy designed to get the United States back into some position in Iran. We were engaged in a basic struggle with Moscow for influence in Iran, the most important country on the entire southern Soviet border. I was likewise concerned with our excessive tilt towards Saddam Hussein who—and I am on record on this—I felt had never moderated during the Gulf War.

Now DI analysts within the Agency's analytical section had already produced analyses earlier that year indicating concern for instability—future instability in Iran, with which I agreed. Any careful look at the situation raised potentially alarming prospects: the clerical regime was perhaps foundering; Khomeini was aging and losing grip daily on the situation, opening the way potentially to radical leftist forces within the country.

Yes, we had information from a Soviet defector that the Communist Party had been badly damaged by Khomeini, but the Tudeh Party was a survivor over nearly fifty years of the ravages of SAVAK under the Shad as well. Who could safely count out its basically unknown influence within the army or other institutions?

Furthermore it was not only SAVAK, the Communist Party but the Mujahadeen organization which was a Marxist-Islamic group that was highly anti-American in its outlook as well and was one of the major opposition forces to the clerics.

The Iranian regime at that point was already seeking to repair its relations with Moscow. We had information that Khomeini's people were painting off anti-Soviet slogans that were—had been painted on the Soviet Embassy in Iran at that time. I was concerned that a very serious geopolitical imbalance could be emerging in Iran of major import to U.S. policies.

If the Western arms embargo was a total success, it was logical that Moscow would be the most natural next source of arms, and could quickly come to gain a monopoly over arms to Iran if it wished. A direct arms relationship with Moscow would have provided a major strategic advance for Moscow in Iran. Moscow had long been able to intimidate Iran militarily from the north, and now from Afghanistan as well—where Soviet troops were ranged along the Iranian-Afghan border against Mujahideen operating out of Iran. A weakening clerical regime could certainly strike a bargain with the devil to survive. I believe that Moscow would not turn down that opportunity if it was presented. Especially as the clerical regime seemed to move towards possible collapse in that year as was feared by the CIA's own estimative Middle East people.

A pro-Soviet group conceivably could have come to power in Iran under such circumstances, a far worse disaster for the West than Afghanistan had been so far. I had communicated my concerns to Casey on this, quite unsolicited at about this time.

When the SOVA analyst brought me his draft portion of the estimate, Mr. Chairman, on Soviet policy toward Iran, I was immedi-

ately unhappy. It dismissed the possibility that the USSR would even seek to take advantage of the desperate arms need in Iran and it comfortably dismissed any serious Soviet design or intention to gain dominant influence in Iran in the foreseeable future. Such a view ignored several hundred years of Russian expansionism in the exorably southward or into Iranian territory in the Caucasus in Central Asia in the 19th Century, and an attempt to establish a Soviet Republic in Iranian Azerbaijan and Iranian Kurdistan at the end of World War II.

It ignored a Soviet effort to ditch Iraq in favor of Iran as soon as Khomeini had come to power. Of course, Khomeini had disappointed Moscow in not being more pro-Soviet and less anti-Communist. But would not Moscow have leapt at the chance to gain a foothold in Iran a few years after the invasion and the occupation of Afghanistan? Even if the possibility were only light, the impact of such a logical move by Moscow to support left wing forces in Iran to exploit chaos or to become a sole arms source to Iran would have been a major political coup for Moscow and a major loss for the U.S.

I felt that a formal warning of this eventuality, potential eventuality, was of critical importance to U.S. interests. And estimates are partly designed to play a warning function as well.

In effect, therefore, Mr. Chairman, I think when we were facing a period of potentially dramatic change within Iran in which the U.S. had no cards, and no influence whatsoever in Iran, and the Soviet Union had very considerable cards to play, although perhaps dwindling from their point of view, that not to take cognizance of this very major potentiality would have been nothing short of derelict of the Intelligence Community to point out this warning. Our policies were only able to focus on terrorism and stopping arms. I felt it was imperative that we be designing a policy at least designed to strengthen some presence that we might be able to have Iran in the future and not leave it simply to the Soviet Union to make its move at the time and place of its choosing, especially if the Iranian regime should founder.

Chairman BOREN. Mr. Fuller, again I apologize to you. Our schedule has gotten so disrupted because of the votes on the floor. I gather that you are only about half way through your prepared statements.

Mr. FULLER. I should be more than that Mr. Chairman, because I have inserted some material—

Chairman BOREN. About page 6, I think, there is 12 pages?

Mr. FULLER. Yes.

Chairman BOREN. We had planned to break at 1:00. I don't want to take away from your presentation and there are members who are going to have to go ahead and leave. Would you be able to come back this afternoon with us?

Mr. FULLER. Of course.

Chairman BOREN. I think we should probably break. This testimony is very important because, as you know, the Iranian estimate is one of those key items. Without diminishing the importance of any of the others, it is perhaps the item on which there has been the most focus.

Mr. FULLER. That's right.

Chairman BOREN. So I want us to have adequate time to really go into this and for members to be here.

I am told that there is a vote at 2:15 and we can predict another vote after that. We can't predict when that will be, so let's try to resume at 2:25, if members would vote at the beginning of the roll call. If matters on the Floor had unfolded in a way to harass us to the maximum degree in being able to continue our work in a normal fashion, they couldn't have broken worse.

Senator RUDMAN. Mr. Chairman, before your proceed, could I ask the Chairman a question?

Chairman BOREN. Yes, certainly.

Senator RUDMAN. Mr. Chairman, it looks like your well planned schedule, through no fault of the Chairman's, has essentially been blown away.

I do not believe that getting the testimony of each of these very important 6 witnesses can possibly be accomplished until sometime later this afternoon. It is my view—and only my own—that because a number of members of this panel have important questions for a number of these witnesses, that to attempt to start that examination in 10 minutes segments at 5:00 or 6:00 today is probably a mistake. I know that everyone is anxious to finish this process. I certainly am. But I believe that we ought to be prepared to come in here tomorrow morning and hopefully finish our examination and move on from there or if we have to go late tomorrow, then make that choice. But I would hate to see us doing extensive examination with many members of the panel not here to hear it. The witnesses frankly, after being under some considerable pressure here in the lights, might be a bit fatigued come say 6:00 this evening—not to speak of the panel members and the Chairman of course who never gets tired. [General laughter.]

Chairman BOREN. Well, I appreciate the comments of the Senator from New Hampshire. I saw the Senator from New Jersey nodding that he agreed with that point of view. It would be my inclination to agree with you if we go until like 5:00 or 6:00 before we are finished with the statements. I had indicated that I thought the statements might take 20 to 25 minutes. I think the statements are averaging about an hour so far or maybe longer. And we don't want to constrain the witnesses from making all of the points they feel they should make. So let's take that under advisement. It would be my inclination that, if we do have to go virtually until 5:00 or 6:00 this afternoon with the opening statements, it probably would be better to begin afresh with the questions in the morning.

Senator METZENBAUM. Mr. Chairman, I have no objection to that, provided we have some understanding that we aren't going to have night sessions. I think the Senator from New Hampshire makes a good suggestion, to come back in the morning; that is fine with me. But if the Chairman indicates something about working late tomorrow night, remember that we are going to be in session next week. If this carries over into next week, so be it. I don't know how long it will take. I don't know how much more is on the plate of the Chairman. But I think that night sessions—and I know Senator Deconcini indicated to me earlier that he had concerns about it, and I think other members have—I just think we ought to go—

Senator RUDMAN. Mr. Chairman, does the Senator from Ohio know something that we don't know? I was under the impression that there was a recess next week.

Senator METZENBAUM. The Senator from Ohio knows something you don't know.

Senator RUDMAN. There is not a recess next week?

Chairman BOREN. This is obviously compartmented and the Chairman has not been let in on this yet.

Senator METZENBAUM. Well, you know, it is my understanding that there are problems about that and it would be my guess that we will be here on Monday.

Chairman BOREN. We can't reveal this obviously to the public until this matter has been resolved and we figure out which of us are cleared for the right compartment here. But I would say to the Senator of Ohio that it has never been my plan for us to go late in the evenings. It depends on the flow of our work. Because I agree, people get too fatigued when we have gone on too many hours. If we are in session anyway in an evening hour, and we can go a reasonable period of time without fatiguing the members, I think we should leave that opportunity open. But I assure the Senator from Ohio, this Senator agrees that we should not plunge on for unreasonable amounts of time.

So we will just weigh this as we go along and revisit the issue later this afternoon as to whether or not we go on this evening.

There also may be some additional witnesses on the subjects that have been raised today that we may need to call. We will have the information from the "compartment" officially later on about the recess.

Senator METZENBAUM. Mr. Chairman, I have no problem about your calling as many witnesses as you want. I did notice somebody saw fit to circulate some papers here with telephone calls somebody allegedly made to talk to somebody. I would very strongly object to any such statements being put in the record and being considered by this Committee. If anybody has any additional evidence, bring them forward and let them testify like everybody else, under oath.

Chairman BOREN. I don't think we have put any statements into the record that are unsworn, have we?

Senator METZENBAUM. No, but they have been circulated around here as if they had been.

Chairman BOREN. No statements have been put into the record that have not been sworn to I'd say to the Senator from Ohio so far as I am aware. We are going to put into the briefing books, for members only, any background information that we think would be helpful to you. Anything that comes to me as Chairman, I certainly want to share with Members of the Committee for their background. And the flow of information, I might say, is well balanced, it seems to me on those matters that have not been brought under oath. People on both sides of this particular issue are giving us additional comments and so on.

So that will be available for your background. But certainly, I don't intend to put anything into the hearing record unless it is on a equal basis with the sworn testimony. I think that would be inappropriate.

Senator METZENBAUM. There is some testimony also this morning about a memo of Mr. Gates concerning bombing of Libya. Would the Chairman see if that memo could be made available?

Chairman BOREN. We'll see. I'm not sure I know which one that was.

Senator METZENBAUM. I think that Mr. Goodman testified to such a memo.

Chairman BOREN. Anything that has been mentioned. I am not sure that was in his testimony. His testimony is somewhat different today than it was in closed session.

Senator METZENBAUM. It was in his testimony today.

Chairman BOREN. And so it was added today. I don't know if we have all those matters that were in his testimony in closed session that we had requested. So if it just happened this morning, we'll have to look into that. We'll endeavor to try to get all the documents.

Senator METZENBAUM. I thank the Chairman.

Chairman BOREN. And to get as many as possible declassified.

All right we will stand in recess until 2:25 and again, I apologize to the witness.

[Whereupon, at 1:05 p.m., the Committee was recessed, to reconvene at 2:25 p.m. the same day.]

AFTERNOON SESSION

Chairman BOREN. If we could begin, I would again apologize. Mr. Fuller, I have been told every 5 minutes for the last hour that we would vote within the next 60 seconds, so that is exactly the situation we have been in. As soon as we start, I am sure that that will happen to us again. But I assure you that whatever interruptions we get, you are going to be allowed to finish your testimony.

I am very apologetic because I think you have important testimony to give. The disruptions in it are making it more difficult and I wish all the Members were here to hear it because it is important testimony. We will do the best we can.

Some of us think it is time to take a look at how we can reform our process around here and how we can make Congress work a little more effectively. Maybe we have seen a reason why we should try that.

Mr. FULLER. I will not take it as a conspiracy.

Chairman BOREN. The Chair is, I will say, as frustrated as can be about this and I am very sorry. We will just have to do the best we can. So I will once more remind you, as I have after each break, that you are still under oath as you continue your testimony.

I think you should perhaps back up just a little bit. As you were ending, you were talking about your feeling that some of those who had not had experience in the field as well as experience in analysis perhaps did not have quite the same perspective that you felt you could bring to it from your experience in the field, particularly as it related to how the Soviets operated at the grassroots during these years.

Please feel free to summarize what you have said thus far and then proceed ahead as you wish.

TESTIMONY OF GRAHAM E. FULLER—Resumed

Mr. FULLER. Fine. Mr. Chairman, I would like to take just one minute to clarify the process under which I advanced on these estimates.

In talking to people at the break and elsewhere, it seems to me that there is considerable lack of understanding, not surprising, about what an NIO does or doesn't do in putting together these particular estimates. It's very important that this be known.

In essence, when anyone has a right to ask for an estimate within the U.S., within the policy—foreign policy body of the United States. State Department, DIA—excuse me, the Pentagon, the NSC, all have a right to ask for an estimate on a subject. The DCI can ask for an estimate to be done on something. An NIO himself can decide that he thinks an estimate is due on a particular topic.

We felt consistently that the person who asks for the estimate, the body that asks for the estimate, has a right to state the issues that interest them, to state the topics of concern to them. We would then coordinate closely with that requesting body to ensure that we got all the questions that that requesting body had posed and understand them thoroughly and why they want them.

We would also reserve the right to add additional questions of our own to be answered to any estimate, because it is possible to distort an estimate by saying, these are the three questions we want and nothing else. Don't deal with anything else, just these three issues. If somebody came to us and said, these are the three issues to talk about, we would say great, we will answer them in full, but by the way, we feel that there are some very important questions you didn't ask that would also have a bearing on this and we will deal with them.

The NIO is then in a position to go out in the community and select a drafter to do the estimate and the drafter is informed of the general terms, the terms of reference of the paper. The terms of reference would have been discussed within the community and generally agreed upon. The terms of reference again means the questions but not the answers. The scope, in short, of the estimate.

That paper is basically the property of the NIO until it reaches the stage of broad coordination among the entire community. If a drafter who might ask to do a paper then brought his paper to me, I would look at it. I would say, gee, this is a great job. The one thing I think is not so good is this area here, in which you didn't really answer the question, or I think it's weak, or I disagree with you. How about thinking about it from this point of view? And then the drafter would go back and make a few changes until it met what I felt was the standards that that paper should represent. This was entirely appropriate and proper.

So when a Soviet representative—SOVA office representative would bring me their draft, I had the perfect right to say, wait a second, I don't like this. This is not getting at what I think the real issue is. Or for me to take it and make some changes in it personally.

Because in the end, I knew I would have to face the community and coordinate this thing.

would have a chance to come forward and say, we don't like it, the community disagrees, or we partially agree, or we're divided, or whatever else. But all NIO's had that option to change the draft until—to amend, sharpen the draft until it reached the stage that we thought it was appropriate to bring forth. That was standard appropriate procedure.

Now, returning to my memo here, as I say, as a result I rewrote entirely on my own the Soviet portion of the estimate. This was my prerogative, as NIO, to bring to the coordinating table a draft that represented my best vision of what the estimate should say to then be discussed, debated, and coordinated.

As Gates was my immediate superior, I informed him of my feelings and showed him my rewrite of the SOVA draft. Now, I went to Mr. Gates on this because he should have been aware that I had taken an action that very possibly would result in remarks coming from the SOVA side, for which he was also responsible, saying wait a minute, Fuller has changed this in ways that we don't like. I was therefore putting him on notice—you should be aware that I am making some very major changes in what they have given to me.

Gates concurred with my version, although that was an informal thing, because essentially it was my decision to decide what should be in that estimate and not his or Casey's at that point. I also showed the draft to the NIO for the USSR, and this was just an informal thing saying, what do you think of it—this is my feeling, what do you think of it, and he agreed with my changes.

At the coordinating session, we spent some time discussing the substance of the issue among all community representatives. After airing all disagreements I told the SOVA representatives that they could take the issue up through the DI channel of communication, but I did point out that I had already talked the issue over with Gates and the Soviet NIO.

Now, Mr. Chairman, it is clear to me that this was viewed by junior analysts—or analysts, not necessarily all junior, that the deck was at that point somewhat stacked. I didn't like what they had written, and I had changed it, and they then knew, after a lot of discussion, that Gates had also agreed with it. But nonetheless they were capable, able, to move up through their own particular channels if they had grievances with that.

I say in my memo here I can no longer recall the position of the INR and DIA Soviet analysts, but if they had all weighed in against me as well as the SOVA analysts my view would have been distinctly in the minority. But neither DIA nor INR chose to take footnotes, as best as I can recall, and I don't have full recollection of this period, but I do know that if INR analysts were unhappy with estimates they could take it to Mort Abramowitz, and Mort Abramowitz was one hell of a tough guy, and I think all of you here know, or many of you know him, who would not have sat by to watch his people be "trampled" at a coordinating session and not have something to say about this later on at the NFIB table.

I say also that I believe SOVA was in part aggrieved because perhaps a non-Soviet NIO had tampered with their work, which most other NIO's did not do, leaving matters to Soviet specialists to duke it out among themselves. But I, too, had some credentials, and

experience in Soviet affairs that may have been resented. I have no idea.

It may have been due to my being an outsider, but I had "reversed" from the solid SOVA line on Iran, as many of these SOVA analysts have mentioned. Yet I do believe that it can only come through the relentless examination of various new hypotheses and counter-hypotheses that the intelligence community will ever have a chance to get at the illusive truths of forecasting the unknowable.

Because of this legitimate disagreement, SOVA analysts—some of them—have chosen to cast this issue in terms of right and wrong, truth versus politicization. Their own internal frustrations seem to have caused them to reject out of hand this line of analysis that was not stated as a certitude on my part but only as a distinct and serious strategic possibility that the U.S. Government must be watchful for.

The argument instead has been presented now as to being—serving either Casey or Gates, or serving the White House. I have not even been given the courtesy of simply being called wrong, but rather portrayed as someone else's instrument in the struggle against SOVA.

Whether the application of the word, wrong, is appropriate in any case is questionable when one speaks of the warning function in intelligence. The Soviet Union in effect did not have the field day in Iran that I was concerned it might have, but that's also because the Iranian regime did not move toward collapse and dismemberment in that year that many of us were concerned could happen.

No, in the end, the barn did not burn down, but there were plenty of fires raging in the region, and people were playing with matches in the barn. Even the possibility of this major calamity for American interests seems not to have been acknowledged by SOVA analysts.

Now, Mr. Chairman, the next estimate on Iran in February '86 is commonly touted to have reversed itself, showing that an anomaly the previous May '85 estimate had been, and it's referred to as having admitted its earlier error. Now, I find this an extraordinary interpretation.

The later estimate we did—about from May to February, what, 9 months?—took note (and this was revisiting the Iranian memo) took note that the disturbing negative trends suggesting the Iranian regime might be foundering now seems to have receded and that the Iranian regime had in fact weathered the year better than most Iranian analysts had felt, and that includes CIA Iranian analysts, and that it had moved toward a stronger footing.

I submit, Mr. Chairman, that if going back in retrospect and recognizing that some of our concerns had not been borne out represents admission of an error, or saying that gee, we had been wrong all along, then I think the system is skewed. It is imperative that we look back at estimates and say what was fulfilled and was not fulfilled among our major concerns.

That same February estimate also said that the Soviet Union still could gain—make major gains in Iran.

conditions that were then set forth, and the SOVA analysts agreed to those conditions.

In the end, too, then, the SOVA—some of the SOVA analysts who have been speaking revert to the same ad hominem attacks in attributing neanderthal political views of the Soviet Union to me. I note for the record, Mr. Chairman, that I was one of the very first senior agency figures to state that the Gorbachev revolution was for real.

I stood strongly in support of the most liberal interpretation of Gorbachev's reforms in estimates produced early on by the now NIO for the USSR. I was one of the first to publish a major piece in *The National Interest* in 1987, immediately after leaving the agency, stating that Soviet new thinking was absolutely for real and what the changes—the roots of this change were.

If I fault Gates for anything, it was that I think he was far too resistant to recognizing the reality and the import of the Gorbachev revolution. He was not alone. I frankly wonder, Mr. Chairman, where I would have been if I had been in the agency at that point taking a powerful position in support of the Gorbachev revolution and its legitimacy if Mr. Casey had still been there.

I always felt that I could walk in on Casey and have a knock-down, drag-out fight and hope to change his mind, or at least have him not change my work. I have no idea what would have happened at that stage of history, or where Mr. Casey would have been or where I would have been in his eyes. That is pure speculation.

Throughout these controversies, Mr. Chairman, Gates never told me what to say. He never winked at me or otherwise attempted to dictate the outcomes of these estimates. He had his views and they were very well known to me. Mr. Casey had his views and they were very well known to me. I had my own views on a whole range of issues, and they were well known to the NESAs community and in our regular monthly brainstorming sessions that were designed to make sense of the morass of Middle East politics.

I think anyone who knew me from that period would testify that we were exhaustive and exhausting in arguing issues first one way and then another, devil's advocating and probing the meaning of regional events. Most other NIO's that I knew maintained similarly open minds. All of us would have bristled at any attempt to be told what to say or what to do.

Mr. Chairman, I am aware of the Iran-Contra saga only as you are, through what I later read in the papers. I had no inkling before or during the operation of what was doing on, and I—thank God—was not briefed or brought in on it. Any analysis I did was entirely on my own. Whether or how much it served the Administration's own purposes, I cannot say.

All I know, was that I had strongly urged, in private memos, that our Iran policy be reviewed. It was reviewed. My suggestions were rejected by State and Defense. I was satisfied—believe it or not—I had done my job, as far as I was concerned. And the issue was debated and it was over—or so, at least I thought.

I am aware that some have claimed that my policy pieces on the geopolitics of Iran provided the "intellectual foundation" for arms sales to Iran. If so, those arms sales were really politically insignificant in terms of our relations with Iran. They were not what I had

in mind, in the change of policy. And I think what the Administration then proceeded to do was feckless in the extreme.

I think those analysts within the agency who are grieved that the Administration never saw fit to check with them on what the operation—what the implications of their Iran caper would have meant—have reason to be aggrieved. Because indeed, Iranian experts were not consulted on it.

The charge of politicization was also raised repeatedly in connection with an estimate we did, at Casey's request, on the possibility of collusion among Iran, Libya, and Syria to coordinate certain kinds of Anti-American actions and policies in the region.

One of the—you heard some testimony on this in the closed session, from one of several analysts. The topic had come up as a result of our on-going contact, established by the previous Middle East NIO, with an outside analyst who specialized in strategic issues involving radicals and Soviets in the Middle East. That analyst, of Israeli background—who later did several contract papers for NIO/NESA, which were distributed to others in the agency—possessed a highly prolific and creative mind. I also think that he was quite wrong on a number of issues, but his analyses were invariably thought-provoking, even when I did not agree with them.

Mr. Chairman, when you're working on estimates, you come to have a craving for some new ideas, somebody to spark some new thoughts, new approaches in looking at things. And that, among other things, was what this particular analyst did, among the many people we talked to on the outside.

We brought him in one time to discuss some of his research and his ideas with a group of various DI analysts, on his thesis of possible coordination among anti-American elements in the Middle East.

But instead of encountering lively responsiveness and debate, he was met by cold and unresponsive hostility by nearly all analysts. They scarcely even deigned to debate him in the session in which he came in. His views strayed too far out from the well-trodden lines of in-house analysis. Casey, intrigued with the thesis of possible coordination among radicals, asked for an estimate on the topic. This was typical. Casey liked—was concerned that there were coplumb this to the limit. It was entirely appropriate of him to ask for any topic to be addressed. The topic, indeed, was worth addressing to see if there was anything really significant to it.

The contractor—contrary to what was suggested by Ms. Glaude-mans, in her earlier testimony, in which I think she was frankly, being almost paranoid—was not emphatically written by the contractor, as she suggested that it may even have been done. It was written within the DI. The contractor never saw it, and never should have seen it.

In any event, community analysts found little evidence to support the concept of significant coordination among these three, Middle Eastern radicals. But they did agree that they probably had some distinct, ideological impact on each other, and shared common, anti-American goals at certain junctures.

The estimate was an interesting and thought-provoking one. But the major thesis

I gave it to him. I said, Mr. Casey, we have examined it. It's a fascinating thesis. There's not much evidence here. And this is where we've come out. Casey grumbled, he accepted, and the estimate was done.

For many analysts, however, the outrage consisted in that they were asked to consider the thesis at all—one that they perceived as serving a right-wing agenda. After hearing so many of the grievances of analysts within SOVA, I am growing slightly more sympathetic to them, in the sense that I think maybe at this point they were beginning to be shell-shocked by Casey's interest in pursuing things that he thought were strategically important.

But they were, maybe, tired of running after some of his particular private—or not-so-private concerns. Whatever their frustration, I feel the request to explore them was not illegitimate.

In my view, this has been, indeed, one of the problems of the DI, as a whole, though, to live within its own intelligent, thoughtful world, but not able to venture out too much—literally or figuratively—into the world. Here, again, Casey and Gates—far from seeking to impose a house view on analysts, as far as I could see—constantly urged analysts, at least in our group, to get out into the outside world to seek new ideas that might stimulate fresher analyses. In the event, few analysts were willing or able to do so. But the NIO function aimed very specifically at getting at least the NIO out daily, to comb academia, press, and business circles for glimmers of new—not facts, because we've got too damn many of them, anyway—but new approaches, and new concepts.

The sometimes-introverted character of the DI, physically remote from Washington, and hierarchical in character, still has some impact on the amount of flexibility it has in readily thinking the unthinkable.

I also feel some sympathy for analysts who have had to sit in the trenches in this respect. Because I think it is very difficult for them to work down under many layers of bureaucracy, and not have access to Mr. Casey. I could walk into Mr. Casey and tell him what we thought about things. But an analyst who works for a boss, who works for a boss, who works for Mr. Casey, might find it a lot harder to be able to go in and vociferously express those views, even if technically the right existed.

Now, Mr. Chairman, the NIO and I and Gates were also accused of politicization on an estimate we did on Soviet-Israeli relations, a year or so later. In that estimate, both myself and the Soviet NIO, impressed with the new vigor of Gorbachev and foreign affairs in the early days, reconsidered the old issue of Soviet-Israeli relations. And we felt, in fact, by now, that there were very good reasons why it would now be in the Soviet advantage to establish diplomatic relations with Israel, within—as the estimate said—within possibly the next 18 months.

Goodman's and Glaudemans, in their testimony, referred darkly to some impulse that we had to serve policy needs. There were no policy needs, Mr. Chairman, as far as I can see. To say that the Soviets might do this, I could see as playing one agenda. To say that they wouldn't do it, might play to another policy agenda.

Our revisionist review—myself and the Soviet NIO—of this time-honored SOVA position—that we chose to review this time-honored

position, was viewed with scorn by SOVA. And our estimate was acknowledged—even though our estimate openly acknowledged a difference of opinion, and explicitly stated so.

SOVA analysts now triumphantly point out that they were right. The diplomatic relations were not, in fact, restored within 18 months between the Soviet Union and Israel. But if formal relations were not restored, Mr. Chairman, in fact, a whole revolution came out about, in Soviet relations, with the whole region, and informal ties—informal ties—with Israel, blossomed extraordinarily. It was a true time of revolution. While we were technically wrong about the level at which relations would be established, we were right, and on to something very new, very early-on, in a changing Soviet-Mid East policy. Yet, this kind of thinking, too, was "a swerve" from standard positions in SOVA eyes at that stage.

Lastly, Mr. Chairman, I would like to ensure that you and Members of the Committee are aware of several facts of NIO life and the estimative game. Mr. Chairman, the first paragraph of this, I have been over—extemporaneously I won't go over that again. You have it in front of you.

I conclude, in that paragraph, that saying of course, research must be professional and honest. These values must always be preserved. But topics should not have been dismissed so contemptuously just because CIA analysts have no evidence that the Soviets were involved in one or another activity—including, even the issue of the Pope, that God knows is very controversial.

Because this, indeed—and this is a very important point, Mr. Chairman—this is one of the dilemmas of intelligence work. It is not a good versus evil. It is a dilemma of intelligence work. Does absence of evidence—absence of evidence—mean that something is not there? Or it has not happened? How much should we rely on intuition, judgment, and experience in appraising the likelihood of events or motives, or the issue of who benefits from an event?

This dilemma can never be solved. SOVA seems to have clung to the idea that the sweeping force of "no evidence" means that we don't think it happened; which is a safe, and perhaps appropriate position for a junior analyst.

But is a more experienced analyst or manager wrong to examine other considerations, even in the absence of evidence that we may never collect?

In the estimative business, in any case, we are always, Mr. Chairman, always talking about intuitions, judgments, gut feelings and experience. We are writing estimates precisely because we do not know. And there will never be enough evidence to enable us to be sure. Analysts love to say that it is "too early" to make a judgment. But the policymaker has to make a judgment, and right now, damnit. What are we analysts paid for, anyway—they will say? If the evidence was that clear, of course, we wouldn't need an estimate. Estimates are judgments. They are based on slim, and sometimes no evidence. Of course, we want evidence. But when we have only a tiny sliver of evidence, is that all that we go on? Or do we use our intellects to try to glean the remaining 95 percent of an unknown construct of which we have a sliver?

The SOVA charges seem to talk with undue certainty about evidence ignored. I submit, Mr. Chairman, that the dilemma of evidence in judgment can never be appropriately and fully resolved. Both are essential. But judgment still goes on in the absence of evidence.

And so, too, this role of the senior manager. This is an insoluble question that we are faced with. It is not a black and white, or good and evil, or right or wrong question. There is a hidden supposition. And much of the analysts' complaints that senior people should stay the hell out of their analyses.

I respect their concern. But here, again, we have a trade-off. Is wisdom couched exclusively at the lower levels of analysis with the "hard facts"? Or does it reside, perhaps, nearer the top with senior, experienced officials who have seen much of the world and a lot of politics—and indeed, some of whom may also have their own agendas, as well.

In my experience, no one, not even analysts, are totally agenda-free. Even Dick Kerr's own memo on how to hew the straight and narrow path in writing estimates—that is one of the documents in question, here—suggests that well, the NIO should really not play any substantive role in the estimates, themselves, and just be an honest broker. And by the way, they should probably live in a building far away from the CIA. That's all very well, for the then-head of the DI to say, who views—and did view at that time—the NIC as a prime, in-house institutional competitor in analysis.

These are just facts of life in the real world, Mr. Chairman, about how we do our analysts. In principle, good people are supposed to be at the top, where they can exercise their own judgments about the true, import of events. These senior people may appreciate the analyst telling them about what happened. But they will not relinquish the right to interpret events for themselves, if they wish.

The same goes for the President, in reading CIA reports. Is this wrong? Sometimes the policymaker's analytic instincts might be better than the analysts. I'm quite sure that George Bush gets tons of information that is unsubstantiated; never cleared by the CIA; not coordinated; off-the-wall; partially valid—or whatever else. And George Bush has got to decide what he's inclined to believe, and what he isn't inclined to believe.

CIA estimates, of course, should be taken at a higher level of seriousness. But I'm suggesting that there's no right or wrong here, always, but only a permanent dilemma.

I would concur with my SOVA colleagues who are upset if information is mis-represented as it is set forth. That's a different question. But to suggest that it all has to be carefully scrubbed before any policymaker is allowed to see it, or allowed to have his own opinion, is, I think, naive about the way the system works.

You are all familiar with the NFIB, the National—what is it, the National—Foreign Intelligence—yes, excuse me, thank you, sir. It's been 6 years since I attended one of those august meetings.

The very principle of the NFIB is that the senior-most people in intelligence work have the right to pass judgment, even on the NIO's work; even on the community's work; and change the judgments as they see fit.

Is this politicization? Or is it seasoned judgment? You tell me. I don't know. All I know is that real hardball was played at NFIB meetings. And NIO's and the analysts who had written the drafts, along with them, had to face more than just a strong-minded Casey, or a strong-minded Gates.

General Odom, of NSA, with a solid, Soviet background, believe me, could dish it out with the best of them—with his own clear vision of what the U.S.S.R. was all about. So did Mort Abramowitz of INR, whose fine mind delighted in rapier thrusts through the fabric of carefully-coordinated estimates, brought to NFIB for approval. Was Mort Abramowitz—because he was a member of the State Department, and working for George Shultz—politicizing estimates by saying that he challenged the community's views; or General Odom; or the DIA? I can't answer that question. That's the way the system is built. And it's very difficult to decide whether the top, senior people are being political, or simply being wiser and more thoughtful about certain problems that they deal with. In the end, NFIB, as you know, did reject or not reject estimates, depending on what they thought of them.

Mr. Chairman, this is the real world of intelligence analysis that I know and experience. That is the Casey and the Bob Gates that I know. I am actually aware that we have many analysts—including serious, respected and knowledgeable, senior analysts, and junior analysts—who somehow feel pain at the way the process worked when they were there.

I am concerned that the system did not seem to deal better with the wounds and scars that hard-ball analysis—and it really is hard-ball—has produced among the SOVA analysts.

I suspect that there are a whole lot of different things going on here, rather than a systematic attempt to distort and politicize intelligence. I think Bob Gates is too intelligent for that. For there is no quicker death for an intelligence officer, than manipulation—willful and deliberate manipulation—and distortion of facts.

No DCI can afford to go down in history as one who manipulated or distorted intelligence. That fact, through Irangate, has destroyed the reputation of the remarkable intellectual figure that Bill Casey was.

But in the trenches of analysis and policy, over the years, mistakes do get made. We have all made them. God knows I have made mistakes in my own judgments, and I will probably go on to make more in the future.

Yet, I have not personally experienced anything that I would call true politicization of estimates in my personal experience—even by Casey. As I said, I have taken a lot of flak off Casey. I know his views. I've argued strenuously with him, and knew where he was coming from, and where he wanted to go. That was his prerogative. It was my job to do what I was paid for—not to do his bidding.

Nor, do I think that politicization accurately or fairly describes the Gates that I worked with for 5 years—whatever failings, harshness, insensitivities, or analytical misjudgments, he, too, may be guilty of in this period.

I'd just like to interject, Mr. Chairman, before I hit my last paragraph—having heard the grievances of so many analysts I am deeply concerned with...

sion over time, of morale within the working group of at least the SOVA, Third World Group. I can't speak for other groups, elsewhere. I think that it's very unfortunate, and highly undesirable, whatever the nature of debate is.

There are winners and losers on every issue of judgment that we make within the intelligence community. That comes with the turf. But I think if it leads to the wholesale destruction of morale and confidence, at the lower working levels, then something is, perhaps, awry with the process.

In the end, the intelligence community must constantly review its procedures and processes, so as never to become complacent. But the issues are rarely one of malfeasance, but rather trade-offs among competing values. I wrote an extensive memo to the SSCI sometime around the summer of 1986—and it's in your files—that set forth in some detail the intellectual dilemmas that the community must always live with, and bear in mind in its work. For they can never be resolved, only balanced.

I think the amalgam of problems that we, in the intelligence community always face, really can't be reduced to a simple, black and white charge of politicization. That's not the Gates I knew. I don't think that's the way the system worked—whatever turf got trampled by elephants in the Casey period.

Thank you.

[The prepared statement of Mr. Fuller follows:]

PREPARED STATEMENT OF GRAHAM E. FULLER

Mr. Chairman: I am happy to do what I can to shed any light on past work at the CIA involving Robert Gates. I served at CIA Hqs first as NIO for Near East/South Asia (NESAs) from 1983-1986, and then as Vice-Chairman of the National Intelligence Council (NIC) from 1986-1987--for nearly two years. During those years I had occasion to work closely with Bob Gates throughout.

My own background in brief:

I have a BA in Russian Language and History and an MA in Soviet Studies from Harvard University with a minor in Middle Eastern studies. I served overseas in the Foreign Service for nearly twenty years, most of the time in the Middle East, in various sensitive positions of considerable responsibility I don't need to go into. I then served at CIA Hqs for five years. I finally left government service at the end of 1987 to go to RAND Corporation where I am now a Senior Political Scientist. My goal was to get greater freedom both to write and speak out publicly on foreign affairs. I have just published a book on The Geopolitics of Iran, and have completed numerous published studies for RAND on the Palestinian problem, Islamic fundamentalism, the breakup of the Soviet Empire, on Turkey, on Gulf security policy and on the long-range outlook for the Middle East. Since leaving government I have published regularly in a variety of newspapers, magazines and journals, including Foreign Policy and Foreign Affairs on both Soviet and Middle Eastern affairs. I have a book coming out in January called The Democracy Trap: Pitfalls of the Post-Cold War World.

I mention these publications, Mr. Chairman, mainly to establish the fact that I have long had a serious interest in foreign affairs which I have maintained--and hopefully to suggest thereby that I have not been merely some dutiful public servant fulfilling the political agenda of William Casey and Bob Gates--as some of the testimony about my tenure at the NIC might seem to infer.

Mr. Chairman, as I read the testimony of others in the past week, I find myself disquieted. Serious charges have been raised against Bob Gates, especially those of Mel Goodman. While I know and respect Mel Goodman as a very knowledgeable and experienced Soviet analyst, in all frankness, I do not readily recognize the Bob Gates described in his testimony. I am indeed disturbed at hearing the specific and worrisome accusations he levels against Gates. But I find that when he talks on those incidents of which I am personally familiar, his account in my opinion contains serious distortions in content and in the manner of telling.

In brief, I do not believe that during my five years tenure

at the National Intelligence Council I witnessed anything that I would call improprieties in the conduct of estimative work by Bob Gates. I have no direct knowledge of his leadership of the DI which has figured in much of the testimony. But I do know that within the confines of the NIC and National Estimates, I have not seen Gates engage in anything that can be loosely called "politicization of intelligence," that is, the deliberate distortion of intelligence to satisfy policy goals.

During my entire time at the NIC I felt that there was scrupulous regard and concern for the integrity of the estimative process, and a singularly high proportion of time spent in talking about what the integrity of that process implies in concrete terms. To be specific, at no time was I ever told what either the administration or Gates or Casey "wanted" to come out of an estimate, or what it should say, or what conclusions it should reach. Not only was I never told what to say, but I would have regarded it as outrageously improper to even hear the suggestion, and I would have rejected it forthright. I have taken flak from Casey for what we ended up saying on occasion, but have never been told what to say, even indirectly. There was never a hint that there was an unspoken line to follow.

Mr. Chairman, I may have many failings, and I have indeed made errors in calling the political shots correctly on a number of issues over my many years in this risky business of prediction. But nobody who knows me would ever call me a toady or patsy to upper management. If I have any reputation it is one of independence, feisty individualism, originality of viewpoint--perhaps even considered to be a maverick on some issues. I have never had my own integrity questioned. And I have never been a snap-and-salute man to the "seventh floor."

I was in fact tested extremely early on in my tenure as NIO. I took on an estimate on the situation in Lebanon in 1983 after the Israeli invasion, in which George Shultz's "May 17th Accords" were the cornerstone of US policy there. Our estimate stated categorically that US policy aspirations were founded on unreality and would not succeed. Casey was unhappy with the result and told me that we had not taken into account the degree of "American resolve" to force through a settlement in Lebanon. We were asked to revisit the issue, bearing in mind the prospect that the US might employ force in the region to attain a settlement. The second estimate produced the same result. By then Casey had come around. But Shultz wanted yet another estimate, based on yet another premise. We still said the Accords were doomed. After the death of so many Marines and the pullout of American troops, Shultz later complained to Casey that "the Agency had not been supportive of American policy in Lebanon." Casey replied to Shultz that it was not the CIA's business to support American policy in its estimates, and furthermore that the estimates had not been wrong in their conclusions. That is one reason why Shultz hated Casey,

and distrusted Agency Estimates.

Mr Chairman, I feel it is important to impart at least a little flavor of the Casey tenure at CIA. Again, I can only speak of it from the vantage point of estimative work. Casey was a man of huge intellect and far-ranging interests. He had a strategic mind if there ever was one--at once his source of brilliant strength and greatest weakness. Casey had a broad sense of global politics and the interrelationships of things. He could usually think of ten more implications of any international event than the average analyst could. He read widely and his NIO's had to run to keep up with his restless mind and flow of various hypotheses. He was an unabashed Cold Warrior and tended to view all events in terms of their impact on the struggle with the Soviet Union, apart from other regional implications. While I shared a deep suspicion of Soviet motives and ambitions, I often disagreed sharply with him on his interpretation of many issues where he was inclined to overstate the Soviet role. He was impatient with analysts who cleaved to narrow interpretations of events. He could be intimidating in his style and his knowledge, but he was willing to take as well as give if he had any respect for his interlocutor. I can think of few NIO's who did not need to respond firmly with him to hold their analytic ground on some occasion. But Casey respected the judgment of those who seriously defended their views, even if he did not like it. He could be withering if the analytic work was weak or excessively narrow or formalistic. Long range strategic National Estimates is not a game for kids. We all had to be tough, but nearly all of us relished a director who took a hands-on interest in the pith and substance of our analytic work. I think that is far more desirable than a director who stays aloof from the substance of his agency. But in Casey the passion for involvement reached an excess that was obviously to be his Achilles heel in the end.

Bob Gates may be a skillful staffer who has served a number of differing bosses well, but he too is not a faceless bureaucrat. He is immensely intelligent, has a superb grasp of substance, is a quick study, and fully understands the relationship between policy and intelligence. He was able to keep pace with Casey's own geopolitical instincts, and able to tone down some of Casey's more far-fetched hypotheses in discussion. Where Casey did not always hide what he hoped intelligence analysis might indicate, Gates was always fully aware of the requirements of analytic procedure and of the validity of independent analysis. I cannot speak to charges leveled about Gates' handling of research within the DI, but he was certainly respectful of the process in the work of the NIC. Gates did share a hard-line, but very well-informed, view of the Soviet Union independent of Casey. The international situation of the time perhaps justified a fairly hard-line view.

Because of the strongly felt Casey position, a counterculture seems to have sprung up among the SOVA analysts that struck me vividly as I got involved in estimative work. As much as Casey tended to link many world events in terms of Soviet policy--not as simplistically as his accusers would have it--SOVA seemed to bend over backward to compensate. We have heard as much in recent testimony. SOVA in my own personal observation seemed inclined towards a highly benign vision of Soviet intentions and goals, at least in the Third World. Mr. Chairman, at the time I too was frankly uncomfortable with much of SOVA's approach to Third World issues. I have two degrees in Soviet affairs, I speak fluent Russian, I dealt with Soviet diplomats abroad most of my professional life in the Third World. I personally felt that many SOVA analysts may perhaps have been expert on Soviet writings on Third World issues, but few of them had gotten their feet dirty so to speak in the dust of the Third World, had not watched Soviet Embassies work abroad, and were far less familiar with the political environment of the specific countries whose relations with Moscow they were following.

Mr. Chairman, I have been in anti-American riots in countries where there was good evidence of close Soviet contact with the organizers of the rioting. I am not saying there would have been no rioting without the Soviets there, but the Soviets clearly were in touch with a panoply of anti-Western forces throughout the Third World in the ongoing zero-sum quest for influence. Mr. Chairman, I stood on the roof of the American Embassy in Kabul, Afghanistan on the night of 27 May 1978 as pilots of the Afghan Air Force, controlled by the Afghan Communist Party, bombed the President's palace in the communist takeover of the country. No SOVA analyst would ever have told you that Afghan Air Force pilots trained in the USSR could pull off a coup in the name of the Afghan communist party. No SOVA analyst would have told you, until the troops were lined up and ready to go, that the USSR would ever send the Red Army into Afghanistan. Those actions were inconsistent with a generally shared SOVA vision that the Soviets tended to react defensively in the Third World and avoided risk. This almost became doctrine, and it was the standard language that SOVA usually offered in contribution to most Middle East Estimates. It is significant that nearly all these analysts referred to my own attempts at a new look at the Soviet-Iran problem, in the famous May 1985 Estimate, as a "swerve" from the SOVA line. While SOVA had many fine analysts, there was a tendency towards a certain homogenization couched primarily in terms of Soviet "dilemmas" and "problems," obscuring the fact that they had just taken over several real countries in the process in the late 1970s. Some dilemma. I do not want to oversimplify what were complex views of both sides of these debates. But I for one independently grew unhappy with the product that I received from many SOVA-Third World analysts. It was liberal vs conservative bias. Not a healthy situation, I scarcely need add.

In coming to the heart of the accusation against Gates in Estimatative work, during my tenure as NIO/NESA, I would like to touch briefly upon the Special Estimate done on Iran in May 1985. "Special Estimate" by the way, only means out of the ordinary cycle, or an estimate devoted to only a specific aspect of a country and not to a wide examination of all you ever wanted to know about Iran. We did quite a number of Estimates on Iran in those years during the war.

Mr. Chairman, as I watched the events of the bloody Iran-Iraq war in those years, I grew increasingly concerned over our policies towards Iran. As I mentioned, I have just published a book on the geopolitics of Iran--that has nothing to do with Iran-Contra, I hasten to say. I felt that Iran was ultimately the key power in the Gulf, and already a major ideological threat to the region and to Western interests there. American policies were based solely on two factors: striking back at terrorism, and stanching all flow of any weapons from the West to Iran. While those goals were certainly understandable, I felt they hardly constituted a serious policy designed to get us back into Iran. We were engaged in a basic struggle with Moscow for influence in Iran, the most important country on the southern Soviet border. I was likewise concerned with our excessive tilt towards Saddam who--and I am on record on this--I felt had never "moderated" during the Gulf War.

DI analysts had already produced analyses earlier that year indicating concern for instability in Iran. Any careful look at the situation raised potentially alarming prospects: the clerical regime was perhaps foundering, opening the way potentially to radical leftist forces within the country. Yes, we had information from a Soviet defector that the Communist Party (Tudeh) had been badly damaged by Khomeini, but the Tudeh Party was a survivor over nearly fifty years of the ravages of SAVAK under the Shah as well. Who could safely count out its basically unknown influence within the Army or other institutions? The Iranian regime was already seeking to repair its relations with Moscow. If the Western arms embargo was a total success, it was logical that Moscow would be the most natural next source, and could quickly come to gain a monopoly over arms to Iran. A direct arms relationship with Moscow would have provided a major strategic advance for Moscow in Iran. Moscow had long been able to intimidate Iran militarily from the north, and now from Afghanistan as well--where Soviet troops were also along the Iranian-Afghan border against mujahideen operating out of Iran. A weakening clerical regime could certainly strike a bargain with the devil to survive; I believed that Moscow would not turn down that opportunity if it were presented, especially as the clerical regime seemed to move towards possible collapse. A pro-Soviet group could have come to power in Tehran under such circumstances, a far worse disaster for the West than Afghanistan. I had communicated my concerns to Casey on this, quite unsolicited, at about this time.

When the SOVA analyst brought me his draft portion of the Estimate, Mr. Chairman, I was immediately unhappy. It dismissed the possibility that the USSR would even seek to take advantage of desperate arms needs in Iran, and comfortably dismissed any serious Soviet design or intention to gain dominant influence in Iran. Such a view ignored several hundred years of Russian expansionism inexorably southward, on into Iranian territory in the Caucasus and Central Asia in the 19th century, and an attempt to establish a Soviet republic in Iranian Azerbaijan and Iranian Kurdistan at the end of World War II. It ignored a Soviet effort to ditch Iraq in favor of Iran as soon as Khomeini had come to power. Of course Khomeini disappointed Moscow in not being more pro-Soviet and less anti-Communist. But would not Moscow have leapt at the chance to gain a foothold in Iran a few years after the invasion and occupation of Afghanistan? Even if the possibility were only slight, the impact of such a logical move by Moscow to support left-wing powers in Iran, to exploit chaos, or to become sole arms source would have been a major coup for Moscow and a major loss for the US. I felt that a formal warning of this eventuality was of critical importance to US interests. And Estimates are partly designed to play a warning function as well.

As a result, I rewrote, entirely on my own, the Soviet portion of the Estimate. This was my prerogative as NIO to bring to the coordinating table a draft that represented my best vision of what the Estimate should say--to then be discussed, debated and coordinated among all representatives at the table. As Gates was my immediate superior, I informed him of my feelings and showed him my rewrite of the SOVA draft. He concurred with my version. I also showed the drafts to the NIO for the USSR who also agreed with me. At the coordination session we spent some time discussing the substance of the issue among all community representatives. After airing all disagreements, I told the SOVA representatives that they could take the issue up through the DI channel of communication, but did point out that I had already talked the issue over with Gates and the Soviet NIO. I can no longer recall the position of INR and DIA Soviet analysts, but if they had all weighed in against me as well as SOVA, my view would have been the minority. Neither DIA nor INR chose to take footnotes as best I can recall. Now, I am vividly aware of the frustrations of those SOVA analysts, but ~~_____~~ flagging for policy makers ~~_____~~ an entirely plausible, potential geopolitical shift of major proportions was not ^{less} urgent and correct.

I believe SOVA was in part aggrieved because a "non-Soviet" NIO had tampered with their work, which most other NIOs did not do, leaving matters to Soviet specialists to duke it out among themselves. But I too had credentials and much experience in Soviet affairs that was resented, in part, due to my being an outsider. I had "swerved" from the solid SOVA line on Iran as many of these analysts mentioned in their own testimony. Yet I believe that it can only be through the relentless examination of

various hypotheses and counterhypotheses that the intelligence community will ever have a chance to get at the elusive truths of forecasting the unknowable.

Because of this legitimate disagreement, SOVA analysts have chosen to cast this issue in terms "right and wrong", "truth vs politicization." Their own internal frustrations caused them to reject out of hand this line of analysis--that was not stated as certitude, but ^{only} as a distinct and serious possibility. The argument instead was seen to be serving either Casey, or Gates or the White House. I have not even been given the courtesy of simply being called wrong--but rather portrayed as someone else's instrument in the struggle against SOVA. Whether the application of the word "wrong" is appropriate in any case is questionable when one speaks of the warning function of intelligence. No, in the end the barn did not burn down, but there were plenty of fires raging in the region and people were playing with matches in the barn. Even the possibility of this major calamity for American interests was not ~~_____~~ acknowledged.

The next Estimate on Iran, in February 1986, is commonly touted to have "reversed itself" and admitted its earlier "error." I find that an extraordinary interpretation. The later estimate took note that the disturbing negative trends suggesting the Iranian regime might be foundering now seemed to have receded and that the Iranian regime had moved towards a stronger footing after its problems the preceding year. If shifting analysis reflects anything but open-minded continuous review of a problem, then I don't know what does.

In the end too, the SOVA analysts revert to the same ad hominem attacks in attributing neanderthal political views of the Soviet Union to me. I note for the record, Mr. Chairman, that I was one of the very first senior Agency figures to state that the Gorbachev revolution was for real. I stood strongly in support of the most liberal interpretation of Gorbachev's reforms in the estimates produced early on by the now NIO for the USSR. I was one of the first to publish a major piece in The National Interest in 1987 stating that Soviet "new thinking" was for real and what the roots of this change were. If I fault Gates for anything, it was that I think he was too resistant to recognizing the reality and the import of the Gorbachev revolution. He was not alone.

Throughout these controversies, Mr. Chairman, Gates never told me what to say, never winked at me, or otherwise attempted to dictate outcomes of Estimates. He had his views, they were known. I had my own views on a whole range of issues, and they were known to the NESA community in our regular monthly brainstorming sessions designed to make sense of the morass of Middle Eastern politics. I think anyone who knew me from that period would testify that we were exhaustive, and exhausting, in arguing issues first one way and then another, devil's advocating, and probing the

meaning of regional events. Most other NIOs I knew maintained similarly open minds. All of us would have bristled at any attempt to be told what to do or what to say.

Mr. Chairman, I am aware of the Iran-Contra saga only as you are, through what I later read in the papers. I had no inkling before or during the operation of what was going on and fortunately was not briefed or brought in on it. Any analysis I did was entirely on my own. Whether or how much it served the administration's purposes I cannot say. All I know was that I had strongly urged in private memos that our Iran policy be reviewed. It was reviewed, my suggestions were rejected by State and Defense. I had done my job as far as I was concerned, and the issue was over--or so I thought. I am aware that some have claimed that my policy pieces on the geopolitics of Iran provided the "intellectual foundation" for arms sales to Iran. If so, those arms sales were really politically insignificant in terms of our relations with Iran, not what I had in mind, and were feckless in the extreme.

The charge of politicization was also raised repeatedly in connection with an Estimate we did, at Casey's request, on the possibility of collusion among Iran, Libya, and Syria to coordinate certain kinds of anti-American actions and policies in the region. The topic had come up as a result of our ongoing contact--established by a previous NIO/NESA, with an outside analyst who specialized on strategic issues involving radicals and the Soviets in the Middle East. That analyst, of Israeli background, who later did several contract papers for NIO/NESA (also distributed to DI/NESA and DI/SOVA) possessed a highly prolific and creative mind. His analyses were invariably thought-provoking--even when I did not agree with them. He was a catalyst to our own thought. We brought him in one time to discuss some of his research and his ideas with a group of various DI analysts. Instead of encountering lively responsiveness and debate, he was met by cold and unresponsive hostility by nearly all analysts. His views strayed too far out from the well-trodden lines of in-house analysis. Casey, intrigued with the thesis of possible coordination among radicals, asked for an estimate on the topic. Entirely appropriate to ask for any topic to be addressed. The topic indeed was worth addressing to see if there was anything really significant to it. The contractor, contrary to what was suggested by Glauemans in a paranoid moment, was emphatically not written by the contractor, but within the DI. The contractor never saw it. In the event, community analysts found little evidence to support the concept of significant coordination among the three Middle Eastern radicals, but did agree that they probably had some distinct ideological impact on each other and shared common anti-American goals at certain junctures. The estimate was an interesting and thought-provoking exercise, and the major thesis was essentially not accepted. Casey may have been disappointed, but I told him that was the community's best judgment and I supported it. For many

analysts, however, the outrage consisted in that they were asked to consider the thesis at all, one that they perceived as serving a right-wing agenda. The DI is often uncomfortable with unconventional probes into conventional wisdom. And conventional wisdom is usually right. (And I do not mean to suggest there are not many very fine individual thinkers within the DI.)

But in my view that has indeed been one of the problems of the DI--the tendency to live within its own intelligent, thoughtful world, but not to venture out too much, literally or figuratively, into the world. Here again, Casey and Gates, far from seeking to impose a "house view" on analysts, constantly urged analysts to get out into the outside world to seek new ideas that might stimulate fresher analysis. In the event, few analysts were willing or able to do so, but the NIO function aimed very specifically at getting at least the NIO out daily to comb academia, press and business circles for glimmers of new--not facts, we've got too many--but new approaches and concepts. The sometimes introverted character of the DI, physically remote from Washington, and hierarchical in character, still has some impact on the amount of flexibility it has in readily thinking the unthinkable.

Mr. Chairman, the NIO and Gates were also accused of politicization in an Estimate we did on Soviet-Israeli relations. In that estimate, both myself and the Soviet NIO, impressed with the new vigor of Gorbachev in foreign affairs in the early days, reconsidered the old issue of Soviet-Israeli relations and felt there were in fact very good reasons why it would be in the Soviet advantage to establish diplomatic relations with Israel within the next 18 months. Goodman and Glauemans refer darkly to some impulse we had to "serve policy needs." There were no policy needs. Our revisionist view of this time-honored SOVA position was viewed with scorn by SOVA, and our Estimate acknowledged openly a difference of opinion. SOVA analysts now triumphantly point out that they were right that diplomatic relations were not in fact restored within 18 months. If formal relations were not, in fact a whole revolution came about in Soviet relations with the whole region, and informal ties with Israel blossomed extraordinarily. While we were technically wrong about the level at which relations would be established, we were in fact onto something very new, very early on in changing Soviet-Mid-East policy. Yet this kind of thinking was a "swerve" from standard positions in SOVA eyes.

Lastly, Mr. Chairman, I would like to ensure that you and members of the committee are aware of several facts of NIO life and the Estimative game.

First, NIOs are indeed in close touch with policy makers to determine what kind of estimates the policy makers need and the questions they have in mind. No estimate is policy relevant

without that. Anyone could ask for an Estimate, including Mr. Casey or the NIO himself. The terms of reference of the Estimate always included everything the policy-maker asked to be examined, but did not stop there. The NIO, and the community, also had the right to insist on raising and answering other questions that maybe nobody wanted raised, as long as we felt it important to a full understanding of a problem. Gates fully backed this approach and participated closely with us in formulating these terms of references. Gates always encouraged us to do so as widely as possible, and to ask the hard, key questions that would bite to the heart of the matter. Indeed, we always felt that anyone had the right to pose any question, including Gates, but never had any right to pose the answer. I do not share the outrage that Mr. Goodman seems to do, that Casey asked the analysts to examine outrageous questions. No questions were illegitimate, and Casey--or Gates, had the right to push for some hard analysis if they thought it was weak. I am not supporting the alleged reports of intimidation or manipulation by either Gates or Casey within the DI--if those are accurate. But I see no reason why Casey should not ask for a careful and thorough examination of the facts behind the assassination attempt on the Pope. The strange truth of that incident has yet to be revealed. Of course research must be professional and honest; those values must always be preserved. But the topic should not have been dismissed so contemptuously just because CIA analysts have no evidence that the Soviets were involved.

That indeed is one of the dilemmas of intelligence work. Does absence of evidence mean that something is not there, or has not happened? How much should we rely on intuition, judgment and experience in appraising the likelihood of events, motives, and the issue of who benefits from an event? This dilemma can never be solved. SOVA seems to have clung to idea that the sweeping force of "no evidence" means we don't think it happened--a safe position for a junior analyst. But is a more experienced analyst or manager wrong to examine other considerations even in the absence of evidence that may never be collected?

In the estimative business in any case, we are **always** talking about intuitions, judgments, gut feelings and experience. We are writing estimates precisely because we do not know and there will never be enough evidence to enable us to be sure. Analysts love to say that it is "too early" to make a judgment, but the policy maker has to make a judgment, right now, dammit. What are we analysts paid for anyway, they will say? If the evidence was clear we wouldn't need an Estimate. Estimates are judgments based on slim or no evidence. Of course we want evidence, but when we have only a tiny sliver of evidence, is that all we go on? Or do we use our intellects to try to glean the remaining 95% of an unknown construct, of which we have only one tiny part? The SOVA charges seem to talk with undue certainty about "evidence ignored." I submit, Mr. Chairman, that the dilemma of evidence and judgment can

never be resolved. Both are essential, but judgment still goes on in the absence of evidence.

So too the role of the senior manager. There is a hidden supposition in much of the analysts' complaints that senior people should stay the hell out of their analyses. I respect their concern. But here again we have a trade-off. Is wisdom couched exclusively at the lower levels of analysis with the "hard facts?" Or does it reside more likely nearer the top, with senior experienced officials who have seen much of the world and a lot of politics, or who may have their own agendas by then as well? In my experience no one, not even analysts, are totally agenda-free. Even Dick Kerr's own memo on how to hew to the straight and narrow path in Estimates suggests that the NIO really should not play any substantive role in the Estimates, and just be an honest broker. That's all very well for the then head of the DI to say, who views the NIC as a prime in-house institutional competitor in analysis.

In principal good people are supposed to be at the top, where they can exercise their own judgments about the true import of events. They may appreciate the analyst telling them about what happened, but they will not relinquish the right to interpret events for themselves if they wish. The same goes for the President in reading CIA reports. Is this wrong? Sometimes the policy-maker's analytic instincts might be better than the analyst's. There is no right or wrong here, only a permanent dilemma. The process must accommodate both, for the quality of judgment may be found anywhere. The very principle of NFIB is that senior experienced people in intelligence work have right to pass judgment even on the NIO's work and change the judgments as they see fit. Politicization? Or seasoned judgment? You tell me. All I know is that real hard-ball was played at NFIB meetings, and NIOs and analysts had to face more than just a strong-minded Casey or a Gates. General Odom of NSA, with a solid Soviet background, dished it out with the best, with his own clear vision of what the USSR was all about. So did Mort Abramowitz of INR, whose fine mind delighted in rapier thrusts through the fabric of ~~carefully~~ coordinated Estimates brought to NFIB for approval.

Mr. Chairman, this is the world of intelligence analysis that I know and experienced. That is the Casey and Bob Gates that I know. I am acutely aware that we have many analysts, including serious, respected and knowledgeable senior analysts, who somehow feel pain at the way the process worked when they were there. I am concerned that the system did not seem to deal better with the wounds and scars that hard-ball analysis--and it really is hard-ball--has produced among the SOVA analysts. I suspect that there are a whole lot of different things going on here rather than a systematic attempt to distort and politicize intelligence. I think Bob Gates is too intelligent for that, for there is no quicker death than manipulation of facts. No DCI can afford to go down in history as one who manipulated or distorted intelligence. That fact--through Irangate-- has destroyed the reputation of the

remarkable intellectual figure that Bill Casey was. But in the trenches of analysis and policy over the years mistakes do get made. We have all made them. Yet I have not personally experienced anything I would call true politicization of estimates throughout my experience, even by Casey. Nor do I think that the term accurately or fairly describes the Gates that I worked with for five years, whatever failings, harshness, insensitivities, or analytical misjudgments he too may be guilty of in this period.

In the end, the intelligence community must constantly review its procedures and processes so as never to become complacent. But the issues are rarely one of malfeasance, but rather trade-offs among competing values. I wrote an extensive memo to the SSCI sometime around the summer of 1986 that set forth in some detail the intellectual dilemmas that the community must always live with and bear in mind in its work, for they can never be resolved, only balanced. I think the amalgam of problems we in the intelligence community always face really can't be reduced to a simple black and white charge of politicization. That's not the Gates I knew; I don't think that's the way the system worked, whatever turf got trampled by the elephants in the Casey period.

Graham E. Fuller

Chairman BOREN. Thank you very much, Mr. Fuller and my apologies for having to interrupt your testimony so many times.

We will be proceeding to questions after we have heard the others. We would like for you to be available to be part of that panel in responding to questions when that time comes.

Our next witness will be Mr. Hal Ford, if he would come forward at this time. Mr. Ford, we welcome you to the Committee, and again, I am sorry that we weren't able to predict with more accuracy the time you would give your statement.

I hope that the intelligence estimates have been somewhat better than the time estimates that the Committee has been able to give our witnesses today. We appreciate your being with us.

As I indicated in my opening statement, Mr. Ford has some 40 years of intelligence experience. From 1980 to 1986 specifically he served in various positions on the DCI's National Intelligence Council, sometimes referred to as the NIC.

So Mr. Ford certainly brings valuable experience to these proceedings. Mr. Ford, we appreciate your taking time to be with us. As we are in a confirmation process, I would ask that you raise your right hand and be sworn at this time.

Do you solemnly swear that the testimony that you are about to give is the truth, the whole truth and nothing but the truth, so help you God?

Mr. FORD. I do.

Chairman BOREN. Thank you very much, Mr. Ford. If you would, we would be happy to receive your opening statement at this time in any form you would like to give it.

Mr. FORD. This is not my opening statement, this is.

Chairman BOREN. For a minute there, it looked like the opening statement that a Senator might give and I am relieved that yours is somewhat briefer than that.

TESTIMONY OF HAROLD P. FORD, FORMER ACTING CHAIRMAN, NATIONAL INTELLIGENCE COUNCIL

Mr. FORD. Thank you, Mr. Chairman.

I have some very difficult things to say today, but I feel I must say them. In brief, my message is that I think Robert Gates should not be confirmed as Director of Central Intelligence.

This is a difficult task for me, in part, because though semi-retired, I am still an employee of the CIA on part-time contract. This is also a very painful task for me. It is painful to be negative about someone who has been my colleague, a relationship that was cooperative throughout, where there was no bad blood whatsoever between us. Moreover, as my supervisor, Bob Gates was good to me, and awarded me increased responsibilities.

Furthermore, he is extremely able, and has clearly had unique experience in both the production of intelligence and its use by the country's top decision-makers. It is also painful to have to differ with my good friend, Graham Fuller. I see things differently, I see Bob Gates differently as I will spell out.

For me, with respect to Mr. Gates, this is a case of divided loyalties, conflicting loyalties. As an indebted colleague, I should loyally support his candidacy, but I also have loyalties to the Agency and

our country's need to have DCIs of the finest caliber and makeup possible.

I must add that my pain has been eased somewhat in the last few days because since news began appearing in the press that I had some reservations about this nomination, a number of my CIA colleagues, present and past, analysts and operations officers alike, have told me privately that they support my position. It is nice to know that I am not alone. However, my testimony here today is wholly my own, no one else's.

First, a word where I am coming from and about my knowledge of Bob Gates. Following service as a Naval officer in World War II and a freshly won Ph.D., I joined the CIA in 1950. I served in operations, including a tour of duty as a CIA Chief of Station abroad.

I was also an analyst of intelligence for some years and a manager of intelligence for many years. I have also been a critic of intelligence—including 4 years duty with this committee. That was 1976 to 1980, at which time I was the senior staffer concentrating on intelligence analysis.

In the CIA I served 4 years in the Directorate of Operations, the DO, and 4 years in the CIA's Directorate of Intelligence, the DI, but most of my Agency duty concerned the National Intelligence Estimates business.

There my mentor in particular was Mr. Sherman Kent, a marvelous character, but someone who schooled the people who worked for him to play it straight and tell it like it is, and I can't help but compare what the world was, working for him and General Bedell Smith to what it was working for Mr. Casey and Mr. Gates. I don't want to sound like an old-timer who thinks everything in the past is better, but in my view, they don't make them like they used to.

I served in the Office of National Estimates, where I was the Chief of its staff and later with that office's successor, the present National Intelligence Council, the NIC or the Nick, where I was a National Intelligence Officer at Large, later the NIC's Vice Chairman and then its Acting Chairman, from which post I retired from CIA on 3 September 1986 for reasons of health.

Since then I have been a lecturer at the Defense Intelligence College and a historian with the CIA part-time. I am an author and lecturer on intelligence analysis, including a national prize-winning monograph on national intelligence estimating.

Discerning what is the skewing of intelligence and what is not is a tricky business, but from my four decades of experience in and around intelligence, I think I can help the committee thread its way through the differing kinds of pressure which Bob Gates did or did not bring on intelligence analysis.

It is my view that many of his pressures were justified, as he sought to sharpen analysis and its usefulness to decision-makers. Secondly, that some of the pressures he brought on analysis simply reflected differing professional judgments, and that some of the allegations that he skewed intelligence doubtless have arisen from an analyst whose pride was damaged by his revisions.

Thirdly, however, as I am prepared to discuss at greater length, it is my view based on documents that have been released in the last few days, on testimonies that have been given to this Committee of late, and on the confidences of many CIA officers whose

abilities and character I respect, that other of Bob Gates pressures have gone beyond professional bounds and clearly constitute a skewing of intelligence, not in the fields of military and strategic issues, but chiefly concerning Soviet political matters and the Soviets and the Third World.

With respect to the latter, I would interject, events have proved that the Soviets have, for some years, been definitely lessening their commitments in Asia, Africa and Latin America, thus validating the earlier judgments that SOVA made, not those that Bob Gates and his supporters made.

I would also add that the skewing of intelligence and the purging of dissident DDI analysts, as we have already heard today, goes considerably beyond the four particular issues this Committee happens to be focusing upon. It isn't wholly across the board, but there are many more than just four issues.

My knowledge of Bob Gates: We first met in 1980 when I returned to CIA from this committee. I then had some contact with him off and on for some 3 years, then considerably more contact with him after he became Chairman of the NIC in 1983, at which time I was one of his National Intelligence Officers, an NIO/At Large, seized mostly with global issues.

I had still more contact with Bob Gates from January to September 1986, first as his senior deputy in the NIC and then after he became the Deputy Director of Central Intelligence, when I succeeded him as Chairman of the NIC in an acting capacity.

During those months of 1986, we saw quite a bit of one another on questions of personnel, procedure, and substance. In many of our meetings, Director Casey was present; other of my meetings with Bob were one on one. I must add that I admired Bob Gates' efforts to make intelligence estimates shorter, sharper and more relevant to the needs of our policy-making customers.

During those 8 months of 1986, I recall no instance where he tried to skew NIC's intelligence analysis in any way. Regarding pre-1986 months in the NIC however, I find that Bob Gates did lean heavily on the now famous Iran estimate of May 1985, in effect, insisting on his own views and discouraging dissent. That in my view was clearly a skewed estimate or a swerved estimate as Doug MacEachin termed it in the January 1987 memo he sent the DDI, Dick Kerr.

In my view, that 1985 estimate on Iran was not an estimate in the usual sense. The National Intelligence Estimate presents the data, all the data on all sides and then draws what seem to be the most likely patterns and the most likely future. If an NIE or SNIE goes on to talk about, well, it is possible that the Soviets might do this, the worst case that they might do this, it clearly says so.

This 1985 estimate was a worse-case paper clearly, but it did not clue the reader that it was, and therefore the readers could misjudge it thinking this is the way things were going to be, not this is the way things might be if the Soviets did their damndest.

More important, that 1985 skewed estimate had significant policy consequences, as the Congress' Iran Contra report and the Tower Report both indicate, that estimate directly fed White House interest and enthusiasm with respect to reversing the then boycott on U.S. arms to Iran.

Again, as Doug MacEachin said in his memo to Dick Kerr of January 1987, later National Intelligence Estimates backed off from the 1985 estimate stress on the Soviet threat to Iran. I differ with Graham, I think no one can read this without drawing that same conclusion.

They softened that view. Why? Because it became more clear that the level of Soviet military support to Iran had been dropping precipitously for some years, also at the very time the NSC staff in June 1985 were preparing their draft NSSD, their policy paper under the premise that there was a significant Soviet threat to Iran, the Soviets had begun withdrawing the very last of their 1,000 or so remaining economic analysts.

I also fault Bob Gates for sticking with this earlier 1985 swerved vision of a pronounced Soviet threat to Iran when in the capacity of Acting Director of Central Intelligence, he testified to the Senate Foreign Relations Committee in January, 20 January 1987 that, quote: "We believe," that is "We believe," present tense, January 1987, "We believe that the Soviets remain poised to take advantage of the inevitable instability and opportunities that will present themselves in a post-Khomeini era that is now just around the corner. The Soviets, through the proximity of their military might and the covert political and military infrastructure we believe they have been trying to build up inside Iran will have some important advantages. We, in the Intelligence Community, must take the threat of Soviet political and military intervention seriously."

And then Bob ended his testimony to the Foreign Relations Committee with this notable sentence, quote: "It is our understanding that this threat was in fact one of the animating factors for the Administration's initiative."

I should add that the paragraph before, in the next to the last in his testimony, Bob Gates told the Foreign Relations Committee: "By 1985 our concern about the Soviet threat had again risen" and so on and so on, and then the statement that I just read of his.

In his testimony and I fault him seriously on this, he spoke to your colleagues and perhaps to some of you, only in 1985 tones, making no mention whatsoever of the existence of intelligence received since 1987 that had materially softened the vision of a pronounced Soviet threat to Iran, nor did he make any mention of NIE's, National Intelligence Estimates produced subsequent to 1985, which had been prepared under his direction, which also softened the worst-case, the 1985 estimate had presented. I, for one, believe that our country's DCIs should candidly and faithfully report the Intelligence Community's findings to the Congress and not pass off their own earlier preconceptions as present tense fact.

On other matters, if the committee has any interest, I have some firsthand knowledge, clarifying and correcting some of the testimony this committee has received previously concerning the famous or infamous National Intelligence Estimates on Mexico of 1985 or on the Soviets in international terrorism of 1981.

As for the pressures Bob Gates brought within CIA overall, it is clear that he leaned much more heavily on intelligence analysts in the Directorate of Intelligence than he did with the NIC. This is probably because it is harder, much harder, as Graham has said, to

view a broad National Intelligence Estimate than it is the narrow questions more often addressed by DDI.

Secondly, it was probably more difficult because the DDI's analysts are mostly younger, more junior officers than the NIC's tough veterans.

I know that I am not as well known to the committee as the witnesses who have urged this committee to confirm Bob Gates, but I do bring certain credentials to my testimony. As someone still in the intelligence analysis business, who has been there longer than any other officer I know. Someone who had the pleasure of knowing and working for DCIs of stature, General Bedell Smith, Allen Dulles, John McCone, Dick Helms, Bill Colby. Someone who has held senior CIA positions in both operations and analysis. Someone to whom Director Casey and Bob Gates gave several awards, including the National Intelligence Distinguished Service Medal. Someone who has been rewarded with respect within the CIA, within this Committee years ago and in the outside world of scholarship in the fields of international affairs, of intelligence and of ethics and public affairs, and I have written and spoken quite a bit in all of these fields.

Also, I would say for credentials, my knowledge of the NIC and my knowledge of National Estimates, my knowledge of the use of the NFIB. I think those are bad initials, NFIB, but it stands for National Foreign Intelligence Board. I have been going to NFIBs and their predecessors off and on since 1951 and seen all kinds of directors in action.

As I say in my monograph that I mentioned, I do not generally give the NFIB as high marks as Graham did. Yes, there are occasional Bill Odom's and there are occasional Mort Abramowitz's, but by and large, the senior officers there are especially from the military are picked because they are managers and not because they have world views about intelligence questions.

And again and again I have seen it happen over and over again, where a strong chairman, and in recent years, Bill Casey, and strong spokesman for the CIA can pretty much have their way, and around the table, oh yes, yes, yes, fine, fine, unless it affects my particular turf, my Navy thing, my Army thing, so on and so on.

I wish it were otherwise, and occasionally there are fine officers whose interests are much broader than that and who bring great depth and wealth to the group.

Now the key question before us, why do I take the painful step of urging that Bob Gates not be confirmed? Several reasons. First, my views on the nomination have become markedly more critical since the confirmation hearings began. I have become more critical because of the depositions, the documents and the testimonies that have come to light, including that of Tom Polgar whose detailed knowledge of the Iran-Contra record, in my view, deserves respect and careful testing, even if the Iran Contra committee did not happen to formally pursue many CIA questions at the time.

Secondly, I have become more critical because of certain testimonies of Bob Gates himself, his earlier testimony to the Senate Foreign Relations Committee which I mentioned a moment ago and his many instances of forgetfulness in his responses to this commit-

tee. I am sorry to say it, but the word that for me captures this latter testimony of his is clever.

The forgetfulness of this brilliant officer, gifted with a photographic memory, does not to me instill confidence.

Thirdly, to develop the finest U.S. intelligence possible a DCI Gates would have to attract and recruit the best brains in the country. I fear that he would have some difficulty doing so, because many would shy away from serving a DCI about whom some serious questions had been raised.

Fourthly, there should also be reservations about Bob Gates' analytical style and judgment. Over the year the best analytical results in U.S. intelligence have occurred when the DCI attracted the very best analytical talent he could find, then who listened to their judgments, ground in his own and then presented their collective views to the senior policymakers.

Many will share my view that Bob Gates has often depended too much on his own individual analytic judgments and has ignored or scorned the views of others whose assessments did not accord with his own. I agree completely with Graham about the need for intuition, and we don't just stick to what reports and absolute evidence we have, but the question is, whose initiative, or whose imagination, and whose initiative and how senior are they, and do they insist that that be bought by their juniors or is it plainly labeled as a best guess?

One of the things that I admired with Director Casey was that he urged all of us in the NIC—all of us NIO's and officers there—to give him think papers. If we got a new idea about something or wanted to question conventional wisdom, there's an outside chance that, or worst case that, all of these things were carefully so labeled. They went to him alone.

Now, often I think he probably did other things with them—took them downtown, and so on, which is not always good—but I think the opportunity to do that was correct and should remain correct, and were I running that shop now I would want that to happen.

But it's one thing to have intuition and so on, and another thing to present that to the reader that this is a National Intelligence Estimate and this is the way it is, rather than this is the way I and somebody else think it might be, or I and some other senior person think it might be but we have conned the others into silence.

My view that Bob Gates has ignored or scorned the views of others whose assessments did not accord with his own would be okay if he were uniquely all-seeing. The trouble is, he has not been. Most importantly, he has been dead wrong on the central analytic target of the past few years—the outlook for change or not in the fortunes of the U.S.S.R. and the Soviet-European bloc.

He was wrong in presenting the Soviet threat to Iran in 1985 as a true NIE and then telling the Senate Foreign Relations Committee 2 years later that those things still applied. I think Bob Gates was overly certain earlier that the Soviets ran or were in charge of international terrorism. He certainly was overly certain that the sky would fall if we did not bomb Nicaragua, to say nothing of the wisdom of such a recommended course of action.

The USA deserves a DCI whose analytic batting average is better than that, especially if that DCI tends to force his views on CIA

and the intelligence community and especially at a time when U.S. intelligence and U.S. policy face a far more complex world than the one we have known.

Fifth, the USA also deserves a DCI who sticks to being an intelligence professional and does not politicize his job by publicly plugging particular weapons systems or policies of the administration he is serving. Maybe that's part of my upbringing, and maybe I'm out of date, but I still urge that upon the U.S. intelligence community.

This brings me to my final reservation. I have some hesitancy concerning Bob Gates' determination to be a fiercely independent voice of intelligence. I do agree with Admiral Inman's testimony that there will not necessarily be dancing in the streets in CIA if Bob Gates becomes the DCI. I do feel, however, that Admiral Inman may have left a mistaken impression with this committee that the reason CIA senior officers might not wholly welcome a DCI Gates is because they're simply set in their ways and don't want to have to change.

I would stress that there is another element present among them which deserves emphasis, and that is the strong tradition among older CIA officers, one of stress upon the need for integrity of judgment and action, a generation of officers raised on the need for strict independence of judgment, of a premium of telling it like it is, of going where the evidence takes one and then candidly so telling the senior policymakers, whether they find such judgments congenial or not, the aim being to enlighten them about the true shape of the world, not to please them or to cater to their preconceptions. I do not see Bob Gates a strong exemplar of that tradition.

For U.S. intelligence to be worth its keep, worth all the money, talent, and effort involved, we citizens must be confident that a DCI will independently and fiercely stand his ground with his boss, the President of the United States, in key questions where their views may differ concerning a particular intelligence judgment at hand.

In my view, which I am sure many senior CIA officers share, there would not be such confidence concerning the Bob Gates who served DCI Casey in the CIA, and it seems to me it would be even more difficult for Bob Gates to develop such fierce, independent integrity of judgment and action vis-a-vis the President now, after having been a close, key member of his policymaking team for some years.

Thank you, Mr. Chairman, for permitting me to make these comments.

[The prepared statement of Mr. Ford follows:]

PREPARED STATEMENT OF HAROLD P. FORD

Thank you, Mr. Chairman. I have some very difficult things to say today, but I feel I must say them. In brief, my message is that I think Robert Gates should not be confirmed as Director of Central Intelligence. This is a difficult task for me, in part because though semi-retired I am still an employee of the CIA, on part-time contract. This is also a very painful task for me. It is painful to be negative about someone who has been my colleague, a relationship that was cooperative throughout and where there was no bad blood whatsoever between us. Moreover, as my supervisor, Bob Gates was good to me, and awarded me increased responsibilities. Furthermore, he is extremely able, and has clearly had unique experience in both the production of intelligence and its use by the country's top decision makers. For me, however, this is a case of conflicting loyalties. As an indebted colleague, I should loyally support Bob Gates' candidacy. But I also have loyalties to the Agency and to our country's need to have DCIs of the finest makeup possible. I must add that my pain has been eased somewhat in the past few days because, since news appeared in the press that I had some reservations about this nomination, a number of my CIA colleagues -- past and present,

analysts and operations officers alike -- have told me they support my position. My testimony here today, however, is wholly my own.

First, a word about where I'm coming from, and about my knowledge of Bob Gates. Following service as a naval officer in World War II and a freshly-won PhD, I joined the CIA in 1950. I served in operations, including a tour of duty as a CIA Chief of Station abroad. I was also an analyst of intelligence for some years, then a manager of intelligence for many years. I have also been a critic of intelligence -- including four years duty with this Committee, at which time I was the senior staffer concentrating on intelligence analysis. I served four years in CIA's Directorate of Operations (DO) and four years in CIA's Directorate of Intelligence (DI), but most of my Agency duty concerned the National Intelligence Estimates business. First, with the old Office of National Estimates, where I was the Chief of its Staff; and later with that office's successor, the present National Intelligence Council (the NIC or the Nick), where I was a National Intelligence Officer, later the NIC's Vice Chairman, and then its Acting Chairman, from which post I retired from CIA on 3 September 1986, for matters of health. Since then I have been a lecturer at the Defense Intelligence College, and an historian with the CIA, part-time. I am an author and lecturer on intelligence analysis, including a national prize-winning monograph on National Intelligence Estimating.

Discerning what is the skewing of intelligence and what is not is a tricky business, but from my four decades of experience in and around intelligence I think I can help the Committee thread its way through the differing kinds of pressure which Bob Gates did or did not bring on intelligence analysis. It is my view, in short, that many of his pressures were justified, as he sought to sharpen analysis and its usefulness to decision makers. Secondly, that some of the pressures he brought on analysis simply reflected differing professional judgments, and that some of the allegations that he skewed intelligence doubtless have arisen from analysts whose pride was damaged by his revisions.

Thirdly, however, as I am prepared to discuss at greater length, it is my view, based on documents that have been made available to us witnesses in the last few days, on testimonies that have been given to date to this Committee, and on the confidences of CIA officers whose abilities and character I respect, that other of Bob Gates' pressures have gone beyond professional bounds and clearly constitute a skewing of intelligence -- not in the fields of military and strategic issues, but chiefly concerning Soviet political questions and the Soviets and the Third World.

I first met Bob Gates in 1980, when I returned to the CIA from duty with this Committee. I then had some contact with him, off and on, for some three years. Then considerably more contact

with him after he became Chairman of the NIC in 1983 -- at which time I was one of his National Intelligence Officers, an NIO/At Large, seized mostly with global issues. I had still more contact with Bob Gates from January to September 1986: first, as his senior deputy in the NIC; and then, after he became the Deputy Director of Central Intelligence in April, when I succeeded him as Chairman of the NIC, in an Acting capacity. During those months of 1986 we saw quite a bit of one another, on questions of personnel, procedure, and substance. In many of our meetings Director Casey was also present; many other of my meetings with Bob Gates were one-on-one. As I have mentioned, our relationship was cooperative throughout, and I admired his efforts to make intelligence estimates shorter, sharper, and more relevant to the needs of our policymaking consumers.

During those eight months of 1986 I recall no instance where he tried to skew the NIC's intelligence analysis in any way. Regarding pre-1986 months in the NIC, however, I find that Bob Gates did lean heavily on the now famous Iran estimate of May, 1985, insisting on his own views and discouraging dissent. That was clearly a skewed estimate, or a "swerved" estimate, as Doug MacEachin termed it in a January 1987 memo he sent DDCI Dick Kerr. More important, that 1985 skewed Iran estimate had significant policy consequences: as the Congress's Iran-Contra Report (p. 165) and the Tower Report (pp. III-3-4) both indicate,

that estimate directly fed White House interest in reversing the then US boycott on providing arms to Iran. Later National Intelligence Estimates, prepared in 1986, backed off from the 1985 estimate's stress on the Soviet threat to Iran -- in part because the Soviets had in the meantime withdrawn the remainder of their economic advisors from Iran in June 1985, the very month, incidentally, that the NSC staff were preparing their new policy paper, their draft NSSD, based in part on the premise that there was a significant Soviet threat to Iran.

I also fault Bob Gates for sticking with his earlier, 1985, swerved vision of a pronounced Soviet threat to Iran, when as the Acting Director of Central Intelligence he testified to the Senate Foreign Relations Committee on 20 January 1987 that "we believe" -- "we believe," present tense, January 1987 -- that "the Soviets remain poised to take advantage of the inevitable instability and opportunities that will present themselves in a post-Khomeini era that is now just around the corner. The Soviets, through the proximity of their military might, and the covert political and military infrastructure we believe they have been trying to build up inside Iran, will have some important advantages. We in the intelligence community must take the threat of Soviet political and military intervention seriously." Then he closed his testimony with this notable sentence: "It is our understanding that this threat was, in fact, one of the animating

factors for the administration's initiative." On that occasion Bob Gates did not mention the existence of subsequent intelligence and subsequent National Intelligence Estimates that had materially softened the vision of a pronounced Soviet threat to Iran. I, for one, believe our country's DCIs should candidly and faithfully report the Intelligence Community's findings to the Congress, and not pass off their own earlier preconceptions as present-tense fact.

On other matters, if the Committee has any interest, I have some first-hand knowledge clarifying and correcting some of the testimony this Committee has previously received concerning the famous -- or infamous -- National Intelligence Estimates on Mexico (of 1984) and on the Soviets and International Terrorism (of 1981).

As for the pressures Bob Gates brought within CIA, overall, it is clear that he leaned much more heavily on intelligence analysts in the Directorate of Intelligence than he did with the NIC. This is probably because it is harder to skew a broad National Intelligence Estimate than it is the narrower questions more often addressed in the DDI; and, secondly, because the DDI's analysts are mostly younger, more junior officers than the NIC's tough veterans.

I know I am not as well known as the witnesses who have urged this Committee to confirm Bob Gates. But I do bring certain

credentials to my testimony. As someone still in the intelligence analysis business who's been there longer than any other officer I know. Someone who has had the pleasure of knowing and working for DCIs of stature: General Bedell Smith, Allen Dulles, John McCone, Dick Helms, Bill Colby. Someone who has held senior CIA positions in both operations and analysis. Someone to whom Director Casey and Bob Gates gave several awards, including the National Intelligence Distinguished Service Medal. Someone who has been rewarded with respect within the CIA, within this Committee years ago, and in the outside world of scholarship in the fields of international affairs, of intelligence, and of ethics and public affairs.

Now the key question: why do I take the painful step of urging that Bob Gates not be confirmed? Several reasons:

First, my views on the nomination have become markedly more critical since the confirmation hearings began. I have become more critical because of the depositions, the documents, and the testimonies that have come to light -- including that of Tom Polgar, whose detailed knowledge of the Iran-Contra record deserves respect and careful testing, even if the Iran-Contra Committee did not happen to formally pursue many CIA questions at the time.

Secondly, I have become more critical because of certain testimonies of Bob Gates, himself: his misleading testimony to the Senate Foreign Relations Committee which I mentioned a moment

ago, and his many instances of forgetfulness in his responses to this Committee. I'm sorry to say it, but the word that for me captures this latter testimony of his is -- clever. The forgetfulness of this brilliant officer --gifted with photographic memory -- does not, to me, wholly instil confidence.

Thirdly, to develop the finest US intelligence possible, a DCI Gates would have to attract and recruit the best brains in the country. I fear he would have some difficulty doing so, because many would shy away from serving a DCI about whom some serious questions have been raised.

Fourthly, there should also be reservations about Bob Gates' analytical style and judgment. Over the years the best analytical results in US intelligence have occurred when the DCI attracted the best analytical talent he could find, then listened to their judgments, ground in his own, and then presented their collective views to the senior policymakers. Many will share my view that Bob Gates has often depended too much on his own individual analytic judgments, and has ignored or scorned the views of others whose assessments did not accord with his own. This would be OK if he were uniquely all-seeing. He has not been. Most importantly, he has been wrong on the central analytic target of the past few years: the probable fortunes of the USSR and the Soviet European bloc. He was wrong concerning the Soviet threat to Iran in 1985. Overly certain, earlier, that the Soviets ran

international terrorism. Overly certain that the sky would fall if we didn't bomb Nicaragua -- to say nothing of the wisdom of such a recommended course of action. The USA deserves a DCI whose analytic batting average is better than that -- especially if that DCI tends to force his views on CIA and the Intelligence Community, and especially at a time when US intelligence and US policy face a far more complex world than the one we have known.

Fifthly, the USA also deserves a DCI who sticks to being an intelligence professional, and does not politicize his job by publicly plugging particular policies or weapons systems of the administration he is serving.

If this brings me to my final reservation:
~~but~~ I have some hesitancy concerning Bob Gates' determination to be a fiercely independent voice of intelligence. I agree with Admiral Inman's testimony that there will not necessarily be dancing in the streets in CIA if Bob Gates becomes DCI. I do feel, however, that Admiral Inman may have left a mistaken impression with this Committee that the reason CIA's senior officers might not wholly welcome a DCI Gates is because they're simply set in their ways and wouldn't want to have to change. I would stress that there is another element present among them which deserves emphasis. And that is the strong tradition among older CIA officers, one of stress upon the need for integrity of judgment and action, a generation of officers raised on the need for strict independence of judgment, of a premium on telling it

like it is, of going where the evidence takes one and then candidly so telling the senior policymakers, whether they find such judgments congenial or not -- the aim being to enlighten them about the true shape of the world, not to please them or to cater to their preconceptions.

I do not see Bob Gates a strong exemplar of that tradition. For US intelligence to be worth its keep, worth all the money, talent, and effort involved, we citizens must be confident that a DCI will independently and fiercely stand his ground with his boss, the President of the United States, in cases where their views may differ concerning a particular intelligence judgment at hand. In my view -- which I am sure many senior CIA officers share -- there would not be such confidence concerning the Bob Gates who served DCI Casey in the CIA. And it seems to me it would be even more difficult for Bob Gates to develop such fierce, independent integrity of judgment and action vis-a-vis the President now, after having been a close, key member of his policymaking team for some years.

Thank you, Mr. Chairman, for permitting me to comment on this nomination.

Chairman BOREN. Thank you very much, Mr. Ford. Again, I want to thank you for your patience in dealing with our scheduling problems. We certainly appreciate your past service to this Committee and we appreciate your testimony today.

Our next witness will be Mr. Larry Gershwin. I will ask him to come to the witness table. Mr. Gershwin, as I said in my opening statement, is the National Intelligence Officer for Strategic Programs. He has been National Intelligence Officer for Strategic Programs since 1981, and he is here to present his perspective on the issue of politicization as it relates to Soviet strategic programs.

Mr. Gershwin, we welcome you. Thank you for being with us, and if you would raise your right hand at this time you will be sworn.

Do you solemnly swear that the testimony that you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. GERSHWIN. I do.

Chairman BOREN. Thank you very much. You may be seated.

Mr. Gershwin, we would welcome your opening statement at this time. We will have questions for the entire panel after our two remaining witnesses have had a chance to give their opening statements which probably will occur tomorrow. We thank you for being with us.

TESTIMONY OF LAWRENCE K. GERSHWIN, NATIONAL INTELLIGENCE OFFICER FOR STRATEGIC PROGRAMS, CENTRAL INTELLIGENCE AGENCY

Mr. GERSHWIN. We thank you, Mr. Chairman. I am pleased to be here today to assist the committee in its consideration of Robert Gates as the nominee for the position of Director of Central Intelligence.

I have been at the Central Intelligence Agency for 10 years, since October 1981, as the National Intelligence Officer for Strategic Programs. Before I took my current job at the Central Intelligence Agency, I worked for 2 years in the Office of the Secretary of Defense. Prior to that, I worked at the Rand Corporation, the Institute for Defense Analyses, Stanford University and Columbia University. I have a Ph.D in physics from the University of California at Berkeley.

The various national intelligence officers are part of an organization called the National Intelligence Council which reports to the Director and Deputy Director of Central Intelligence. I am responsible for preparing classified national intelligence estimates on Soviet strategic forces and weapons systems.

These reports assess the current and future programs and capabilities of the Soviet Union in the strategic nuclear weapons area. The reports represent the views of the entire intelligence community—the Central Intelligence Agency, Defense Intelligence Agency, the intelligence organizations of the Department of State, and the military services and others. The reports explicitly note differences of view among the various intelligence agencies.

The national intelligence estimates represent the views of the Director of Central Intelligence with the advice—with the advice and

assistance of the U.S. intelligence community. Following approval by the National Foreign Intelligence Board, the reports are delivered to senior officials in the executive and legislative branches and are distributed to those throughout the Government who have the appropriate security clearances and need the information. These reports are considered the most authoritative publications of the intelligence community on the subject of Soviet strategic forces and are an important element of U.S. policy planning, the arms control process, and U.S. force acquisition decisions.

I worked closely with Mr. Gates from 1982 to 1989 in his various roles as Deputy Director for Intelligence, Chairman of the National Intelligence Council, Deputy Director of Central Intelligence, and Acting Director of Central Intelligence. Mr. Gates and the Director of Central Intelligence from 1981 to 1986, William Casey, were extremely interested in Soviet strategic programs. So were Admiral Inman and John McMahon, the other Deputy Directors in that period.

I spent a great deal of time with Mr. Gates and Mr. Casey on strategic force issues. There were many such issues such as arms control and the Soviet strategic force build-up of the late 1970's and early 1980's. Their interest was not just because of the strategic defense initiative, or SDI program.

I must say that what I have heard described by Mr. Goodman about politicization of intelligence by Bob Gates and William Casey in Soviet and Third World issues, the Soviet political and foreign policy areas, and the like, does not resemble in any way my experience in military analysis. From my vantage point, Bob Gates and Bill Casey cared about Soviet strategic forces every bit as much as they did about the Soviets in the Third World. They were extremely fair in encouraging different points of view, and the analytic process worked very well.

From my own experience, I am not aware of any serious charge anywhere that any of the analysts in the strategic forces area had any problem with Bob Gates other than his being a tough reviewer. Bob Gates' standards for quality work and the need to lay out the evidential basis for judgments and estimates were commendable. I supported them fully.

He could be a sharp critic of work that in some way did not fully deal with or neglected key available evidence, or work that did not lay out the assumptions leading to its conclusions. Bob Gates' efforts to impose higher standards of quality on the reports issued by the Directorate of Intelligence and the National Intelligence Council gave, in my view, a very positive boost to the credibility of the intelligence support we provided throughout the 1980's to the executive Branch and the Congress. At least in the area I am most familiar with—the strategic forces of the Soviet Union, the finished products of the Directorate of Intelligence and the National Intelligence Council were prepared and produced in a highly professional manner with complete integrity, and were perceived as objective and balanced by policy consumers who held a wide range of views. Having been intimately involved in this process, I am confident that there is no basis for any allegation that either Bob Gates or anyone else sought to distort intelligence judgments in the area of

Soviet strategic forces, including strategic defenses, to suit the desires of the policy community.

Nor did he, or anyone else within the intelligence community, try to override the views of the intelligence community's analysts. National intelligence estimates on strategic forces are written by first laying out all the details. After extensive review and coordination by the Intelligence Community analysts, we prepare the key judgments and summary, including those issues we judge to be of greatest significance to policy officials.

This is a bottom-up approach in which the judgments result from the analytic effort rather than a top-down approach where the judgments are first formulated and then the supporting analysis is written. In my view, the bottom-up approach that we use guarantees the most objective judgments, fully consistent with the evidence.

We never had a situation where Bob Gates either stated or implied how he would like to see our judgments come out before we gave him the community's views. Sometimes he would ask for clarification or amplification or suggest that the section for highest-level policy officials was too long or too complicated.

He was very comfortable with, and promoted the presentation of multiple alternative views in these estimates. This desire to display the various views in the community has been characteristic of all the Directors of Central Intelligence, Deputy Directors of Central Intelligence, and Chairman of the National Intelligence Council, under whom I have served.

The ultimate purpose of our work in preparing judgments on Soviet strategic forces is to support the needs of our many consumers. As you well know, I have often briefed congressional committees and staffs as well as policy officials at all levels in the executive branch. We who are responsible for formulating and presenting our intelligence judgments are well aware of the impact our judgments can have on policy and U.S. force acquisition considerations.

We often receive recommendations from outside the Intelligence Community for research projects that are needed to assist the decision-making process. We are highly responsive to these requests because our work is not done as an academic exercise, it is done to support the needs of our consumers.

Under Bob Gates' leadership and encouragement we all made new, concerted efforts to meet with policy officials to ascertain their intelligence needs and then to brief these officials on the results of our work. We often listened to criticisms of our analysis or our judgments from policy officials, as might be expected. Policymakers often have useful insights based on personal interactions and experience.

Where valid points are raised, we might go back and reexamine our work, even improve it sometimes. However, this interaction with policymakers is not politicization of intelligence. None of us should be so confident of our work that we refuse to consider the views of those who differ with us, whether they are within the Intelligence Community or outside of it.

Note that Bob Gates as Deputy Director for Intelligence strongly encouraged closer links to the academic community and the busi-

ness community as a way to get more inputs for the intelligence products and more external review of the analysis.

Clearly, each of us responsible for the production of intelligence must have the integrity to resist any pressure to modify intelligence analysis or judgments because the views are inconvenient or even apparently undermine a particular policy effort. In my area of Soviet strategic forces, I am confident that we have never allowed our judgments to be influenced by such political considerations, and we have had the full support of Bob Gates and others in maintaining the integrity of our process.

Let me now address the circumstances leading up to the speech by Mr. Gates in November of 1986 called "The Soviets and SDI."

From the 1970's on, Soviet efforts in ballistic missile defense, and directed energy weapons research have been major topics for our classified collection and analysis. The possibility of a Soviet technological breakthrough involving directed energy weapons has been noted all along. I remember explicitly highlighting that in my first national intelligence estimate published in 1982. The topic has been treated for many years as a high priority for collection, because of our major uncertainties about the technical achievements and programs and plans associated with the strong Soviet effort.

Because of the high interest in these issues, we published a national intelligence estimate in 1982, on the Soviet Ballistic Missile defense program, that laid out all the evidence in extraordinary detail.

The Soviet potential for deployment of a widespread antiballistic missile system was also an arms control compliance concern, so that there was tremendous demand for information and intelligence judgments on these issues.

With the announcement of the U.S. Strategic Defense Initiative Program in 1983, there was even greater interest in the Soviet programs, and potential Soviet responses to the U.S. program. We continued to devote considerable research and analysis effort, and coverage in my national intelligence estimates, to these topics.

We participated in the preparation of joint net assessments on strategic forces with the Secretary of Defense in 1983 and 1985, in which detailed comparisons were made of the U.S. and Soviet strategic defense programs.

In 1985, Mr. Casey asked me to prepare a publication on Soviet Ballistic Missile Defense, drawing on all of our coordinated intelligence work, that he could provide to the President.

He was concerned that the totality of the Soviet effort was not coming through in our routine, annual national intelligence estimates.

Further, we published a national intelligence estimate on Soviet responses to SDI in 1986, which took note of the extensive Soviet strategic defense program.

The major initiative in the early 1980's to provide unclassified information on Soviet military forces—including strategic defense—came from the Pentagon, in the form of the annual publication, Soviet Military Power. By late 1984, various officials in the Executive Branch were asking for more unclassified information on Soviet strategic defenses that could be used with the public, because the Soviets were carrying out an aggressive public campaign.

against the U.S. SDI program, and would not admit to any such activities of their own.

By early 1985, these requests were increasing. In addition, members of the Legislative branch were urging the Administration to declassify the findings of our 1985 National Intelligence Estimate on Soviet strategic forces. Bob Gates and I testified in open session, in June 1985, on that national intelligence estimate—in the process, providing a great deal of declassified material on Soviet strategic defenses.

In March 1985, one of CIA's analysts, who had been providing intelligence support on Soviet directed-energy weapons research programs to U.S. policy officials, prepared an unclassified piece on these Soviet programs. This piece, the so-called CIA White Paper, was sent by Bob Gates, at the time the Deputy Director for Intelligence, to the White House, State, and Defense, for their use in public discussion.

In June 1985, Ambassador Paul Nitze gave a speech entitled "SDI: The Soviet Program" in which he drew heavily from the CIA White Paper. In October 1985, the Defense Department and the Department of State, together, published an unclassified report entitled "Soviet Strategic Defense Programs" which drew on the CIA paper, as well as providing a great deal more on Soviet defensive programs.

The 1986 edition of Soviet Military Power, published in March 1986, used much of this new material in amplifying its discussion of Soviet strategic defenses.

Despite all of these publications and speeches, it was still the case that in the fall of 1986, the national debate in the U.S. SDI program was not taking much note of the Soviet strategic defense efforts.

I think it was in this context that you have to look at Bob Gates' November 1986 speech, in which he reiterated the Soviet efforts, and noted the Soviet desire to kill the U.S. program, in part, because they may have believed we could accomplish the goals of that program.

Giving such a speech, I believe, is a legitimate role for a senior intelligence officer in support of U.S. policy, so long as the intelligence is not skewed, and sources and methods are not compromised.

My own role in the preparation of this speech was primarily as a reviewer—although I had spoken with Bob many times about the issues reflected in the speech.

I received a draft of the speech about 2 weeks prior to its delivery. It was customary for national intelligence officers and other senior officers to see copies of drafts of speeches that had material in our area, in order to make sure it was unclassified, and to provide advice on the content of the speech.

My inputs, which he mostly accepted, were of that type. In some cases, I suggested that the wording be modified to conform precisely to the unclassified testimony that he and I had given in 1985; or that some unclassified judgments be updated.

In other cases, I made technical fixes to make sure that the material was consistent with our classified judgments. I was supportive of his statements, and gave him some suggestions on the ideas

that the Soviets were seeking to preserve an advantage in strategic defenses and that the Soviets were fearful that we could achieve the goals of the SDI program.

In summary, this speech accurately reflected our intelligence analysis and judgments at the time, as well as being fully consistent with the other, unclassified material available. It was based on the classified information we had already published in the intelligence community, and what had already been published as unclassified.

It was most assuredly not a driver of our intelligence judgments; nor did it affect our judgments in subsequent classified publications. Rather, any change in our classified judgments in 1987, 1988, and beyond, were based on new evidence and analysis.

The CIA assists other U.S. Government agencies in the publication of unclassified intelligence information, on various subjects, including Soviet military issues. I think it was entirely appropriate in 1985 therefore, for the CIA to prepare the White Paper on Soviet directed energy weapons—just as I think it has been appropriate over the years to participate in the preparation of the Pentagon's Soviet military power publication; and to be forward-leaning in providing a new, unclassified write-up for that publication on some important issue.

Our key concerns are to make sure that the intelligence sources and methods are protected, and to make sure that the material is as accurate and consistent with our classified judgments as possible.

We have worked hard at this. And I believe we have been successful.

You also asked for my perspective on the May 12, 1987 memorandum from Richard Kerr—then the Deputy Director for Intelligence—to the Chairman of the National Intelligence Council on "The Integrity and Objectivity of National Foreign Intelligence Estimates."

Having been a National Intelligence Officer for 10 years, I feel qualified to judge that the process of producing National Intelligence Estimates has been carried out with very high integrity and objectivity, on the part of the national intelligence officers, the Chairman of the National Intelligence Council, and the DCI and the DDCI.

There are always improvements that we can make in how this process works, and in the quality and utility of our work. The memo provides various suggestions for how this can be done—some of which I agree with, some with which I differ.

For example, I disagree with the memo on the specific recommendations regarding the role of a national intelligence officer. In the last several years we have taken a number of steps to improve our process, and the products. We have created new types of publications, in an effort to be more responsive to the immediate needs of policymakers.

We have always stressed the importance of representing multiple views in the estimates, and not stifling dissent. Those of you who are familiar with my work, and that of other national intelligence officers, know how conscientious we are in representing alternative views in our written products, as well as our briefings.

I should note that agencies are sometimes unwilling to express their own, alternative views—for whatever reasons. Thus, we often have to encourage the formulation of alternative views, when we become aware of differences on some key issues that are important enough to bother the policymaker with. We try to help those agencies express their views in a way that is useful to the policy process, and so that the reader understands the differences and the reasons for them.

The efforts by the national intelligence officer to deal with views and conclusions for which there is not full agreement within the intelligence community requires his best judgment. It is a very important role.

This is what we are paid to do, rather than to just simply staple it all together. As noted in the memo, we always need to work hard to make sure that no agency's views are submerged, or glossed over, by reaching sloppy or ambiguous judgments that people can just live with.

The last issue you asked me to address, was my perspective on the overall atmosphere within the Directorate of Intelligence, during the years Bob Gates occupied senior, leadership positions at CIA.

In my view, the morale and esprit de corps were excellent, among those analysts working on Soviet strategic forces. I would note that I have insufficient perspective on the morale of analysts working other areas. We were addressing some very exciting issues in the 1980's, including a robust, Soviet strategic force program, intense negotiations with the Soviets in the arms control, and major U.S. weapon-acquisition programs for which intelligence inputs were of critical importance. The analysts had extraordinary access to U.S. policymakers, providing frequent inputs in both written and verbal form.

As I noted earlier, these contacts were strongly encouraged by Bob Gates, and were a major contribution to changes in the way we did our work.

The flip-side of this was that the judgments reached by the analysts were scrutinized carefully, because the issues were so important, and our products were taken so seriously by those to whom we delivered them.

Bob Gates, and those below him in the chain, reviewed the work of analysts carefully, and asked tough questions. Bob often asked for the judgments to be better supported by evidence, or to make a clear distinction between those judgments for which we had supporting evidence, and those that were based more on inference or belief.

In the strategic forces area, these distinctions could generally be made fairly easily, because we acquired a great deal of hard evidence.

I do not think that such requests caused great difficulty. And I think it made for better analysis, and more credible judgments. Regardless, it was both proper and essential that any report going out as a product of the Directorate of Intelligence be clear, as to what assumptions or evidence were used in reaching the conclusions. If an analyst or his office cannot support the judgments adequately in this way then I think there is a serious question as to the wisdom

of publishing the report. I think some of the issues that you have heard about—not in my area, but in others—fall into this category.

Some people may say this is interfering with the right of the analyst to make their views known. I do not agree. I think it is a matter of imposing higher standards on the analysis and the product.

Analysts all grouse about having to respond to the comments of reviewers—I know I do—including those up the chain, but we must all recognize the need to provide a convincing argument to justify our judgments. These judgments are important.

In conclusion, I believe that Bob Gates' emphasis on substantive credibility and quality was one of his key contributions to the analytic process in the intelligence community. I am not aware of any personnel or morale problems associated with analysts in the Soviet strategic forces arena, that can credibly be attributed to Bob Gates or the standards he imposed on the analytic process.

Thank you.

[The prepared statement of Mr. Gershwin follows:]

PREPARED STATEMENT OF LAWRENCE K. GERSHWIN

I AM PLEASED TO BE HERE TODAY TO ASSIST THE COMMITTEE IN ITS CONSIDERATION OF ROBERT GATES AS THE NOMINEE FOR THE POSITION OF DIRECTOR OF CENTRAL INTELLIGENCE. I HAVE BEEN AT THE CENTRAL INTELLIGENCE AGENCY FOR TEN YEARS, SINCE OCTOBER 1981, AS THE NATIONAL INTELLIGENCE OFFICER FOR STRATEGIC PROGRAMS.

BEFORE I TOOK MY CURRENT JOB AT THE CENTRAL INTELLIGENCE AGENCY I WORKED FOR TWO YEARS IN THE OFFICE OF THE SECRETARY OF DEFENSE. PRIOR TO THAT I WORKED AT THE RAND CORPORATION, THE INSTITUTE FOR DEFENSE ANALYSES, STANFORD UNIVERSITY, AND COLUMBIA UNIVERSITY. I HAVE A PH.D. IN PHYSICS FROM THE UNIVERSITY OF CALIFORNIA AT BERKELEY.

THE VARIOUS NATIONAL INTELLIGENCE OFFICERS ARE PART OF AN ORGANIZATION CALLED THE NATIONAL INTELLIGENCE COUNCIL, WHICH REPORTS TO THE DIRECTOR AND DEPUTY DIRECTOR OF CENTRAL INTELLIGENCE. I AM RESPONSIBLE FOR PREPARING CLASSIFIED NATIONAL INTELLIGENCE ESTIMATES ON SOVIET STRATEGIC FORCES AND WEAPON SYSTEMS. THESE REPORTS ASSESS THE CURRENT AND FUTURE PROGRAMS AND CAPABILITIES OF THE SOVIET UNION IN THE STRATEGIC NUCLEAR WEAPONS AREA. THE REPORTS REPRESENT THE VIEWS OF THE ENTIRE INTELLIGENCE COMMUNITY--THE CENTRAL INTELLIGENCE AGENCY, DEFENSE INTELLIGENCE AGENCY, THE INTELLIGENCE ORGANIZATIONS OF THE DEPARTMENT OF STATE AND THE MILITARY SERVICES, AND OTHERS. THE REPORTS EXPLICITLY NOTE DIFFERENCES OF VIEW AMONG THE VARIOUS INTELLIGENCE AGENCIES.

THE NATIONAL INTELLIGENCE ESTIMATES REPRESENT THE VIEWS OF THE DIRECTOR OF CENTRAL INTELLIGENCE, WITH THE ADVICE AND ASSISTANCE OF THE US INTELLIGENCE COMMUNITY. FOLLOWING APPROVAL BY THE NATIONAL FOREIGN INTELLIGENCE BOARD, THE REPORTS ARE DELIVERED TO SENIOR OFFICIALS IN THE EXECUTIVE AND LEGISLATIVE BRANCHES, AND ARE DISTRIBUTED TO THOSE THROUGHOUT THE GOVERNMENT WHO HAVE THE APPROPRIATE SECURITY CLEARANCES AND NEED THE INFORMATION. THESE REPORTS ARE CONSIDERED THE MOST AUTHORITATIVE PUBLICATIONS OF THE INTELLIGENCE COMMUNITY ON THE SUBJECT OF SOVIET STRATEGIC FORCES AND ARE AN IMPORTANT ELEMENT OF US POLICY PLANNING, THE ARMS CONTROL PROCESS, AND US FORCE ACQUISITION DECISIONS.

I WORKED CLOSELY WITH MR. GATES FROM 1982 TO 1989, IN HIS VARIOUS ROLES AS DEPUTY DIRECTOR FOR INTELLIGENCE, CHAIRMAN OF THE NATIONAL INTELLIGENCE COUNCIL, DEPUTY DIRECTOR OF CENTRAL INTELLIGENCE, AND ACTING DIRECTOR OF CENTRAL INTELLIGENCE. MR. GATES, AND THE DIRECTOR OF CENTRAL INTELLIGENCE FROM 1981 TO 1986, WILLIAM CASEY, WERE EXTREMELY INTERESTED IN SOVIET STRATEGIC PROGRAMS. SO WERE ADMIRAL INMAN AND JOHN MCMAHON, THE OTHER DEPUTY DIRECTORS IN THAT PERIOD. I SPENT A GREAT DEAL OF TIME WITH MR. GATES AND MR. CASEY ON STRATEGIC FORCE ISSUES. THERE WERE MANY SUCH ISSUES: ARMS CONTROL, THE SOVIET STRATEGIC FORCE BUILD-UP OF THE LATE 1970s AND EARLY 1980s. THEIR INTEREST WAS NOT JUST BECAUSE OF THE STRATEGIC DEFENSE INITIATIVE, OR SDI, PROGRAM. I MUST SAY THAT WHAT I HAVE HEARD DESCRIBED BY MR. GOODMAN ABOUT POLITICIZATION OF INTELLIGENCE BY BOB GATES AND WILLIAM CASEY IN SOVIET AND THIRD WORLD ISSUES, THE SOVIET POLITICAL AND FOREIGN POLICY AREAS, AND THE LIKE DOES NOT RESEMBLE IN ANY WAY MY EXPERIENCE IN MILITARY ANALYSIS. FROM MY VANTAGE POINT BOB GATES AND BILL CASEY CARED ABOUT SOVIET STRATEGIC FORCES EVERY BIT AS MUCH AS THEY DID ABOUT THE SOVIETS IN THE THIRD WORLD. THEY WERE EXTREMELY FAIR IN ENCOURAGING DIFFERENT POINTS OF VIEW, AND THE ANALYTIC PROCESS WORKED VERY WELL.

FROM MY OWN EXPERIENCE, I AM NOT AWARE OF ANY SERIOUS CHARGE ANYWHERE THAT ANY OF THE ANALYSTS IN THE STRATEGIC FORCES AREA HAD ANY PROBLEM WITH BOB GATES OTHER THAN HIS BEING A TOUGH REVIEWER.

BOB GATES' STANDARDS FOR QUALITY WORK AND THE NEED TO LAY OUT THE EVIDENTIAL BASIS FOR JUDGMENTS AND ESTIMATES WERE COMMENDABLE--I SUPPORTED THEM FULLY. HE COULD BE A SHARP CRITIC OF WORK THAT IN SOME WAY DID NOT FULLY DEAL WITH OR NEGLECTED KEY AVAILABLE EVIDENCE, OR WORK THAT DID NOT LAY OUT THE ASSUMPTIONS LEADING TO ITS CONCLUSIONS.

BOB GATES' EFFORTS TO IMPOSE HIGHER STANDARDS OF QUALITY ON THE REPORTS ISSUED BY THE DIRECTORATE OF INTELLIGENCE AND THE NATIONAL INTELLIGENCE COUNCIL GAVE, IN MY VIEW, A VERY POSITIVE BOOST TO THE CREDIBILITY OF THE INTELLIGENCE SUPPORT WE PROVIDED THROUGHOUT THE 1980s TO THE EXECUTIVE BRANCH AND THE CONGRESS. AT LEAST IN THE AREA I AM MOST FAMILIAR WITH, THE STRATEGIC FORCES OF THE SOVIET UNION, THE FINISHED PRODUCTS OF THE DIRECTORATE OF INTELLIGENCE AND THE NATIONAL INTELLIGENCE COUNCIL WERE PREPARED AND PRODUCED IN A HIGHLY PROFESSIONAL MANNER, WITH COMPLETE INTEGRITY AND WERE PERCEIVED AS OBJECTIVE AND BALANCED BY POLICY CONSUMERS WHO HELD A WIDE RANGE OF VIEWS.

HAVING BEEN INTIMATELY INVOLVED IN THIS PROCESS, I AM CONFIDENT THAT THERE IS NO BASIS FOR ANY ALLEGATION THAT EITHER BOB GATES, OR ANYONE ELSE, SOUGHT TO DISTORT INTELLIGENCE JUDGMENTS IN THE AREA OF SOVIET STRATEGIC FORCES, INCLUDING STRATEGIC DEFENSES, TO SUIT THE DESIRES OF THE POLICY COMMUNITY. NOR DID HE OR ANYONE ELSE WITHIN THE INTELLIGENCE COMMUNITY TRY TO OVERRIDE THE VIEWS OF THE INTELLIGENCE COMMUNITY'S ANALYSTS. NATIONAL INTELLIGENCE ESTIMATES ON STRATEGIC FORCES ARE WRITTEN BY FIRST LAYING OUT ALL THE DETAILS. AFTER EXTENSIVE REVIEW AND COORDINATION BY THE INTELLIGENCE COMMUNITY ANALYSTS, WE PREPARE THE KEY JUDGMENTS AND SUMMARY--INCLUDING THOSE ISSUES WE JUDGE TO BE OF GREATEST SIGNIFICANCE TO POLICY OFFICIALS. THIS IS A "BOTTOM-UP" APPROACH, IN WHICH THE JUDGMENTS RESULT FROM THE ANALYTIC EFFORT, RATHER THAN A "TOP-DOWN" APPROACH WHERE THE JUDGMENTS ARE FIRST FORMULATED AND THEN THE SUPPORTING ANALYSIS IS WRITTEN.

IN MY VIEW THE APPROACH WE USE GUARANTEES THE MOST OBJECTIVE JUDGMENTS, FULLY CONSISTENT WITH THE EVIDENCE. WE NEVER HAD A SITUATION WHERE BOB GATES EITHER STATED OR IMPLIED HOW HE WOULD LIKE TO SEE OUR JUDGMENTS COME OUT, BEFORE WE GAVE HIM THE COMMUNITY'S VIEWS. SOMETIMES HE WOULD ASK FOR CLARIFICATION OR AMPLIFICATION, OR SUGGEST THAT THE SECTION FOR HIGHEST LEVEL POLICY OFFICIALS WAS TOO LONG OR TOO COMPLICATED. HE WAS VERY COMFORTABLE WITH AND PROMOTED THE PRESENTATION OF MULTIPLE, ALTERNATIVE VIEWS IN THE ESTIMATES. THIS DESIRE TO DISPLAY THE VARIOUS VIEWS IN THE COMMUNITY HAS BEEN CHARACTERISTIC OF ALL THE DIRECTORS OF CENTRAL INTELLIGENCE, DEPUTY DIRECTORS OF CENTRAL INTELLIGENCE, AND CHAIRMEN OF THE NATIONAL INTELLIGENCE COUNCIL UNDER WHOM I HAVE SERVED.

THE ULTIMATE PURPOSE OF OUR WORK IN PREPARING JUDGMENTS ON SOVIET STRATEGIC FORCES IS TO SUPPORT THE NEEDS OF OUR MANY CONSUMERS. AS YOU WELL KNOW, I HAVE OFTEN BRIEFED CONGRESSIONAL COMMITTEES AND STAFFS, AS WELL AS POLICY OFFICIALS AT ALL LEVELS IN THE EXECUTIVE BRANCH. WE WHO ARE RESPONSIBLE FOR FORMULATING AND PRESENTING OUR INTELLIGENCE JUDGMENTS ARE WELL AWARE OF THE IMPACT OUR JUDGMENTS CAN HAVE ON POLICY AND US FORCE ACQUISITION CONSIDERATIONS. WE OFTEN RECEIVE RECOMMENDATIONS FROM OUTSIDE THE INTELLIGENCE COMMUNITY FOR RESEARCH PROJECTS THAT ARE NEEDED TO ASSIST THE DECISIONMAKING PROCESS. WE ARE HIGHLY RESPONSIVE TO THESE REQUESTS, BECAUSE OUR WORK IS NOT DONE AS AN ACADEMIC EXERCISE--IT IS DONE TO SUPPORT THE NEEDS OF OUR CONSUMERS.

UNDER BOB GATES' LEADERSHIP AND ENCOURAGEMENT, WE ALL MADE NEW CONCERTED EFFORTS TO MEET WITH POLICY OFFICIALS TO ASCERTAIN THEIR INTELLIGENCE NEEDS, AND THEN TO BRIEF THESE OFFICIALS ON THE RESULTS OF OUR WORK. WE OFTEN LISTEN TO CRITICISMS OF OUR ANALYSIS OR OUR JUDGMENTS FROM POLICY OFFICIALS, AS MIGHT BE EXPECTED. POLICYMAKERS OFTEN HAVE USEFUL INSIGHTS BASED ON PERSONAL INTERACTIONS AND EXPERIENCE. WHERE VALID POINTS ARE RAISED, WE MIGHT GO BACK AND REEXAMINE OUR WORK, EVEN IMPROVE IT SOMETIMES.

HOWEVER, THIS INTERACTION WITH POLICYMAKERS IS NOT POLITICIZATION OF INTELLIGENCE. NONE OF US SHOULD BE SO CONFIDENT OF OUR WORK THAT WE REFUSE TO CONSIDER THE VIEWS OF THOSE WHO DIFFER WITH US, WHETHER THEY ARE WITHIN THE INTELLIGENCE COMMUNITY OR OUTSIDE OF IT. NOTE THAT BOB GATES, AS DEPUTY DIRECTOR FOR INTELLIGENCE, STRONGLY ENCOURAGED CLOSER LINKS TO THE ACADEMIC COMMUNITY AND THE BUSINESS COMMUNITY AS A WAY TO GET MORE INPUTS FOR THE INTELLIGENCE PRODUCTS AND MORE EXTERNAL REVIEW OF THE ANALYSIS.

CLEARLY, EACH OF US RESPONSIBLE FOR THE PRODUCTION OF INTELLIGENCE MUST HAVE THE INTEGRITY TO RESIST ANY PRESSURE TO MODIFY INTELLIGENCE ANALYSIS OR JUDGMENTS BECAUSE THE VIEWS ARE INCONVENIENT OR EVEN APPARENTLY UNDERMINE A PARTICULAR POLICY EFFORT. IN MY AREA OF SOVIET STRATEGIC FORCES, I AM CONFIDENT THAT WE HAVE NEVER ALLOWED OUR JUDGMENTS TO BE INFLUENCED BY SUCH POLITICAL CONSIDERATIONS, AND WE HAVE HAD THE FULL SUPPORT OF BOB GATES AND OTHERS IN MAINTAINING THE INTEGRITY OF OUR PROCESS.

LET ME NOW ADDRESS THE CIRCUMSTANCES LEADING UP TO THE SPEECH BY MR. GATES IN NOVEMBER 1986, "THE SOVIETS AND SDI."

FROM THE 1970s ON, SOVIET EFFORTS IN BALLISTIC MISSILE DEFENSE AND DIRECTED ENERGY WEAPONS RESEARCH HAVE BEEN MAJOR TOPICS FOR OUR CLASSIFIED COLLECTION AND ANALYSIS. THE POSSIBILITY OF A SOVIET TECHNOLOGICAL BREAKTHROUGH INVOLVING DIRECTED ENERGY WEAPONS HAS BEEN NOTED ALL ALONG; I REMEMBER EXPLICITLY HIGHLIGHTING THAT IN MY FIRST NATIONAL INTELLIGENCE ESTIMATE PUBLISHED IN 1982. THE TOPIC HAS BEEN TREATED FOR MANY YEARS AS A HIGH PRIORITY FOR COLLECTION, BECAUSE OF OUR MAJOR UNCERTAINTIES ABOUT THE TECHNICAL ACHIEVEMENTS AND PROGRAMS AND PLANS ASSOCIATED WITH THE STRONG SOVIET EFFORT. BECAUSE OF THE HIGH INTEREST IN THESE ISSUES WE PUBLISHED A NATIONAL INTELLIGENCE ESTIMATE IN 1982 ON THE SOVIET BALLISTIC MISSILE DEFENSE PROGRAM THAT LAID OUT ALL THE EVIDENCE IN EXTRAORDINARY DETAIL. THE SOVIET POTENTIAL FOR DEPLOYMENT OF A WIDESPREAD ANTIBALLISTIC MISSILE SYSTEM WAS ALSO AN ARMS CONTROL COMPLIANCE CONCERN, SO THAT THERE WAS TREMENDOUS DEMAND FOR INFORMATION AND INTELLIGENCE JUDGMENTS ON THESE ISSUES.

WITH THE ANNOUNCEMENT OF THE US STRATEGIC DEFENSE INITIATIVE PROGRAM IN 1983 THERE WAS EVEN GREATER INTEREST IN THE SOVIET PROGRAMS, AND POTENTIAL SOVIET RESPONSES TO THE US PROGRAM. WE CONTINUED TO DEVOTE CONSIDERABLE RESEARCH AND ANALYSIS EFFORT, AND COVERAGE IN MY NATIONAL INTELLIGENCE ESTIMATES, TO THESE TOPICS. WE PARTICIPATED IN THE PREPARATION OF JOINT NET ASSESSMENTS ON STRATEGIC FORCES WITH THE SECRETARY OF DEFENSE IN 1983 AND 1985 IN WHICH DETAILED COMPARISONS WERE MADE OF THE US AND SOVIET STRATEGIC DEFENSE PROGRAMS. IN 1985 MR. CASEY ASKED ME TO PREPARE A PUBLICATION ON SOVIET BALLISTIC MISSILE DEFENSE, DRAWING ON ALL OF OUR COORDINATED INTELLIGENCE WORK, THAT HE COULD PROVIDE TO THE PRESIDENT. HE WAS CONCERNED THAT THE TOTALITY OF THE SOVIET EFFORT WAS NOT COMING THROUGH IN OUR ROUTINE ANNUAL NATIONAL INTELLIGENCE ESTIMATES. WE PUBLISHED A NATIONAL INTELLIGENCE ESTIMATE ON SOVIET RESPONSES TO SDI IN 1986, WHICH TOOK NOTE OF THE EXTENSIVE SOVIET STRATEGIC DEFENSIVE PROGRAM.

THE MAJOR INITIATIVE IN THE EARLY 1980s TO PROVIDE UNCLASSIFIED INFORMATION ON SOVIET MILITARY FORCES, INCLUDING STRATEGIC DEFENSES, CAME FROM THE PENTAGON IN THE FORM OF THE ANNUAL SOVIET MILITARY POWER. BY LATE 1984 VARIOUS OFFICIALS IN THE EXECUTIVE BRANCH WERE ASKING FOR MORE UNCLASSIFIED INFORMATION ON SOVIET STRATEGIC DEFENSES THAT COULD BE USED WITH THE PUBLIC, BECAUSE THE SOVIETS WERE CARRYING OUT AN AGGRESSIVE PUBLIC CAMPAIGN AGAINST THE US SDI PROGRAM AND WOULD NOT ADMIT TO ANY SUCH ACTIVITIES OF THEIR OWN.

BY EARLY 1985 THESE REQUESTS WERE INCREASING. IN ADDITION, MEMBERS OF THE LEGISLATIVE BRANCH WERE URGING THE ADMINISTRATION TO DECLASSIFY THE FINDINGS OF OUR 1985 NATIONAL INTELLIGENCE ESTIMATE ON SOVIET STRATEGIC FORCES; BOB GATES AND I TESTIFIED IN OPEN SESSION IN JUNE 1985 ON THAT NATIONAL INTELLIGENCE ESTIMATE, IN THE PROCESS PROVIDING A GREAT DEAL OF DECLASSIFIED MATERIAL ON SOVIET STRATEGIC DEFENSES.

IN MARCH 1985 ONE OF CIA'S ANALYSTS, WHO HAD BEEN PROVIDING INTELLIGENCE SUPPORT ON SOVIET DIRECTED ENERGY WEAPONS RESEARCH PROGRAMS TO US POLICY OFFICIALS, PREPARED AN UNCLASSIFIED PIECE ON THESE SOVIET PROGRAMS. THIS PIECE, THE SO-CALLED CIA WHITE PAPER, WAS SENT BY BOB GATES, AT THE TIME THE DEPUTY DIRECTOR FOR INTELLIGENCE, TO THE WHITE HOUSE, STATE, AND DEFENSE FOR THEIR USE IN PUBLIC DISCUSSION. IN JUNE 1985 AMBASSADOR PAUL NITZE GAVE A SPEECH ENTITLED 'SDI: THE SOVIET PROGRAM' IN WHICH HE DREW HEAVILY FROM THE CIA WHITE PAPER. IN OCTOBER 1985 THE DEFENSE DEPARTMENT AND THE DEPARTMENT OF STATE PUBLISHED AN UNCLASSIFIED REPORT ENTITLED 'SOVIET STRATEGIC DEFENSE PROGRAMS' WHICH DREW ON THE CIA PAPER, AS WELL AS PROVIDING A GREAT DEAL MORE ON SOVIET DEFENSIVE PROGRAMS. THE 1986 EDITION OF SOVIET MILITARY POWER, PUBLISHED IN MARCH 1986 USED MUCH OF THIS NEW MATERIAL IN AMPLIFYING ITS DISCUSSION OF SOVIET STRATEGIC DEFENSES.

DESPITE ALL OF THESE PUBLICATIONS AND SPEECHES, IT WAS STILL THE CASE THAT IN THE FALL OF 1986 THE NATIONAL DEBATE ON THE US SDI PROGRAM WAS NOT TAKING MUCH NOTE OF THE SOVIET STRATEGIC DEFENSE EFFORTS. I THINK IT WAS IN THIS CONTEXT THAT YOU HAVE TO LOOK AT BOB GATES' NOVEMBER 1986 SPEECH, IN WHICH HE REITERATED THE SOVIET EFFORTS AND NOTED THE SOVIET DESIRE TO KILL THE US PROGRAM, IN PART BECAUSE THEY MAY HAVE BELIEVED WE COULD ACCOMPLISH THE GOALS OF THE PROGRAM. GIVING SUCH A SPEECH, I BELIEVE, IS A LEGITIMATE ROLE FOR A SENIOR INTELLIGENCE OFFICER IN SUPPORT OF US POLICY, SO LONG AS THE INTELLIGENCE IS NOT SKEWED AND SOURCES AND METHODS ARE NOT COMPROMISED.

MY OWN ROLE IN THE PREPARATION OF THE SPEECH WAS PRIMARILY AS A REVIEWER, ALTHOUGH I HAD SPOKEN WITH BOB MANY TIMES ABOUT THE ISSUES REFLECTED IN THE SPEECH. I RECEIVED A DRAFT OF THE SPEECH ABOUT TWO WEEKS PRIOR TO ITS DELIVERY. IT WAS CUSTOMARY FOR NATIONAL INTELLIGENCE OFFICERS AND OTHER SENIOR OFFICERS TO SEE COPIES OF DRAFTS OF SPEECHES THAT HAD MATERIAL IN OUR AREA, IN ORDER TO MAKE SURE IT WAS UNCLASSIFIED AND TO PROVIDE ADVICE ON THE CONTENT OF THE SPEECH. MY INPUTS, WHICH HE MOSTLY ACCEPTED, WERE OF THAT TYPE. IN SOME CASES I SUGGESTED THAT THE WORDING BE MODIFIED TO CONFORM PRECISELY TO THE UNCLASSIFIED TESTIMONY THAT HE AND I HAD GIVEN IN 1985, OR THAT SOME UNCLASSIFIED JUDGMENTS BE UPDATED. IN OTHER CASES I MADE TECHNICAL FIXES, TO MAKE SURE THAT THE MATERIAL WAS CONSISTENT WITH OUR CLASSIFIED JUDGMENTS. I WAS SUPPORTIVE OF HIS STATEMENTS, AND GAVE HIM SOME SUGGESTIONS, ON THE IDEAS THAT THE SOVIETS WERE SEEKING TO PRESERVE AN ADVANTAGE IN STRATEGIC DEFENSES, AND THAT THE SOVIETS WERE FEARFUL THAT WE COULD ACHIEVE THE GOALS OF THE SDI PROGRAM.

IN SUMMARY, THE SPEECH ACCURATELY REFLECTED OUR INTELLIGENCE ANALYSIS AND JUDGMENTS AT THE TIME, AS WELL AS BEING FULLY CONSISTENT WITH THE OTHER UNCLASSIFIED MATERIAL AVAILABLE. IT WAS BASED ON THE CLASSIFIED INFORMATION WE HAD ALREADY PUBLISHED IN THE INTELLIGENCE COMMUNITY AND WHAT HAD ALREADY BEEN PUBLISHED AS UNCLASSIFIED. IT WAS MOST ASSUREDLY NOT A DRIVER OF OUR INTELLIGENCE JUDGMENTS, NOR DID IT AFFECT OUR JUDGMENTS IN SUBSEQUENT CLASSIFIED PUBLICATIONS. RATHER, ANY CHANGES IN OUR CLASSIFIED JUDGMENTS IN 1987, 1988 AND BEYOND WERE BASED ON NEW EVIDENCE AND ANALYSIS.

THE CIA ASSISTS OTHER U.S GOVERNMENT AGENCIES IN THE PUBLICATION OF UNCLASSIFIED INTELLIGENCE INFORMATION ON VARIOUS SUBJECTS, INCLUDING SOVIET MILITARY ISSUES. I THINK IT WAS ENTIRELY APPROPRIATE IN 1985, THEREFORE, FOR THE CIA TO PREPARE THE WHITE PAPER ON SOVIET DIRECTED ENERGY PROGRAMS, JUST AS I THINK IT HAS BEEN APPROPRIATE OVER THE YEARS TO PARTICIPATE IN THE PREPARATION OF THE PENTAGON'S SOVIET MILITARY POWER PUBLICATION AND TO BE FORWARD LEANING IN PROVIDING A NEW UNCLASSIFIED WRITEUP FOR IT ON SOME IMPORTANT ISSUE. OUR KEY CONCERNS ARE TO MAKE SURE THAT INTELLIGENCE SOURCES AND METHODS ARE PROTECTED, AND TO MAKE SURE THAT THE MATERIAL IS AS ACCURATE AND CONSISTENT WITH OUR CLASSIFIED JUDGMENTS AS POSSIBLE. WE HAVE WORKED HARD AT THIS, AND I BELIEVE WE HAVE BEEN SUCCESSFUL.

YOU ALSO ASKED FOR MY PERSPECTIVE ON THE MAY 12, 1987 MEMORANDUM FROM RICHARD KERR, THEN THE DEPUTY DIRECTOR FOR INTELLIGENCE, TO THE CHAIRMAN OF THE NATIONAL INTELLIGENCE COUNCIL ON "THE INTEGRITY AND OBJECTIVITY OF NATIONAL FOREIGN INTELLIGENCE ESTIMATES". HAVING BEEN A NATIONAL INTELLIGENCE OFFICER FOR TEN YEARS, I FEEL QUALIFIED TO JUDGE THAT THE PROCESS OF PRODUCING NATIONAL INTELLIGENCE ESTIMATES HAS BEEN CARRIED OUT WITH VERY HIGH INTEGRITY AND OBJECTIVITY ON THE PART OF THE NATIONAL INTELLIGENCE OFFICERS, THE CHAIRMAN OF THE NATIONAL INTELLIGENCE COUNCIL, AND THE DCI AND DDCL. THERE ARE ALWAYS IMPROVEMENTS THAT CAN BE MADE IN HOW THIS PROCESS WORKS AND IN THE QUALITY AND UTILITY OF OUR WORK. THE MEMO PROVIDES VARIOUS SUGGESTIONS FOR HOW THIS CAN BE DONE, SOME OF WHICH I AGREE WITH, SOME WITH WHICH I DIFFER. FOR EXAMPLE, I DISAGREE WITH THE MEMO ON THE SPECIFIC RECOMMENDATIONS REGARDING THE ROLE OF A NATIONAL INTELLIGENCE OFFICER.

IN THE LAST SEVERAL YEARS WE HAVE TAKEN A NUMBER OF STEPS TO IMPROVE OUR PROCESS AND THE PRODUCTS. WE HAVE CREATED NEW TYPES OF PUBLICATIONS IN AN EFFORT TO BE MORE RESPONSIVE TO THE IMMEDIATE NEEDS OF POLICYMAKERS.

WE HAVE ALWAYS STRESSED THE IMPORTANCE OF REPRESENTING MULTIPLE VIEWS IN THE ESTIMATES, AND NOT STIFLING DISSENT. THOSE OF YOU WHO ARE FAMILIAR WITH MY WORK, AND THAT OF OTHER NATIONAL INTELLIGENCE OFFICERS, KNOW HOW CONSCIENTIOUS WE ARE IN REPRESENTING ALTERNATIVE VIEWS IN OUR WRITTEN PRODUCTS AS WELL AS OUR BRIEFINGS. I SHOULD NOTE THAT AGENCIES ARE SOMETIMES UNWILLING TO EXPRESS THEIR OWN ALTERNATIVE VIEWS, FOR WHATEVER REASONS. THUS, WE OFTEN HAVE TO ENCOURAGE THE FORMULATION OF ALTERNATIVE VIEWS, WHEN WE BECOME AWARE OF DIFFERENCES ON SOME KEY ISSUES THAT ARE IMPORTANT ENOUGH TO BOTHER THE POLICYMAKERS WITH. WE TRY TO HELP THOSE AGENCIES EXPRESS THEIR VIEWS IN A WAY THAT IS USEFUL TO THE POLICY PROCESS AND SO THAT THE READER UNDERSTANDS THE DIFFERENCES AND THE REASONS FOR THEM.

THE EFFORTS BY THE NATIONAL INTELLIGENCE OFFICER TO DEAL WITH VIEWS AND CONCLUSIONS FOR WHICH THERE IS NOT FULL AGREEMENT WITHIN THE INTELLIGENCE COMMUNITY REQUIRE HIS BEST JUDGMENT; IT IS A VERY IMPORTANT ROLE. THAT IS WHAT WE ARE PAID TO DO, RATHER THAN TO JUST SIMPLY STAPLE IT ALL TOGETHER. AS NOTED IN THE MEMO, WE ALWAYS NEED TO WORK HARD TO MAKE SURE THAT NO AGENCY'S VIEWS ARE SUBMERGED OR GLOSSED OVER BY REACHING SLOPPY OR AMBIGUOUS JUDGMENTS THAT PEOPLE CAN LIVE WITH.

THE LAST ISSUE YOU ASKED ME TO ADDRESS WAS MY PERSPECTIVE ON THE OVERALL ATMOSPHERE WITHIN THE DIRECTORATE OF INTELLIGENCE DURING THE YEARS BOB GATES OCCUPIED SENIOR LEADERSHIP POSITIONS AT CIA.

IN MY VIEW, THE MORALE AND ESPRIT DE CORPS WERE EXCELLENT AMONG THOSE ANALYSTS WORKING ON SOVIET STRATEGIC FORCES. (I HAVE INSUFFICIENT PERSPECTIVE ON THE MORALE OF ANALYSTS WORKING OTHER AREAS.) WE WERE ADDRESSING SOME VERY EXCITING ISSUES IN THE 1980S, INCLUDING A ROBUST SOVIET STRATEGIC FORCE PROGRAM, INTENSE NEGOTIATIONS WITH THE SOVIETS IN ARMS CONTROL, AND MAJOR US WEAPONS ACQUISITION PROGRAMS FOR WHICH INTELLIGENCE INPUTS WERE OF CRITICAL IMPORTANCE. THE ANALYSTS HAD EXTRAORDINARY ACCESS TO US POLICYMAKERS, PROVIDING FREQUENT INPUTS IN BOTH WRITTEN AND VERBAL FORM. AS I NOTED EARLIER, THESE CONTACTS WERE STRONGLY ENCOURAGED BY BOB GATES AND WERE A MAJOR CONTRIBUTION TO CHANGES IN THE WAY WE DID OUR WORK.

THE FLIP SIDE OF THIS WAS THAT THE JUDGMENTS REACHED BY THE ANALYSTS WERE SCRUTINIZED CAREFULLY, BECAUSE THE ISSUES WERE SO IMPORTANT AND OUR PRODUCTS WERE TAKEN SO SERIOUSLY BY THOSE TO WHOM WE DELIVERED THEM. BOB GATES, AND THOSE BELOW HIM IN THE CHAIN, REVIEWED THE WORK OF ANALYSTS CAREFULLY AND ASKED TOUGH QUESTIONS. BOB OFTEN ASKED FOR THE JUDGMENTS TO BE BETTER SUPPORTED BY EVIDENCE, OR TO MAKE A CLEAR DISTINCTION BETWEEN THOSE JUDGMENTS FOR WHICH WE HAD SUPPORTING EVIDENCE, AND THOSE THAT WERE BASED MORE ON INFERENCE OR BELIEF. IN THE STRATEGIC FORCES AREA, THESE DISTINCTIONS COULD GENERALLY BE MADE FAIRLY EASILY, BECAUSE WE ACQUIRED A GREAT DEAL OF HARD EVIDENCE. I DO NOT THINK THAT REQUESTS SUCH AS THESE CAUSED GREAT DIFFICULTY, AND I THINK IT MADE FOR BETTER ANALYSIS AND MORE CREDIBLE JUDGMENTS.

REGARDLESS, IT WAS BOTH PROPER AND ESSENTIAL THAT ANY REPORT GOING OUT AS A PRODUCT OF THE DIRECTORATE OF INTELLIGENCE BE CLEAR AS TO WHAT ASSUMPTIONS OR EVIDENCE WERE USED IN REACHING THE CONCLUSIONS. IF AN ANALYST OR HIS OFFICE CANNOT SUPPORT THE JUDGMENTS ADEQUATELY IN THIS WAY, THEN I THINK THERE IS A SERIOUS QUESTION AS TO THE WISDOM OF PUBLISHING THE REPORT. I THINK SOME OF THE ISSUES THAT YOU HAVE HEARD ABOUT, NOT IN MY AREA BUT IN OTHERS, FALL INTO THIS CATEGORY. SOME PEOPLE MAY SAY THIS IS INTERFERING WITH THE RIGHT OF THE ANALYST TO MAKE THEIR VIEWS KNOWN. I DO NOT AGREE. I THINK IT IS A MATTER OF IMPOSING HIGHER STANDARDS ON THE ANALYSIS AND THE PRODUCT. ANALYSTS ALL GROUSE ABOUT HAVING TO RESPOND TO THE COMMENTS OF REVIEWERS--I KNOW I DO--INCLUDING THOSE UP THE CHAIN. BUT WE MUST ALL RECOGNIZE THE NEED TO PROVIDE A CONVINCING ARGUMENT TO JUSTIFY OUR JUDGMENTS. THESE JUDGMENTS ARE IMPORTANT.

IN CONCLUSION, I BELIEVE THAT BOB GATES' EMPHASIS ON SUBSTANTIVE CREDIBILITY AND QUALITY WAS ONE OF HIS KEY CONTRIBUTIONS TO THE ANALYTIC PROCESS IN THE INTELLIGENCE COMMUNITY. I AM NOT AWARE OF ANY PERSONNEL OR MORALE ISSUES ASSOCIATED WITH ANALYSTS IN THE SOVIET STRATEGIC FORCES ARENA THAT CAN CREDIBLY BE ATTRIBUTED TO MR. GATES OR THE STANDARDS HE IMPOSED ON THE ANALYTIC PROCESS.

Chairman BOREN. Thank you, Mr. Gershwin. We appreciate your testimony very much.

I was endeavoring to talk with other members of the committee about our schedule, considering the fact that we have gone on a lot longer today than we had anticipated. Ms. Glaudemans, this does not in any way indicate how long you should take. You should take as long as you need to give all the information that you would like to give.

We had intended to finish about 5:00 p.m. because there were members who have problems if we went beyond 5:00 p.m. We will try to finish by 6:00 p.m. How much time do you think your statement will take? We will not hold you to it at all, but a ballpark estimate?

Ms. GLAUDEMANS. It won't be much different than what I said in closed session.

Chairman BOREN. So about 20 or 25 minutes?

[Ms. Glaudemans nods in the affirmative.]

Chairman BOREN. Well, I would suggest—Senator Rudman.

Senator RUDMAN. I do not mean to interrupt the chairman.

Chairman BOREN. Please go ahead.

Senator RUDMAN. Mr. Chairman, I was just thinking that we have heard some very interesting testimony today.

I think one of the most important pieces of testimony is from Mr. MacEachin who is here. He personally witnessed much of what has been talked about and who is still in an important position in the agency. I think to go ahead with him at 5:15 p.m. or 5:20 p.m. and go on till 6:20 p.m. or 6:30 p.m. makes no sense at all. I would very much like to hear this next witness and then let Mr. MacEachin come in and start out tomorrow morning, or whatever time the chairman wants, and then go the questioning.

Now, I will tell you that I think. I do not know about anybody else on this panel, but I have absorbed about as much of this as I can today—I have reviewed, and I am sure others have more capacity, but I have reviewed—the Vice Chairman is nodding, I notice. [Laughter.]

Chairman BOREN. Members of the press would like to stay till midnight. They impress me.

Senator RUDMAN. But I have reviewed Mr. MacEachin's testimony, and it is pretty complex, as was Mr. Goodman's and the others we have just heard. I would hope, Mr. Chairman, that we could hear a final witness of the panel tomorrow, then bring the whole panel up and see if we can get through our examination by the members. I expect that is possible. Then the chairman will have to decide where to go from there.

Mr. BRADLEY. Mr. Chairman.

Chairman BOREN. Senator Bradley.

Senator BRADLEY. If I could, is the proceeding still open to additional witnesses?

Chairman BOREN. Yes.

Senator BRADLEY. I think that a number have come to light, particularly after the testimony, that we might hear. There might be other people that

Chairman BOREN. There may be. I know at least of a couple of people who have come forward, one on one side and one on the other.

I think it will be a matter for us to consult among the members in looking at what those individuals might have to say and determine whether or not we will actually need to call them as witnesses or whether we might like to ask them to put their written testimony into sworn form. It is one thing to accept testimony that is unsworn. It is another matter to have sworn testimony and to see if we want to have additional time for some other witnesses.

As I was not able to be at the caucus today, has the decision been made on the recess next week?

Senator METZENBAUM. The last I heard, Mr. Chairman, was that we would vote Tuesday afternoon and recess then.

Chairman BOREN. So we would be in Monday and Tuesday?

Senator METZENBAUM. We would be in session Monday and Tuesday.

Senator MURKOWSKI. Mr. Chairman.

Senator METZENBAUM. I am not sure that is the final word, but that is what I heard.

Senator MURKOWSKI. I am not sure that is the final word. For those of us who have to travel a day back to our State and a day back, the Tuesday or even Wednesday is very inconvenient, and put a tremendous personal sacrifice on Members who live on the West Coast, Hawaii, and other areas, and there has been objection to our leadership relative to that proposal, because it is our understanding that the Thomas nomination does ripen sometime Friday or Saturday at the latest.

Senator BRADLEY. Does what?

Senator MURKOWSKI. It ripens, all right. You have heard of that.

Senator CRANSTON. Mr. Chairman.

Senator MURKOWSKI. There are 48 hours—

Chairman BOREN. We have enough problems in this committee without discussing the Thomas nomination on this panel as well. [General laughter.]

Senator MURKOWSKI. I would like to finish my statement, Mr. Chairman. A 48-hour period expires for the benefit of those who don't smell very well, and I apologize, gentlemen. But I am—and there are several of us who are quite provoked at the suggestion that we come back in when indeed we could vote on that nomination either Friday or Saturday. So obviously, I am not aware of what the final resolve is, but I did want to make it known to put that kind of additional burden, when obviously it can be disposed of, does strike the ire of some of us.

Senator METZENBAUM. I would like to say to my colleague and friend that I think the issue is being pressed by those of the leadership on your side, and I think that there is no question that there are a number of people who wish to be heard in connection with Judge Thomas. My own view is that it could very well be put off to the following Tuesday, when we come back normally—that is, 2 weeks from today. The world will not come to an end if Mr. Thomas were not confirmed for a few more days.

Senator MURKOWSKI. Well, my friend from Ohio has a point. But by the same token, some of us plan events, make certain commit-

ments in our home state, and then are presented with the requirement of suddenly returning to Washington. As I think my friend from Ohio knows, we could start on that nomination upon unanimous consent agreement today, but clearly we are unable to get that, so that 48-hour ripening period I referred to evidently has to go on. That is the right of the Senator from Ohio or any other Senator, but I think it is appropriate that those of us who are inconvenienced rather dramatically at least be heard on it, and I think I have been heard on it.

Chairman BOREN. The Chair has learned its lesson. The Chair should know better than to ask a question about the schedule of the Senate.

Ms. Glaudemans, if you would come on up, we are going to turn to you. I would suggest we do this. Ms. Glaudemans' testimony will run until some time about 5:15 p.m. or so. Since some Members did not want to go past 5:00 p.m. and some Members did not want to start quite as early as 9:30 a.m., we will conclude tonight with the testimony of Ms. Glaudemans.

We will commence in the morning at 9:45 a.m. with the testimony of Mr. MacEachin followed immediately thereafter by the panel all being present for questions by Members. I do want to indicate that it is still possible that we may go into the evening tomorrow in closed session.

If the Senate is not in session, we will reevaluate, but if we are going to be here anyway, we may well have what I am told will be a relatively brief closed session to receive the matter we had discussed earlier. That is the report on any particular mention of Members of Congress or staffs in any kind of intelligence collection, inadvertent or otherwise, that might have affected Members of Congress or Congressional staff.

Then we will discuss among ourselves whether or not there are any additional witnesses. It would be my plan that if the Senate continues over into Friday or Saturday, we will complete the hearings this week. If there are one or two other witnesses that we will want to hear, we will look at that. Then we will have Mr. Gates back in both closed and open session if as Members indicate to me there are classified questions they wish to ask him. If not, we will go immediately into open session and we will then conclude the hearings sometime this week with Mr. Gates being the final witness. So that is an update on how we will proceed.

Let me say also I have been asked by our six witnesses if there are any strictures on them talking with the media or anyone else at this point. As far as the Chair is concerned, there are not any strictures at this point in time. We simply had asked that we not have discussion of what was heard in closed session until we had an opportunity, being fair to all sides concerned, to commence our open testimony.

So as far as I am concerned, that period of time has passed. I had been asked by some of the witnesses, and some of the members of the media as well. I think since we are in open session and we have heard some of our witnesses already, certainly there should be no constraints left on any of them to discuss whatever they would like to discuss. It does not seem to me that there should be any

questions and answer them, but they are certainly free to do so and be in good faith as far as the Chair is concerned.

Ms. Glaudemans, if you would, please come forward at this time.

Senator BRADLEY. Mr. Chairman.

Chairman BOREN. Senator Bradley.

Senator BRADLEY. You have gone, I think, to great lengths to make sure that all the presentations are balanced, one pro, one con.

Chairman BOREN. Yes.

Senator BRADLEY. I think that that is the fair way to do it. I am wondering if we conclude with Ms. Glaudemans tonight and then tomorrow we open with a pro as opposed to a con, since we were supposed to end at 5:00 p.m. anyway—

Chairman BOREN. Would you prefer to have Ms. Glaudemans come tomorrow, if she can?

Senator BRADLEY. I think it might be in balance.

Chairman BOREN. Ms. Glaudemans, you know the Chair does not show any preferential basis, but I would indicate that this witness does have Oklahoma roots, and beyond that, Cherokee roots as well, which cause the Chair to tilt slightly toward accommodating this witness' schedule. So let me ask you, Ms. Glaudemans, does it matter to you?

Ms. GLAUDEMANS. No, it does not.

Senator BOREN. Well, I think, then, that being the case, and since we have now discussed the schedule for almost as long as Ms. Glaudemans' testimony would have taken, we will stand in recess and begin with Ms. Glaudemans in the morning at 9:45 a.m. We will then have Mr. MacEachin's testimony, and we will then go into questions from the Committee for the remainder of at least the daylight hours tomorrow.

[Whereupon, at 4:55 p.m., the Committee was recessed, to reconvene at 9:45 a.m., Wednesday, October 2, 1991.]

NOMINATION OF ROBERT M. GATES TO BE DIRECTOR OF CENTRAL INTELLIGENCE

WEDNESDAY, OCTOBER 2, 1991

U.S. SENATE,
SELECT COMMITTEE ON INTELLIGENCE,
Washington, DC.

MORNING SESSION

The Select Committee met, pursuant to notice, at 9:55 o'clock a.m., in room SH-216, Hart Senate Office Building, the Honorable David L. Boren (Chairman of the Committee) presiding.

Present: Senators Boren, Nunn, Hollings, Bradley, Cranston, DeConcini, Metzenbaum, Murkowski, Warner, D'Amato, Danforth, Rudman, Gorton and Chafee.

Also Present: George Tenet, Staff Director; John Moseman, Minority Staff Director; Britt Snider, Chief Counsel; and Kathleen McGhee, Chief Clerk.

Chairman BOREN. The hearings will resume. I have a couple of announcements this morning, and a brief opening comment before we begin with our first witness. We appreciate the witnesses being so understanding in terms of changing their schedules to be with us. We had intended to finish all the opening statements yesterday but the schedule of votes on the Senate Floor conspired against us. I am happy to say that the schedule on the Senate Floor today should cooperate with us because the votes for today will be stacked beginning at 4:00 o'clock this afternoon.

It would be my plan to go this morning until approximately 12:45 and return at approximately 2:15. We will then go until the votes start at 4:00 o'clock when there will be four back to back votes. There are some other meetings going on between 5:00 and 6:00, so my plan would then be for us to return at 7:30 either in open or closed session depending upon whether or not we have finished the questioning of these witnesses in open session. If we have any additional questions on classified matters for the witnesses, we will then proceed to closed session. Then we will have our closed session on the question of intelligence that might have been collected about Members of Congress or their staff that had been mentioned. Comments have been mentioned in open hearing but we have to consider this issue because of its classified nature in closed session.

So that will be the schedule today. We will break from approximately 12:45 to 2:15, and then we will be forced to break again about 4:00 o'clock. We should not have other interruptions on the Floor today.