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Series D: International Relations Activities. 1961-1992

Box 62, Folder 3, Iran-Contra, 1986.

*Harry Milkman*

Date: December 26, 1986

To: MHT, DH, GG, SN

From: Harry Milkman

Subject: Israel and the Iran-Contra  
affair (II)

As a follow-up to my previous memo on this subject, I call your attention to the attached article from December 3rd's Jerusalem Post.

Israeli leaders remain confident that Congressional investigations will bear out their version of the flow of funds from Iran to the Contras.



The American Jewish  
Committee

Institute of Human Relations, 165 East 56 Street, New York, NY 10022-2746 • 212 751-4000

# North said to have briefed Nir on funds for Contras

By WOLF BLITZER  
Jerusalem Post Correspondent

WASHINGTON. — Lt. Col. Oliver North, the dismissed National Security Council operative, reportedly told U.S. Justice Department investigators 10 days ago that he had fully briefed Amiram Nir, an adviser to former premier Peres, on the secret funding of the Nicaraguan Contras.

Authoritative U.S. officials yesterday said that North named Nir, Peres's adviser on counterterrorism, as his direct contact in the Israeli government. North said that Nir was told that one secret Swiss bank account in which Israel deposited money from the Iran arms shipments was controlled by the Contras.

North's comments, made last week during extensive questioning by senior Justice Department officials, including Attorney-General Edwin Meese, contradict Israel's assertions that it was unaware of the Contras link with the Iran arms shipments.

U.S. officials yesterday said they assumed that Nir had told his superiors in the Prime Minister's Office about the Contras link.

By HIRSH GOODMAN

Israeli officials have emphatically denied any prior knowledge of the transfer of funds to the Contras.

*The Jerusalem Post* has been assured by the highest possible sources that Israel "learned of the transfer of the funds to the Contras just hours before the news was made public by Attorney General Meese."

Two principals involved in the planning and execution of the Iranian arms deal on behalf of the U.S. said they were "horrified" by the news of the secret funding.

"If you think that Israel would have jeopardized its excellent relations with the Congress by being party to a deal that was intended to circumvent it, then you have a very shallow grasp of international relations," *The Post* was told.

*The Post* has further been assured by the same sources that Israeli ministers aware of the details of the Iranian arms transfer are satisfied that the prime minister's adviser on terror, Amiram Nir, knew nothing about the Contras connection. They expressed full confidence in Nir's abilities and integrity, and "welcomed any American investigation that would help clarify the issues, if the Americans desire such an investigation."

"We have absolutely nothing to hide. In fact," *The Post* was told, "we viewed our role as an... expression of the strategic accords that bind Israel and the U.S. and assumed, and continued to assume, that we were acting on behalf of the president of the United States. Relevant top-echelon American officials were full partners in the evolution of the deal, and were duly briefed on all aspects of it," *The Post* was told.

After an emergency meeting last week, Prime Minister Shamir, Foreign Minister Peres and Defence Minister Rabin issued a statement denying any knowledge of the secret funding of the Contras. Rabin forcefully restated that denial in the Knesset yesterday.

North invoked his constitutional

protection against self-incrimination during testimony before a Senate committee, congressional sources confirmed yesterday.

Congressional sources confirmed that North took the Fifth Amendment to the U.S. Constitution, which gives citizens the right to refuse to give testimony that would

harm their own cases, during his appearance before the Senate Intelligence Committee.

One source told the Associated Press that North invoked the Fifth Amendment at least 40 times. Another source said he declined to answer a number of questions put to him by the committee.

North, who had worked very closely with Nir since last December, is said to have told U.S. investigators that other "unofficial" Israelis, including arms dealers Al Schwimmer and Ya'acov Nimrodi, personally profited from various weapons sales to Iran.

Other private arms dealers, including ret. U.S. General Richard Secord and Saudi billionaire Adnan Khashoggi, also reportedly took "huge" commissions as part of the various arms transactions with Iran, according to North's testimony.

Last week, House Majority Leader Jim Wright (D. - Texas) described how the money involved in one typical U.S.-Israeli arms deal with Iran was disbursed.

Following a secret intelligence briefing, Wright said the U.S. first provided Israel with \$3 million worth of American weapons, which Israel then sold to Iran for \$19m. After returning the original \$3m. to the U.S. Treasury via a secret CIA bank  
(Continued on Page 2, Col. 2)

Hebrew University of Jerusalem on Tuesday. He toured the Mt. Scopus campus and met with Rector and Acting President Prof. Amnon Pazy.

At today's Jerusalem Rotary Club meeting in the YMCA at 1 p.m., Prof. R. Feuerstein (Director, Hadassah/Wizo Canada Research Institute) will talk on "Programmes of Intelligence Enrichment."

### ARRIVALS

Dr. Samuel I. Cohen, executive vice-president, J.N.F. of America, and Mr. Menachem Jacobi, chairman of national projects, J.N.F. of America, members of the Chairman's Mission, for a meeting at Keren Kayemeth LeIsrael.

Mrs. Irene Kreitman, England, guest of Ben-Gurion University of the Negev, to participate in the Ben-Gurion centennial celebrations.

## Peres pledges 'Nakash law' minister veto

By MENACHEM SHALEV  
Jerusalem Post Reporter

Labour Party ministers will vote against the proposed amendment to the Penal Code known as the "Nakash law." Foreign Minister Peres said on Monday night.

At its next meeting, the cabinet is scheduled to hear Communications Minister Amnon Rubinstein's appeal against a 3-2 Ministerial Legislation Committee decision to approve the amendment and send it to the Knesset for a first reading.

In a meeting on Monday night with Justice Minister Avraham Sharir, Peres said that the proposed amendment would turn Israel into a haven for criminals from around the world. He also told Sharir that it was inconceivable that Israeli laws should be changed just to solve the predicament of one man.

Sharir reiterated his intention to proceed with passage of the law which would allow William Nakash, who is wanted by French authorities on charges of murder, to serve out his prison term in Israel.

**LOTTO.** - In yesterday's drawing of the national lottery, the following numbers were picked: 14, 16, 17, 21, 31, 40, and the additional number, 11.

account in Switzerland, Israel then deposited \$12m. in the Contras secret Swiss bank account. The remaining \$4m. was divided among the various private arms agents involved in the deal.

Other U.S. officials said that Israel "routinely" marked up the price of U.S. weapons to Iran by as much as 500 per cent. Iran, desperate for spare parts, was often willing to pay those kinds of premiums.

In an interview with *Time* magazine this week, President Reagan said that he had been told by Meese that a third country had been involved in funnelling profits from the sales to the Contras.

"Another country was facilitating those sales of weapons systems," Reagan said, without mentioning Israel by name. "They then were overcharging and were apparently putting the money into bank accounts of the leaders of the Contras. It wasn't us funnelling the money to them. It was another country."

In first disclosing the Contras connection last week, Meese had distinguished between Israeli "representatives" and Israeli "officials". But while Schwimmer and Nimrodi could technically be seen as "private" Israeli citizens who happened to have close ties with the government, Nir was without doubt a high official.

Starting last December, Nir served as the chief liaison on the Iran arms deals with North. Nir, in fact, joined North and former U.S. national security adviser Robert McFarlane on a secret trip to Teheran last May.

Meese yesterday refused to revise any of the remarks he made last week. "My statements a week ago stand for themselves," he said at a Justice Department briefing.

There have been reports that Peres telephoned both Meese and Secretary of State George Shultz last week before issuing the Israeli denial of involvement in the Contras funding operation. But the Americans, in private comments, are not backing away from their deeply held suspicions that various Israeli officials knew of the scheme.

"It's all going to come out in the course of the investigation," one U.S. official said yesterday.

The repeated U.S. allegations of direct Israeli involvement in the Contras funding scheme were based in large measure on what North had told his Justice Department interrogators. "We have no reason to believe that North was lying about the Israeli role," one U.S. official said.

...tion, wear latest ward fashions, by Pierre C

## MKs won't go for at least four

By DVORAH GETZLER

Knesset members' salaries will continue at their present level for at least another two weeks, pending the deliberations of a sub-committee of the House Committee and despite the recommendations of a committee headed by former state comptroller Yitzhak Nebenzahl.

Meeting yesterday, the House Committee, which invited the press to attend, decided that it would accept the Nebenzahl report, but would also set up a sub-committee to go into details of how the report is to be implemented.

Among the issues in the Nebenzahl report on MK's salaries to which members of the committee took exception were those relating to car allowances, and the vexed question of MKs who earn income in addition to their salaries as MKs.

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But althoug of the Neber sed that the money to in voting - which some criticis attend the K committee e themselves se absenteeism.

## TV blacked out again talks to start today

By GREER FAY CASHMAN  
Jerusalem Post Reporter

Israel Television was off the air for the second night in a row and there are grave doubts as to whether broadcasts will resume tonight. Management and staff blamed each other for the blackout.

Negotiations between the parties on new work conditions and wage agreements are scheduled to begin this morning, and are to continue whether there are broadcasts or not.

Meanwhile, the Shitrit Commission appointed last February by Education Minister Yitzhak Navon

to formulate a Broadcasting A completed its headed by Prof the Hebrew Uni ty, has proposed sure - to be in only - which would ITV workers d broadcasts.

The Commu yesterday decide broadcasts of the two hours while blacked out. View channel 22 will be instead of 7-9 p.

## Pickering abandons Gaza Strip tour

U.S. Ambassador Thomas Pickering abruptly called off his tour of Jewish settlements in Gaza yesterday, after spotting a group of journalists who insisted on their right to accompany him.

The ambassador was a guest of OC Southern Command Aluf Yit-

zhak Mordechai gional Council Rosenblatt. He ar Dekalim settlement but once he saw t fused to continue t Rosenblatt admi invited the journali

In great sorrow  
we announce the passing of our beloved

KURT (

We are thankful  
The funeral will

Memorandum

Date: December 26, 1986

To: Marc Tanenbaum

From: Harry Milkman

Subject: Israel and the Iran-Contra affair

Attached please find an abstract of major U.S. press coverage of Israeli involvement in the Iran-Contra affair, as reported in Time, Newsweek, U.S. News & World Report, The New York Times, The Washington Post, The Wall Street Journal, The Christian Science Monitor, The Los Angeles Times and The Chicago Tribune during the period of peak attention on Israel (Nov. 16-Dec. 8). This report was prepared with the assistance of DIALOG computer databases.

The conclusions to be drawn from these reports are as follows:

1. Israel's first shipment of arms to Iran on behalf of the U.S. -- as opposed to deals brokered by private Israeli arms merchants since 1979 -- occurred in September 1985. Israeli officials claim that Robert McFarlane authorized this shipment on behalf of President Reagan during a meeting with David Kimche. Reagan's aides now claim that Reagan never authorized the sale, but kept silent in order not to jeopardize the safety of the hostages. The release of American hostages Benjamin Weir and Lawrence Jenco followed the second and fourth Israeli shipments, respectively.
2. U.S. Attorney General Edwin Meese claims that Israel received an excessive payment for the arms from the Iranians. The Pentagon, via the CIA, was paid the cost of the arms, while the excess was deposited in a Swiss bank account maintained by the contras, according to Meese. I believe that this explanation was concocted in collaboration with CIA Director William Casey (see the lines I have emphasized on page 9). During the week of Meese's announcement, both Time and Newsweek published diagrams implicating Israel in apparent -- if not deliberate -- support of Meese's version.
3. Israeli officials insist that they never handled Iranian payments, but that deposits were made by Adnan Khashoggi and Manucher Gorbaniifar directly into a Swiss bank account maintained by the CIA (not the contras). In a closed Congressional hearing, William Casey testified that the CIA set up a "sanitized Swiss bank account to receive money from the Iranian sale" (see p. 9). It has since been disclosed that this CIA account was also used to fund the Afghan mujahedin and the Angolan rebels.
4. The Israelis categorically deny providing the Nicaraguan contras with funds or arms. However, there have been a number of press reports that they have done both on behalf of the Administration (see pp. 4 and 10). According to these reports, Israel has shipped Israeli-made arms and weapons captured from the PLO in Lebanon to Honduras for eventual use by the contras. When confronted with these allegations, Israeli officials either deny them outright or say that the arms were intended for the Honduran armed forces.

## Piecing together Israel's role in the Iran-Contra affair

(A summary of major US press coverage during the peak period of attention on Israel)

Time, Dec. 8

p. 18, President Reagan, quoted in an interview: "Another country was facilitating those sales of weapons systems. They then were overcharging and were apparently putting the money into bank accounts of the leaders of the contras. It wasn't us funneling money to them. This was another country."

p. 28: "From many strands, a tangled web" by Jacob Lamar

"...The Attorney General [Meese] claimed that Israeli middlemen had put the slush funds directly into the contra account. 'No American,' he said, 'handled any of the funds that went to forces in Central America.'"

p. 29, diagram, suggests that Israel deposited Iranian payments to the Swiss account

p. 30, quote below photo of Yitzhak Shamir: "The payment was transferred by an Iranian representative directly to a Swiss bank, according to American instructions."

Newsweek, Dec. 8, p. 50: "The Israeli connection; arms, cash and deceit" by Milan Kubic

"...The U.S.-Iran connection emerged after David Kimche, a senior civil servant in the Israeli Foreign Ministry, and Jacob Nimrodi, a former Israeli military attache in Teheran who is now a major arms dealer, concluded that Israel could help the United States free the hostages in Lebanon by bringing Washington together with relatively moderate elements in Teheran. With the approval of the then Prime Minister Shimon Peres, Kimche discussed the arms-for-hostages deal with Robert McFarlane, then national-security adviser. The dominant consideration, Israeli sources say, was to repay the Reagan administration, which had just pulled Israel from the economic brink with an emergency grant of \$750 million. The sources add, however, that Jerusalem also hoped the United States would turn a blind eye toward Israel's other, unauthorized sales of arms to Iran.

"After getting White House approval, Kimche and Nimrodi, together with Al Schwimmer, the founder of Israel Aircraft Industries, contacted Iranian authorities with Saudi billionaire Adnan Khashoggi reportedly serving as an intermediary. According to informed sources, the Israelis insisted that the arms be paid for with hostages: at one point they returned a \$10 million payment to emphasize that the hostages were the only currency they would accept....

"Israeli officials deny that they diverted any money to the Nicaraguan contras. 'Not a single cent of the funds went through Israel,' Peres insisted. 'The Iranians transferred the money directly [to a Swiss account].'..."

[A diagram on p. 44 suggests that Israel deposited funds received from Iran into the Swiss account, although the accompanying text does not.]

U.S. News & World Report, Dec. 8, p. 27: "Foreign policy, Israeli style; its role in the tangled Iran deal is part of a broad effort to please the U.S. and overcome diplomatic isolation" by Stewart Powell, et. al.

"...Whether or not Israel had a hand in the diversion to the contras, there is little doubt that it has cooperated with the U.S. in Central America. Sources say that, in addition to other projects, the two countries recently worked together to strengthen the military forces of Honduras. There have been many reports since last year that the Israelis secretly funneled millions of dollars to the contras, possibly through Lt. Col Oliver North of the White House staff.

"But as the latest controversy weakened the Reagan Presidency, some in Israel feared it could endanger \$3 billion a year in aid from Washington. 'The biggest concern of most Israelis,' says Joseph Adler of the Jaffee Center for Strategic Studies at Tel Aviv University, 'is that our strategic relationship with the U.S. -- not just the administration but also with Congress -- should not be damaged.

"Yet the danger seemed overstated. Whatever the facts, Ronald Reagan could have little long-term quarrel with Israel if it acted in the belief that it was pursuing U.S. policy. The number of pro-Israel members of Congress, already a majority, was increased in recent elections -- in the Senate, probably by a half-dozen votes.

"...For the hard-pressed Reagan administration, said one GOP leader, 'it's better that Israel was involved than just about anybody else.' That may be true for now -- and probably for the future -- but the special relationship between Washington and Jerusalem may yet get its most severe test so far in the intense glare of the investigation just ahead."

The New York Times, Dec. 7, business section, p. 1: "How Israel's economy got hooked on selling arms abroad" by Tom Friedman

"...The rebel forces in Nicaragua have Israeli-made weapons..."

The New York Times, Dec. 5: "Israel's denials it knew of diversion of arms-sale profits to contras are questioned by U.S. officials" by David Shipler

"Despite Israeli denials, American officials remain firm in their belief that Israel knew about profits from the Iran arms sales being passed on to the Nicaraguan rebels....

"In 1984...after Congress enacted legislation barring United States military aid to the rebels, Israel turned down two requests from the Reagan Administration to convey weapons and provide training and financing, a former American official said.

"The first proposal suggested that Israel provide 'bridging financing' for the contras by sending arms and doing training, the former official recalled. The second suggestion was for Israel to 'launder' American funds, he said.

"In the same year, however, Israel was reported by The Washington Post to have made a secret agreement with the C.I.A. to provide support to the contras in exchange for enhanced intelligence information on the Arab world.

"...Asked why he corrected himself after mentioning 'representatives of the Israeli Government,' Mr. Meese said, 'As best we know, they were representatives of Israel. Whether they were specifically authorized by the Government or not is one of the things I would assume we will find out.

"Later, he seemed to back off a bit, saying negotiations with Iran on pricing the weapons were handled by 'people which we might call "loosely" representing Israel.'"

The Christian Science Monitor, Dec. 4, p. 3: "Iran arms deals not likely to damage US-Israel ties" by George Moffet and Warren Richey

"...Israeli officials are concerned that the Reagan administration may try to make Israel a scapegoat in the affair. But disclosures of the administration's own involvement in the Iran-contra operation and reports that other nations have secretly violated the US arms embargo against Iran are expected to blunt the impact of growing criticism of Israel's role in the covert White House effort...."

The Washington Post, Dec. 3, p. A33: "Shamir denies Israeli role; aide acknowledges Contra aid requests" by Glenn Frankel

"Prime Minister Yitzhak Shamir today told an American visitor to Israel that Israel was approached several times to supply aid to the contra rebels of Nicaragua, but he said the government had 'always refused to do so.'

"...But an Israeli official later confirmed a local press report that Israel's ambassador to the United Nations, Benjamin Netanyahu, had made several attempts to persuade the government to provide aid to the contras....

[Rabin:] "As to the rumors concerning the transfer of money



to rebels fighting the regime of Nicaragua as a result of the Israeli aid to the United States in the transfer of American weapons to Iran, I can do no more than repeat what was declared by the Israeli government: We did not know and we did not do it.

"But Rabin's carefully worded statement appeared to leave several loopholes and did not address some of the reported possible channels of Israeli money and arms to the rebels.

"The Washington Post reported Friday that Israel helped funnel several million dollars to the contras in 1984 at the behest of CIA Director William Casey. That money may have come from previous Israeli arms sales to Iran, sources in Washington said. Rabin's statements did not seem to rule out the possibility that Israel has provided financial aid at some point to the contras."

The Wall Street Journal, Dec. 3, p. 26: "Israel's role in the arms sale to Iran puts it at odds with Reagan, Congress" by Gerald F. Seib

"...U.S. and Israeli versions of the arms-sale story differ on an even more sensitive point: whether Israel funneled arms sales proceeds to Contra rebels in Nicaragua. The Reagan administration asserts that Israel sent profits from the arms sales to Contra bank accounts, while Israeli officials unanimously insist Israel didn't handle any of the money....

"The U.S. version implies that Israel was a leading player in a conspiracy to circumvent the congressional ban on aid to the Contras. The same lawmakers who banned Contra aid must approve billions of dollars in U.S. aid to Israel...."

The New York Times, Dec. 3, p. 11: "Israeli leader [Shamir] rejects hint by Reagan of role in aid to contras" by Tom Friedman

"Prime Minister Yitzhak Shamir today publicly rejected President Reagan's apparent assertion that Israel helped to channel money to the Nicaraguan rebels....This was precisely the kind of exchange Israel had hoped to avoid, but with his country's credibility with Congress and the American public on the line, Mr. Shamir apparently felt that a clear a forthright denial was necessary."

"...According to an unconfirmed report in an Israeli newspaper, Yediot Aharonot, 'millions of dollars that the Khomeini regime paid for arms that it received from the United States and Israel were transferred to private accounts of some of the central religious leaders in Iran.' This was apparently done in the form of kickbacks....'This fact explains the "disappearance" of significant funds from the money the Iranians paid for the arms,' the paper said...."

The Los Angeles Times, Dec. 3: "U.S. set Iran arms prices, Israeli says" by Dan Fisher

"...The Jerusalem Post, quoting 'authoritative U.S. officials,' reported in today's editions that Lt. Col. Oliver L. North, the dismissed National Security Council officer, told U.S. Justice Department investigators 10 days ago that he had fully briefed a top Israeli official on the secret funding of the contras.

"North said he told Amiram Nir, an adviser to then-Prime Minister Shimon Peres and coordinator of the Israeli part of the program, that one secret Swiss bank account in which Israel deposited money from the Iran arms shipments was controlled by the contras, according to the Post's Washington correspondent.

"North's reported comments directly contradict Israel's stand that it was unaware of any contras connection, and they are the main reason for repeated U.S. allegations that Israel was involved in the diversion of Iranian arms money, the newspaper reported.

"In a separate front page article, however, the Post quoted 'the highest possible [Israeli] sources' as assuring it that Israel learned of the transfer of funds to the contras only hours before the news was made public by Meese last week....[Peres] said that allegations of an Israeli connection to the contras are 'a complete lie.'"

The Los Angeles Times, Dec. 1, p. 10: "Were Israeli arms dealers linked to Contras?" by Dan Fisher

"While Israeli officials have said they knew nothing about the diversion to Nicaraguan rebels of proceeds from sales of U.S. arms to Iran, it is still unclear whether Israeli arms dealers, acting privately, had anything to do with what is coming to be called as the contras connection, senior government sources said here [Jerusalem] Sunday.

"...The only loose end I have here is whether one of those private citizens [arms dealers] was involved in Phase 2 without our knowledge,' the Israeli government source commented."

The Washington Post, Nov. 30, p. A21: "Critics question Israel's independence, judgement in Iran deal" by Glenn Frankel

"Two of the main pillars of Israel's precarious existence -- the ability of its leaders to correct judgements in crucial security matters and the close, mutually dependent relationship it has nurtured with the United States -- were badly shaken this week by the disclosure that Israel may have played a role in funneling profits to Nicaraguan rebels from secret U.S. arms to Iran."

The New York Times, Nov. 30, p. 1: "Evidence points to big Saudi role in Iranian and Contra arms deal" by Jeff Gerth

"Emerging evidence shows a significant Saudi Arabian role not only in secret Iranian purchases of arms but also in the supply of military equipment to the rebels in Nicaragua.

"...The arms supply operations were begun separately, with the help for the Nicaraguan rebels, or contras, beginning in 1984, before the Saudi and American dealings with Iran, and the two became intertwined within the last year, according to documents and to Americans, Middle Easterners and Israelis familiar with the operation.

"Although the Saudi Government officially appears to have provided no funds, top Saudi officials encouraged both ventures, the sources add. The Saudi motives were said to be to further the strategic relationship with the United States and to open a dialogue with Iran. The dealings also generated huge profits for some involved, so commercial and diplomatic considerations overlapped, as is common in the Middle East.

"The Saudi role offers a new perspective on how the contras were supplied when the United States Government was prohibited from aiding them. It also suggests that the Israelis, who have emerged in various accounts as crucial in opening doors to Iran and in handling the arms sales, may have played a less central role."

The Christian Science Monitor, Nov. 28, p. 17: "Israeli role in US-Iran arms deals spawns two-edged credibility crisis; questions raised about officials' honesty at home and with US" by Joel Greenberg

"...Did Israeli officials participate in the arms sales scheme knowing that it was carried out without the knowledge of US Secretary of State George Shultz, Secretary of Defense Weinberger, or even President Reagan? If so, how will Israeli leaders be able to explain their hiding of the deal during contacts over the last year with US administration officials -- especially Shultz who is viewed here as a staunch friend of Israel? Did Israel become a tool of the White House's National Security Council in violating US bans on weapons sales to Iran and funding to the contras in Nicaragua [precisely the kind of aid opposed most severely by Congress]?"

"...[Ido Dissnchik writes in Ma'ariv:] 'Israel is now intimately involved in a first class constitutional and government scandal in the [US]. In a properly run state, no government or leader could escape responsibility for such a disgraceful failure. In Israel there will be no such problem. Anyone who could possibly serve as alternative leadership is a partner [in government]. There is no one to dismiss and no one to resign, unless everyone resigns together.'"

The Washington Post, Nov. 28, p. A27: "Israelis say U.S. lags in probe of Iran deal; sources say CIA channeled Contra funds" by Glenn Frankel

## AMERICAN JEWISH

"...[Israeli] sources insisted that it was the CIA, not Israeli representatives, that opened the secret Swiss bank account into which money from the sales was deposited earlier this year. They also contended that the price for the arms had been determined by Iranian middleman Manuchehr Ghorbanifar, who made all arrangements, including opening letters of credit to pay for the transactions, and took a commission on the sales.

"There was no involvement with any Israeli official or private individual in either opening the account or depositing the money," said an informed source. "Iranian counterparts made all the arrangements with Teheran. They got the money and paid it into the account, and what the CIA did with it was nobody else's business."

"Ghorbanifar is a business associate of Adnan Khashoggi, a multimillionaire Saudi Arabian businessman and arms merchant who has maintained contacts with Israel's former prime minister Shimon Peres for at least six years. It was Khashoggi and Ghorbanifar who made the first contacts in Europe with Israeli arms merchant Yaacov Nimrodi that led to Israeli involvement in the sales, sources said.

"...The Jerusalem Post today [Nov. 27] quoted unnamed U.S. officials in Washington who said they believed Khashoggi, operating on behalf of the Saudi government, had partially financed the arms sales to Iran and had played 'a direct role' in funneling the profits to the contras. Israeli sources confirmed Khashoggi's role in arranging the arms deals but said they could not implicate him in the contra connection..."

The Los Angeles Times, Nov. 27, p. 9: "Israelis erect a wall of silence around their role" by Dan Fisher [N/A]

The Washington Post, Nov. 27, p. A21: "Israeli [Peres] denies Meese claim that it handled money from Iran arms sales" by Glenn Frankel

"...Peres branded charges that Israel had funneled money to the contras 'absolute nonsense -- the money never passed through Israel. We had no connection to it whatsoever....We did not sell arms. We received arms and we delivered arms.'

"While Peres was careful not to attack Washington publicly, another senior Israeli official blamed Attorney General Edwin Meese III's charge yesterday that Israeli representatives had passed the money to the contras on 'the large disarray in the White House.' The official, who asked not to be named, said 'some people there may be trying to divert attention from what's really going on to someone else and Israel was put in the eye of the storm.'

"The official noted that 'Meese came out with an unfinished inquiry without even talking to us. Our part in this whole story is marginal and we are not the problem. The real problem is in an administration that doesn't seem to know what its own people were doing.'"

The Washington Post, Nov. 27, p. A1: "Justice Dept. launches criminal probe of diversion Iran funds to Contras; CIA aided unauthorized arms shift" by Walter Pincus and John Goshko

"In November 1985, the Central Intelligence Agency helped arrange what turned out to be a clandestine shipment of arms from Israel to Iran, two months before President Reagan signed a secret authorization for such operations, well-placed sources said yesterday.

"A month after the shipment, John N. McMahon, who was then the CIA deputy director, insisted that the agency obtain formal presidential permission if it was to become further involved in the shipping of arms to Iran, according to administration and congressional sources.

"...ABC television last night identified the CIA-chartered company that carried Hawk antiaircraft and TOW antitank missiles from Israel to Iran as Southern Air Transport Inc., which has previously been tied to the Iranian operation and to re-supply flights to the contra rebels fighting the government of Nicaragua.

"...Attorney General Edwin Meese III said in his Tuesday news conference that there was a November 1985 shipment of arms to Iran that was later returned but that it had been arranged by Israelis without any notification or explicit authorization from the United States.

"...[On Nov. 21, CIA Director William] Casey told the [House Permanent Select Committee on Intelligence] that the CIA had set up 'a sanitized Swiss bank account to receive money from the Iranian sale,' according to one member. But the CIA director said he did not know who made the decision to set it up, who determined what money went into and out of the account, or whether commissions were paid to middlemen, according to another member.

"Casey seemed to be deliberately ambiguous' and was told the committee insisted on a detailed accounting, one senior member said. He added that he thought the CIA director was 'pretty nervous' during the questioning about money distributed from the arms sale 'and went back to Meese to say they had a problem.' Meese said this week that he had launched his inquiry after talking to Reagan on noon Friday.

"...Meese told his news conference that the CIA was 'the agent for the United States government' in handling the money from the arms sales but that there was 'no indication whatsoever, to the best of our knowledge,' that anyone in the CIA knew about the Swiss bank accounts through which \$10 million to \$30 million from the arms sales was funneled to the Nicaraguan rebels."

The Washington Post, Nov. 26, p. A1: "Israel denies funding Contras; government confirms role in arms transfers to Iran" by Glenn Frankel

"Israel's government early this morning [Nov. 26] confirmed its involvement in shipping arms to Iran at the behest of the White House but strongly denied it had played any role in funneling a portion of Iranian payments to U.S.-backed Nicaraguan rebels, or contras, in apparent violation of U.S. law.

"In a terse statement issued after a two-hour emergency meeting of the country's three top leaders, Israel said the funds were paid directly by an unnamed Iranian representative into a Swiss bank account 'in accordance with instructions from the American representative. These funds did not pass through Israel.'

"The statement, which did not name the American involved,

added that 'the government of Israel was surprised to learn that supposedly a portion of these funds was transferred to the contras. If such a transaction took place, it had nothing to do with Israel and the government of Israel had no knowledge of it. Israel did not serve, and would not have served, as a channel for such a transaction.'

"...Israel has to defend itself against charges -- both from Washington and from some circles here -- that it enticed White House amateurs into a high-risk, low-gain adventure in Iran based on shaky intelligence from self-interested Iranian and Israeli arms dealers and others.

"...Sources here said that Kimche came away from a meeting with McFarlane in the summer of 1985 convinced he had received authorization to send a limited arms shipment to Tehran.

"But White House officials now say that the Israelis misconstrued McFarlane's statements and that the first arms shipments were not authorized, although the White House later condoned them.

"...[Tel Aviv University professor Aaron] Klieman [in his book Israel's Global Reach: Arms Sales as Diplomacy] cited news reports that Reagan administration officials in 1983 leaked word that, at the request of the United States, Israel had agreed to send weapons captured from the Palestine Liberation Organization during the 1982 Lebanon war to Honduras for eventual use by the contras..."

The Wall Street Journal, Nov. 26, p. 1: "Deepening crisis: Reagan effort to clear air about arms to Iran raises more questions; word that proceeds of sales went to Nicaragua rebels brings wrath of Congress; the Poindexter resignation" by Robert Greenberger, Jane Mayer and David Rogers

"...The admissions by the White House yesterday still leave unclear how much, if anything, administration officials knew about arms sales that Israel is reported to have been making to Iran for years. Israel has said it never sold American-made military equipment to other countries without U.S. approval, but the White House says the U.S. condoned only one Israeli shipment to Iran before this year, in September 1985. If congressional or press investigations in the coming weeks turn up knowledge by administration officials of earlier Israeli sales to Iran, the crisis could deepen."

The New York Times, Nov. 26, p. 9: "Contra supplies: mystery unravels; officials note the disclosure helps explain network" by Joel Brinkley

"Before the start of the current fiscal year on Oct. 1, the Congressional ban on military aid to the [Nicaraguan] rebels had been in place for two years. But the Israeli shipment of arms to Iran apparently began in the fall of 1985. Attorney General Edwin Meese said Iranian payments began last January.

"At the same time, numerous officials have said the pace of rebel supply operations increased radically last spring."

The Christian Science Monitor, Nov. 26, p. 48: "Tangled web of arms, money; did only one man know deal's full details?" by Peter Grier

"...Some administration officials have said President Reagan specifically authorized these shipments [from Israel to Iran in 1985], from the first. Meese, however, disputed that. He said the September transfer of arms [the first of two in 1985] was carried out on the Israelis' own initiative.

"The President knew about it probably after the fact and agreed with the general concept of continuing our discussions with the Israelis concerning these matters," said Meese....

"There is as yet no suggestion of wrongdoing on the part of the Israeli representatives who handled Iran's payments for the US. The cash pipeline went like this, according to Meese: Israelis collected the money from Iran, then transferred to the CIA the exact amount of money owed for the weapons involved, plus a little extra for transportation.

"...CIA officials...turned the cash back in the US to the Department of Defense. The Pentagon was thus satisfied that it had received its agreed-upon price for the weapons, about \$12 million. There was, however, something the Pentagon did not know. The weapons had apparently been sold for a figure of between \$22 million and \$42 million.

"This extra money, profit as it were, was sent to numbered bank accounts in Switzerland that belonged to the contra forces fighting the Sandinista government in Nicaragua. At the time, official US support for the contras had dried up because of a fight over the issue in Congress.



"...Meese was careful to make clear that he did not believe this was a case of US government funds being misappropriated. 'We have no control over that money. It was never US funds,' he said."

The Los Angeles Times, Nov. 26: "Israeli, Meese disagree over who approved arms shipment" by Norman Kempster and Dan Fisher

"Israel acted on its own in the late summer of 1985 to send U.S.-supplied arms to Iran, although the U.S. government 'condoned' the shipment after the fact, Atty. Gen. Edwin L. Meese III said Tuesday, touching off a long-distance argument with the Israeli government, which said the arms were sent at Washington's request."

The Los Angeles Times, Nov. 24: "Israel pressed to explain its Iran arms role" by Dan Fisher

"[An unnamed Israeli] official stressed repeatedly that 'all we did on this issue [transporting arms to Iran] was at the request of the U.S. administration....The whole affair was done because the U.S. was in a position where it needed help.'

"As for the Reagan Administration's problems with Congress over the program, this official said it is not Israel's place to become involved.

"'This was an official request of the U.S. Administration, and it's not Israel's business to look into whether this conformed with all U.S. regulations, whether Congress was informed, who agreed and who disagreed,' he said."

The Washington Post, Nov. 18, p. A18 (editorial): "The Israeli Connection"

"...The American officials involved in this affair are big boys: no one can blame Israel for President Reagan's Iran diplomacy. It is not clear, however, that it occurred to those crafting Washington's Iranian connection that the Israelis have their own agenda in that part of the world, and it is not the same as the American agenda...."

The Chicago Tribune, Nov. 16-18 (three-part series): "Israel arms deals strain U.S. ties; Israel turns U.S. aid into profit on arms; Israel cashes in, but U.S. arms policy pays price" by Douglas

Frantz and James O'Shea

"...Few dispute that Israel enjoys a special status among foreign aid recipients. When the Pentagon passes out guidelines for the U.S. foreign military sales program, for example, it has two sets, one for Israel and one for the rest of the world."



1-RAW

DEC 1 1986



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November 24, 1986

CONFIDENTIAL

MEMORANDUM

To: George Gruen  
From: Nives Fox  
Subj: Jews in Iran

Have tried to get some serious and reliable information about Iranian Jews since I received your first note and a copy of Dr. Aghai's long memo of October 24.

There are now about 1000 Jews from Iran in Vienna, waiting for processing, ~~at least~~ some 400 scattered in other cities, 250-300 in Pakistan, though you realize of course that these figures change almost daily. The large accumulation of persons at present is partially due to the fact that the US "numbers" had run out and among them are what the jargon refers to as this summer's "leftovers." On October 1 the year's numbers went into effect, though not until the end of October were they really applied. Now departures and processing are going at a greater pace and it is hoped that the backlog of cases will gradually be absorbed.

Conditions in Pakistan have much improved since reports of difficulties of some six months ago, when many of the refugees contracted all sorts of viruses and diseases. For the past three or four months nobody has come out of there ill or abused.

The rate of arrivals in Vienna is approximately 50 a week, variations at times depending simply on availability of plane bookings. This too just now is getting better, though it could cause minor problems for short periods again.

The New York Times article was almost identically reprinted in the International Herald Tribune. Much of it is confirmed as accurate, but for gross exaggerations in figures given about Jews still in Iran and the number of arrests. All reliable sources are in accord that 20-25,000 is a closer and correct estimate of Jews in Iran.

To further confuse matters, a report in Le Monde here quoted Prime Minister Shamir saying that the situation of Iranian Jews had not deteriorated since this summer, that Israel was carefully monitoring what is happening there and doing everything possible to aid. On November 19 the Jerusalem Post also had a long article on the same subject, stating that the

/...

Khomeini regime is still quite sensitive to international opinion; that the rounding up of persons and arrests were aimed at the opposition, not against minority religious groups.

Be this as it may, there is no doubt about discriminating measures against Jews, of the type outlined by Dr. Aghai. There are no official laws against Jews, but there is no question that the revolutionary guards in the country do rather take the law into their hands. As a result, Jews also are included in their roundups, tortured at times or at least given rough treatment. Usually, however, they are let go fairly rapidly and returned to families after extortion of money and/or property. Jews are not the only ones to suffer from this, however, it is part of the daily portion of paradise in Iran.

An Iranian Jew~~s~~ visiting Paris a few days ago (returning to Iran) and to whom the Tribune article was shown, said that by and large, apart from the figures mentioned above and other minor details, it is correct. He reports that very few Jewish young men remain in the country, for they leave systematically after completing studies. Note that while studying nobody (Jew or non-Jew) is drafted. Arbitrary roundups for military service, according to this person, are made among those who are unemployed, caught in manifestations in the streets, or drifters and loiterers. It is not only that young people do not wish to serve in the army: the general situation -- political, economic, food scarcity, etc. all add to the drive for departure.

It is correct that in the Alliance school Hebrew no longer is being taught; nor are Jewish and non-Jewish (the last about 60 now) students separated, as until recently. All teaching is conducted in Farsi, including that of Jewish subjects. At the same time, the visitor reports, the community has maintained its structures; synagogues are more crowded than ever -- the only place for Jewish expression and gathering.

To sum up, the situation is not good, far from it; but not as yet desperate. Stories of Jewish young people being killed at frontiers, caught, jailed and tortured often are contradictory. For example, it is known that one youth thought to have been killed at a border was in fact just wounded and arrested. He was later ransomed by his parents. Here again one must remember that all departures are illegal, for everyone, and that Moslems fare no better, sometimes worse, if caught. The young man described above was caught with two young Moslems, who were both killed. On learning of these two deaths, the parents assumed their son also was killed, and news of this circulated. Only later were they contacted for ransom. The case has a happy ending, for once fully recovered the young Jew tried another route, made it, and is safe and sound today.

A word about Dr. Aghai's long letter and proposals. His calculations of man hours lost are impressive; but forgive me for thinking that in light of the current situation in Iran they are laughably beside the point. Nor is the proposition that ORT or others establish training centers for those waiting final destinations very realistic. Surely you know, and he should, that such training projects are complicated and expensive structures to set up. It would be absurd to organize serious training for a constantly moving and changing refuge population of a few hundred. Of course the waiting period, especially in Pakistan, is hard. To quote one description "Yes, there is some individual harassment; yes, conditions are bad; life is bearable, but just so." Though I certainly would not dare to minimize the hardships of the Pakistan route, I find that

it is too easy to state all the problems in a letter and say this must stop. How? Improvements have taken place, and this already is wonderful given the circumstances. Making a stay in Karachi as supportable as one in Vienna, Rome or Geneva, evokes Himalaya size obstacles, you will agree.

From everything I was able to learn, nobody is stopping or discouraging Iranian Jews wishing to go to Israel. But as you know from past years, very few are inclined in that direction, and by now many have relatives in the US and elsewhere to join. Was told that Rabbi Niederman (Ravtov) is totally discredited in State Department circles; and is able to procure very few visas. As a result, more and more of "his refugees" drop out and turn to Hias for help.

JDC and Hias very much wish for an end of publicity and alarmist articles about all this, doing more harm than good. This as you know is a constant in their philosophy but I strongly believe that for once they are quite right and hope everyone will go along with this view.

The Alliance, not directly involved in departures and refugee details, remains a good source for information, for they are in regular telephone contact with the school, though of course conversations must be very careful.

Finally, it escapes not one single person following the present tribulations of Jews in and from Iran that there was a time when all this could have been easier ; but that as usual past lessons were not learned or remembered. The bitterness hasn't made anyone give up efforts to get as many as are willing out, as fast and in as good shape as possible. Better knowledge of this might help the special committees and federations to be calmer and more patient.

cc: Gordis  
Tanenbaum  
Samuels

P.S. Just received your last memos of November 18 and was very glad to hear that agreement for more discretion has been reached.

DEC 5 1986

Confidential

date: December 3, 1986 Revised December 5, 1986

to: David Gordis (for Insiders Newsletter)

from: George E. Gruen *GEG*

subject: Implications of the Iranian-Contra affair

We have refrained from issuing any public statements on this matter because we felt any statement by us would not be helpful in a rapidly changing situation, where basic facts were in dispute, and that appeared to be pitting the White House against Israel, as reflected in the remarks of the President and the Attorney-General.

We did, however, bring to the attention of the Administration our concern over the apparently unjustified scapegoating of Israel. (In addition to our quiet contacts, we included in our Washington Newsletter a quotation from a Congressional source to make the point that the members of the Administration "were big boys" and should not try to blame others for their own policies.) We also indicated our concern that Secretary of State George Shultz not be penalized for his forthright criticism of the arms-for-hostages

deal. We are gratified to note that Secretary Shultz has decided to remain in office and that his strong moral voice in opposition to accomodation to terrorists may help restore credibility to our relations with our allies in the fight against terrorism.

We also support the recommendation to appoint an independent counsel to investigate any violation of U.S. law.

What exactly was Israel's role in the arms to Iran/proceeds to the contras affair?

Israeli officials have confirmed that Israeli nationals initiated the idea that the U.S. supply arms to Iran in order to strengthen "moderate" forces and ultimately restore some measure of American influence in post-Khomeini Iran, in view of the country's vital strategic position. Israel offered to utilize its existing network of contacts with Iran to that end. That idea was broached by Israelis to American officials, who embraced it as the basis for a new U.S. approach toward Iran. There is a bipartisan consensus that it is crucial to prevent Iran from falling into the Soviet orbit. This is a shared U.S.-Israeli strategic concern. The matter in dispute is the appropriateness of the use of arms sales as a tool for achieving this objective. Israel admits to supplying U.S.-made arms to Iran on behalf of the United States, but insists that it did not profit from doing so. Through AJC contacts close to high official Israeli sources, we have learned that the first third of the payment to the U.S. was made by Saudi arms merchant Adnan Khashoggi, who deposited the funds in the Swiss bank account maintained by Col. North for the contras. (Whether or not Khashoggi realized the money was going

to the contras is unclear.) The other two-thirds were deposited by the Iranians in the same Swiss account, according to Israeli officials.

You will recall that in the initial period Mr. Meese tried to put the blame on Israel. The White House did nothing to lessen the interpretation that Israel was the country President Reagan had in mind when he told Time (issue dated December 8): "Another country was facilitating those sales of weapons. They then were overcharging and were apparently putting the money into bank accounts of the leaders of the contras. It wasn't us funneling money to them. This was another country." (Emphasis added.)

We intend to monitor to what extent this, added to the Boesky and New York City corruption cases, is likely to feed anti-Semitic feelings that the Israelis and Jews in general are devious, preoccupied with profit, and insensitive to morality.

There is also the insinuation that somehow Israel dictates U.S. foreign policy. The truth is that if American officials accepted an Israeli proposal, then it is a U.S. policy. As is well known, American policy-makers have in the past rejected suggestions from Israel regarding U.S. policies toward the region, most notably in regard to arms sales to Arab states.

Israel's credibility as a model of uncompromising struggle against terrorism would appear to have been seriously tarnished by its



involvement in the arms-for-hostages effort. In May 1985 Israel's trade of 1,150 Palestinian and other terrorists for three Israelis held by a radical Palestinian group was widely criticized at the time. \*) How can U.S. and Israeli credibility abroad be restored? Hopefully, the President's appointment of Frank Carlucci, an experienced diplomat and administrator, to head the National Security Council, as well as the heightened prestige of Secretary Shultz, will send the appropriate signal of American competence and credibility to both our allies and our adversaries.

cc: Mort Yarmon, M.J. Rosenberg, Marc Tanenbaum, Gary Rubin

\*)But see also the attached excerpt of Foreign Minister Peres's remarks in the

Knesset where he defended this and other lopsided trades as reflecting the humanitarian concern of Israel and the Jewish people to save every possible human life. (Insert the concept of Pidyon Shevuim.) Peres praised the Reagan Administration for sharing these moral values, e.g. in rescuing Ethiopian Jews and supporting Soviet Jewry, as well as in the concern for individual American hostages in Lebanon.

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Memorandum

**THE AMERICAN JEWISH COMMITTEE**

**date** January 18, 1987

**to** David Gordis/Marc Tanenbaum  
**from** Shimon Samuels

**subject** "Methinks the lady doth protest too much";  
THE CAMPAIGN FOR ISRAEL'S DIPLOMATIC STANDING

A conference was organized in Toledo in September 1985 by the Spain-Israel Friendship Leagues to impose pressure on Madrid to finally recognise the State of Israel. An Israeli speaker heatedly stated that the time had come for Spain to "either fish or cut bait".

He then explained that the Jewish people had lived for 500 years since the expulsion from Spain without recognition from that country and that it was unbecoming to press any further"... the bride was ready but would not wait forever for the wedding day... Israel can continue to exist without Spanish recognition!"

Diplomatic signalling in international relations must strike a golden mean between the two Talmudic principles:

("Kol hamarbe harei ze meshubach") "the more the better" and ("Kol hamosif gorea") "overdoing is undoing".

In its dealings with those countries of Asia which do not maintain diplomatic relations due to Muslim or Communist bloc pressures or those in Africa which ruptured ties due to Arab blackmail, Israel maintains an array of significant economic and trade ties.

Jerusalem believes that repeatedly pressing for official recognition can often give the other party an over-exaggerated impression of its significance and thus raise the "ante" in exchange for progress.

On the other hand, it would be equally counter-productive to create the impression that diplomatic normalization can become a forgotten issue. Thus the value of the role of Jewish organizations which continue to voice their concern. These initiatives can have a potential feedback effect when raised within the context of inter-communal relations in the United States. AJC's recent experience with the Greek Foreign Minister attested to both the significance of the image of American Jewry in Athens and Israel's place in the framework of American-Jewish/Greek-American local relations. The Israel factor has equal centrality for Jewish-Catholic relations due to the Vatican's position on recognition, as also in coalition building with for example, Irish-

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Americans or Korean-Americans. The absence of an Israeli embassy in Dublin or Seoul may be raised as discussion points. Likewise, the impact of the Arab boycott in Japan could be indirectly attacked within the framework of burgeoning ties with the Japanese-American community.

There are, however, voices in the Israeli foreign policy establishment that are wary of the counter-productive effect of some countries using their relationships with the American-Jewish organizations as substitutes for normalization with Israel. In discussing the establishment of relations, many interlocutors are already aware of a range of options based upon various existing models eg: relations without representation (Korea, Ireland, Burma, etc.); relations with unilateral representation (Israeli embassy in Portugal without a corresponding Portuguese embassy in Israel); trade relations of a quasi-diplomatic character (Poland).

Of course, the question of siting an embassy in Jerusalem rather than Tel Aviv is exacerbated by Washington's refusal to shift its embassy from the coast. This U.S stand has also served to reinforce the Vatican's position on the special character of Jerusalem.

The spectrum of possibilities also includes limited representation at a consular level, as exists in India and Hong Kong, and simply the maintenance of Interest Sections in friendly embassies, as in Sri Lanka.

The network of Israeli diplomatic relations with the Third World varies from continent to continent.

In Latin America, Israel's ties are stable throughout the hemisphere apart from those with Cuba and Nicaragua, relations with Castro and the Sandinistas having been ruptured due to both PLO pressure and anti-Americanism in those countries.

In Asia, full diplomatic relations are maintained with Burma, Japan, Nepal, the Philipines, Singapore and Thailand. While diplomatic relations do not exist with either Taiwan or the Peoples' Republic of China, trade and cultural contacts are growing apace with the latter.

In Africa, while Lesotho Malawi and Swaziland never severed relations, these have recently been renewed with Cameroun, Ivory Coast, Liberia and Zaire. Renewal is imminent with Togo and there is an Israeli representative in Ghana.

Israel's departure from Sinai, which was considered territory on the African continent, facilitated a new approach. In the same fashion, the withdrawal from Lebanon has permitted renewed possibilities. A special interest exists in Ethiopia and Mozambique where there are struggles between a Western-orientated President and an ideologically-Communist regime. If Israeli diplomatic initiatives are successful in Eastern Europe, this might strengthen the will of the Ethiopian regime to formalize ties with Jerusalem due to the disappointing level

of aid received by Addis Ababa from Arab countries.

Despite Israeli interest in Zambia and Kenya, (where there is representation through Israel's delegate to the United Nation's Economic Program and Habitat, Interest Section in the Danish embassy and an EL AL office in Nairobi), Jerusalem will not be mounting any campaign for renewed relations with these two countries.

There seems to be little likelihood of renewing relations in the foreseeable future with Angola, Benin, Burundi, Botswana, Boukina Fasso, Congo (Drazaville), Mali, Senegal, Somalia, and Zimbabwe.

There may be some possibilities for lower level contacts with the Central African Republic, Gabon, Guinea, Ruanda, Sierra Leone, Tanzania and Uganda.

Israel's relations with South Africa are undoubtedly an irritant in its relations with Black Africa, but due to the realities of several African countries' economic dependence upon Johannesburg, it is those countries that are not eager for relations with Israel that constantly raise the issue of apartheid.

In this area, also, the Israeli component has affected inter-communal relations between American Jews and American Blacks. Such examples as the Hadassah Hospital taking over from an American project in Zaire can perhaps usefully mitigate some of the former tensions, while American Jewish organizations might assist in giving meaningful content to Israel's existing relations in Liberia, Zaire and elsewhere.

In short, while Jerusalem, at times, might reject the role of "the lady who doth protest too much" and, for reasons of dignity, suggest that those who find difficulty in recognising her, "fish or cut bait", neither is it appropriate to be, in the words of the Prophets, "am levadad yishkon" ("a people that dwells alone"). In raising the question of Israel's place among the nations through American Jewry's range of intergroup relations, most officials in Jerusalem would agree that "kol hamarbeh harei ze meshubach" ("the more the better").

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cc David Harris ✓  
George Gruen  
Harry Milkman

TO : George Gruen/Harry Milkman

From: Shimon Samuels

Subject: Israeli military assistance in Central America <sup>SES</sup>

December 2, 1986

Israel is being charged with supplying arms, military advisors, and other aspects of military assistance to Central American states which are said to violate human rights and also to the 'Contras' in anti-Sandinista movements in Nicaragua.

The following is the official Israeli position regarding respective players in Central America:

EL SALVADOR:

The Israelis decided in 1979 to cease military supplies due to the civil war that had broken out in that country. Though parliamentary elections that led to a democratic regime took place in 1985, the Israeli position has not been modified.

GUATEMALA:

Here again, the military regime organized elections in Dec. '05 and the country is viewed from the Israeli perspective as undergoing a process of democratization. Jerusalem claims, however, that it has no military advisors in the country.

HONDURAS:

Likewise a democratic election took place in Nov. '85. Though most Honduran arms are obtained from the U.S., it was admitted that a small percentage was acquired from Israel among other suppliers.

THE 'CONTRAS'

Jerusalem claims that accusations of Israeli arms sales to 'Contras' are fabrications intended to libel Israel. The policy is to sell arms only to governments <sup>or</sup> to private or other organizations. Indeed, Vice-Premier and Foreign Minister Peres repeated in the Knesset on November 26: "We have no part in the matter concerning the 'Contras'. We made no profit on the financial or any other side of the matter...".

Foreign Ministry officials emphasise that Israel has no ties with the 'Contras' and has never trained any of its members despite the fact that, for some Israelis, the Nicaraguan regime's link with the PLO might have justified such support. Jerusalem rejected the statement by 'Contra' leader Col. Bermudez about Israeli arms supplies as an effort on his part, to modify the anti-Contra feeling among U.S. Senators and Congressmen who are supporters of Israel.

It has admitted, however, that some Israeli-produced arms might have reached the 'Contras' through purchases on the international market, without any Israeli <sup>Government</sup> direct involvement.

Israel's Arms Sales Policy

Though Israel's policy aims at independence from foreign sources for weapons and, to operate economically, its arms factories need a broader market than its own military, Israeli policy in arms sales follows the following guidelines:

- Weapons are only sold to legitimate governments and not to organizations nor to countries in the throes of civil war. Stiff competition in Latin America is symbolized by the sinking of a British destroyer in the Falklands War by a French Exocet missile. Arms salesmen can be found

? and not ?

2.

in Latin America from Belgium, Britain, Soviet Union, South Korea, Italy, Cuba, Libya and the PLO. Not to mention intra-hemispheric sales by the U.S. and Brazil.

CONCLUSION

As Soviet arms supplies to tyrannical regimes in Cuba and Nicaragua are never condemned, Jerusalem officials view the accusations against Israel as part of a continuing effort to malign its reputation, especially in the U.S. Though seemingly contradictory, it is also felt that such accusations serve as a competitive device for certain arms producers to pick up markets that Israel has been forced to abandon.

It should be stressed that Israeli decision-makers refuse any linkage between the willingness to be co-operative in U.S. investigations of the so called 'Irangate' and, on the other hand, any discussions of arms sales policy. This reflects a concern that, once open, all arms sales might be investigated, with a resulting cancellation of contracts. There are already indications of certain clients suspending sales negotiations for the duration of the investigations, with a consequent permanent loss of markets.

I would add on a personal note, that the role played by Israel during the Somoza regime, included a very active technical assistance program that is today underplayed. In the summer of 1971 I was involved in a research program through which I spent some time in Nicaragua on a rural development program. In fact, together with the Israeli team I assisted in building the small church in the village of Hato Rey which, perhaps unfortunately, was renamed by the local residents, 'Colonia Israel'. A fair analysis of the Israeli role in Central America would stress the vast array of such technical programs as a factor in the democratizing process. I recommend the volume by Yoel Bar-Romi, Edi Kaufman and Yoram Shapira entitled, Israel-Latin America Relations 1948-1968.

Best regards.

CC David Harris  
Jacob Kovadloff  
Marc Tanenbaum  
David Gordis ✓

PLEASE PASS ON COPIES TO THE ABOVE.

bc S. Nudelstejer  
M.J. Rosenberg  
42

NO. 01

\*\*\*\* \*\*

CS

02:53:41

MEM

12-03-86

TO : GEORGE GRUEN

FROM: ISRAEL OFFICE

DECEMBER 3, 1986

Re: Memo on Military Assistance.

Text should read as you suggest..

"The policy is to sell arms only to governments not to private or other organizations...".

Sorry about this.



[start]

Original documents  
faded and/or illegible





TO : Marc Tanenbaum

December 29, 1986

THE ISRAEL-IRAN-CONTRAS EQUATION VIEWED FROM JERUSALEM

By Yosef Goell and Shimon Samuels.

Revelations in regard to Israel's involvement in the sales of arms to Iran have not had a similar domestic impact in Israel as have the revelations in regard to America's involvement on the U.S. political scene. The following will be an attempt to list some of the reasons for that difference:

1. The Israeli population is much more politicized and politically aware than is that of the U.S.. Israel's political culture, however, derives more from European traditions in which public opinion is not permitted to interfere in the conduct of foreign policy. Israeli governments, thus, enjoy much greater leeway and freedom from domestic political harassment on controversial foreign policy issues. Iran and Iraq are both perceived as self-declared enemies of Israel. But any government deciding to deal with either on the basis of ad hoc, realpolitik considerations, would not come in for very much public criticism. This has been true in the present case, too, in which except for criticism in regard to America's involvement on the U.S. political scene. The following will be an attempt to list some of the reasons

By Yosef Goell and Shimon Samuels.

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1. The Israeli population is much more politicized and politically aware than is that of the U.S.. Israel's political culture, however, derives more from European traditions in which public opinion is not permitted to interfere in the conduct of foreign policy. Israeli governments, thus, enjoy much greater leeway and freedom from domestic political harassment on controversial foreign policy issues. Iran and Iraq are both perceived as self-declared enemies of Israel. But any government deciding to deal with either on the basis of ad hoc, realpolitik considerations, would not come in for very much public criticism. This has been true in the present case, too, in which except for criticism by some defence intellectuals who believe that Israel should support Iraq rather than Iran, criticism of the government's involvement from the left opposition has not had any appreciably broader echo in public opinion.

Much of the ongoing criticism by the media has to a large extent been a reflection of bureaucratic contention between supporters of different cliques in the establishment. The most important thing to note in this regard has been the solid alliance among Prime Minister Shamir of the Likud, Foreign Minister Shimon Peres, and Defence Minister Yitzhak Rabin of Labor, in standing together in disregard of that bureaucratic squabbling on the part of their subordinates. In that sense, the Iranian issue would seem to constitute re-establishment of the bi-partisan support of major foreign and defence policies that was characteristic of Israeli politics prior to the advent of the Begin governments in 1977 and the relegation of the Labor Party to the opposition.

2. There is near unanimity, in the top reaches of the political-cum-defense establishments that perpetuation of the war between Iraq and Iran would best serve Israel's interests. The best evidence of the higher priority Israel's Arab enemies have given to the Iranian threat rather than to Israel, has been their failure to become involved against Israel during the three years of her penetration into Lebanon. There is much additional evidence that points to the fact that the Arabs' often panic-stricken perception of the Iranian threat to their own interests, and to the survival of their regimes, has served to divert their energies from a continuation of overt hostility to Israel, which has been given a lower priority. The main exceptions to that generalization are the Assad regime in Syria and Gaddafi's Libya, which have both supported Iran in the war, and have therefore been isolated in the Arab world.

There is little, if anything, that Israel can do directly to prolong the war between Iraq and Iran. But Israel's first arms sales to the Khomeini regime occurred in the early 1980's when it seemed that Iraq was on the verge of a breakthrough that could possibly have resulted in a decisive Iraqi victory.

In the event of a conclusion of that war, the second best alternative for Israel would be that it end with a far-going attrition of the military power of both sides that would make them incapable for some time of turning their attention and those forces to an attack on Israel.

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3. In the debate in the intellectual-defence community as to whether Israel should support Iraq or Iran, the arguments in favour of support for Iraq hinge primarily around the theme of Israel's not coming out in blatant opposition to the stands of Egypt and Jordan, with both of those states being the main Arab supporters of Iraq. The argument is that Israel's top regional priority should be that of the strengthening of the wobbly peace with Egypt and of reinforcing it with a peace initiative in the direction of Jordan. Anything weakening these budding relationships would be very dangerous for Israel. There would seem to be little, if any self-delusion in regard to the possibility of weakening Iraqi hostility towards Israel. There is an additional argument which says that in the recent year the chances of an Iranian victory have definitely increased, and the basic Israeli interest in neither of the sides winning a decisive victory should at least militate for the denial of any Israeli support for Iran.

4. The main argument in favour of supporting Iran is that while the Khomeini regime in that country has been a self-declared fanatically hostile country to Israel, so far that hostility has expressed itself mainly in talk. On the other hand, Iraq has a proven record of large scale participation in the shooting wars against Israel. Iraqi forces were deeply involved in the fighting in Palestine in 1948. They were ready to enter Jordan in 1956 when Israel feared the coalescence of an eastern front against her. They were present alongside Syrian forces in the fighting on the Golan in 1967 and in an even greater force of several divisions in 1973. And that, despite the proven enmity between the ruling Ba'ath regimes of Iraq and Syria. At present the 40 battle trained divisions that the Iraqis have been fielding against Iran, and their equally battle tested air force, could be an extremely

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serious problem for Israel, if they were to become part of an eastern front against her, together with Syria and possibly Jordan, and with the tacit support of Saudi Arabia. That threat, in the eyes of many strategic planners, looms much larger than the possible translation of the largely verbal Iranian hostility into an actual military threat.

No one can really establish the validity of the talk of the reputed existence of pro-Western elements in Iran who would stand a chance of taking over the country in a struggle for a post-Khomeini succession. The feeling is, however, that it pays taking a chance on establishing contacts with such elements, even if such an attempt does not pan out in the end. Two things that support such a risk-taking policy, are much clearer, however: the fact that even the Khomeini regime is deeply concerned about the Soviet threat along Iran's northern border, a concern that is magnified when one considers the possibility of a communist Tudeh Party attempt to take over the country in the event of Khomeini's death; and the fact that there are not even rumours of the existence of any such "more moderate" elements in Iraq with whom Israel could try to establish similar relations.

5. An Israeli preference for "gambling on Iran" would also fit in with one of the foundations which have underlain Israeli policy in the region since the early 1950's. When the basic hostility of the Arab world and its determination to wipe out the Israel that was created as a result of the Arab defeat in 1948 became clear, Prime Minister Ben Gurion set out a policy of striving to establish relationships with an outer ring of non-Arab, non-Sunni Moslem countries, many of whom shared Israel's fears of the immediately surrounding Arab countries. This policy sought to develop close, even if somewhat covert, relationships with Sunni Moslem but non-Arab Turkey;

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with Shi'ite Iran, which had a long history of hostility to the neighbouring Arab countries; with Christian Ethiopia, and to extend support to the Moslem, but non-Arab, Kurdish national movement. Some of these affinities obviously clashed, as in the case of Turkish and Iranian opposition to the Kurds, and following the conclusion of peace with Egypt, of Egypt's fear of and hostility to Ethiopia which it considers a potential threat to its total dependence on the waters of the Nile River. But basically, the fostering of those relationships with the outer ring has continued to be Israeli policy in the region. There are those who argue that Iran's historic hostility to the Arab world and to Sunni Islam will mean that a post-Khomeini Iran would eventually again be interested in fostering relations with Israel.

6. The most persuasive argument against Israel's selling arms to the Khomeini regime has been that it undermines the Israeli policy of having no truck with regimes that openly support international terrorism. The Reagan Administration, and especially Secretary of State George Shultz, have been major supporters of such an approach. There have also been signs that in the last year the Thatcher government in Britain has also come around to supporting it, as against many of the other governments in the European Community countries. The revelations of America's and Israel's dealings with the Khomeini regime, which has been a proven supporter of such terrorism, has undoubtedly undercut that policy stance and the chances of its making inroads into European reticence to deal more effectively with Arab and Iranian terrorism.

As uncomfortable as it may be for Israel to admit, however, the fact remains that Arab terrorism has never constituted a threat to Israel. It has been a threat to individual Israelis, and it has constituted a burden to Israel

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to mobilize itself in defence of its citizens against such terrorist attacks, both in Israel and abroad. But from a broader strategic view the terrorist war against Israel has been a total failure. From the point of view of strategic priorities, it is quite clear that the military threat of a possible eastern front, which would include the Iraqi army, is of much higher priority than is the war against terrorism. The assumption that Israel's--and America's--relations with the Khomeini regime could be kept secret, and thus not raise that dilemma, has proven wrong. The recent publicity given to those relations have undoubtedly undermined the demands of both Israel and the U.S. for a strong Western stand against states supporting terrorism. But in view of the order of priorities outlined above one could argue that that was a reasonable risk for Israeli policymakers to take.

7. There is broad understanding among Israel's political community and public opinion of the need to respond favourably to relatively infrequent American requests for Israeli assistance, as in the present case. At the top reaches of the political establishment there is a profound awareness of the debt Israel owes the U.S., and in particular, the Reagan Administration, for the depth and consistency of its economic, political and military support for Israel. The argument that Israel should be grateful for an opportunity to repay the U.S. for that friendship is a powerful one. There is, however, questioning of the wisdom of Israel's becoming involved in internal American political in-fighting between the Administration and Congress, which has consistently been Israel's main source of support in the U.S. In this regard, there has been much more unease around the question whether Israel had taken part in Administration collusion against Congress or siphoning off funds from the Iranian arms deal in support of the Nicaraguan Contras. But those are suspicions that the Israeli leadership continues to deny vehemently.

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Beyond the question of Israel-U.S. relations, the 'contras' issue is an irritant with potentially far-reaching consequences to Jerusalem's relations with all of Latin America.

At the recent inauguration of a center of studies in her name, at Tel Aviv University, former Ambassador Jeanne Kirkpatrick, proposed that Israel make an open declaration of support for the 'Contras' in their battle against an "anti-Israeli regime in Nicaragua".

In Mexico, an old saying, "So far from God so close to Uncle Sam", reflects Latin American suspicion of U.S. power. Israeli interventionism in the hemisphere not only creates the image of a Washington-Jerusalem axis, but also violates the principles of the Charter of Bogota against all forms of interventionism in the Americas. Israel's relationship with the 'Contras' could be construed on an equal plane to that of Soviet support of the Sandinistas.

While Israel's relations with Asian states are limited and those with Africa were ruptured, the ties with Latin America have endured since the time when the support of that hemisphere at the U.N. was vital for the Partition resolution that led to Israel's creation. Within the Third World, Latin America has been an exception due to its distance from Arab, Muslim and Communist pressures.

Despite some erosion, Israel's role in the twenty Latin republics is still perceived positively due to its long-standing contributions through technical assistance and co-operation programs. It is true that when the Sandinistas came to power, an appeal for recognition was sent to the embassy of each country with which Nicaragua maintained relations, with the exception of Israel. Managua claimed that that this was an oversight and Israel then recognized the new government. The Sandinistas' close ties with the PLO and Israel's long-standing relations with the preceding Somoza regime, did not augur well for future relations and these were eventually broken by Managua.

Irregardless of the controversy surrounding the Sandinista attitude towards Israel and the tiny Nicaraguan Jewish community, Israel officially claims that it has no contacts with the anti-regime 'Contras'. Indeed, the 'Contras' proposal to send a delegation to Israel was rejected by Jerusalem. Israel's Foreign Ministry circles realize that the price of any intervention in Central America, despite the resultant satisfaction in Washington, inferred by Kirkpatrick, would be dear in relations with Latin America in general.

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