

CLASSIFIED

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Volume 4 From-De 81-64-01 To-À 700125  
VOLS ACCESSION NO. 61468

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20-IRAN-1-3-USA  
Vol 4

81  
CLOSED  
FILE  
DOSSIER  
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SEVEN  
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DEPARTMENT  
OF  
EXTERNAL AFFAIRS

MINISTÈRE  
DES  
AFFAIRES EXTÉRIEURES

TITLE - TITRE:

- Political Affairs -
- Policy and Background -
- Foreign Policy Trends -
- IRAN - USA

- Affaires Politiques -
- Politique et historique -
- Tendances de la Politique étrangère -
- IRAN - Etats Unis d'Amérique

Rétention period - Période de rétention:

25Y/5A-20D/J  
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Government of Canada  
Gouvernement du Canada

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Dated From À compter du	To Jusqu'au
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AFFIX TO TOP OF FILE - À METTRE SUR LE DOSSIER

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FOR SUBSEQUENT CORRESPONDENCE SEE - POUR CORRESPONDANCE ULTÉRIEURE VOIR	
File No. - Dossier n° 20-18940-1-3-45A	Volume 5

GC 31 (8808)

7540-21-857-8809

RECEIVED IN GMR

FEB 27 1990

A-4

C O N F I D E N T I A L  
FM WSHDC UNGR1956 27FEB90  
TO EXTOTT GMR

ACTION  
SUITE A DONNER

INFO CAIRO TAVIV DMCUS BGHDD RYADH AMMAN KWAIT TUNIS RABAT  
TERAN VTCAN ALGER LDN PARIS ROME MOSCO PRMNY BONN TOKYO BNATO  
ATHNS STKHM ANKRA PCOOTT/DOYLE PMOOTT/HARTT/HEINBECKER  
PILLAROTT/FPL CIDAHULL/MINE  
TT NDHQOTT/CIS/DIPOL/ DE CAF  
DISTR MINA USS DMC IFB GGB GMD ~~IMU IND INP GRP GMRD GMT URR~~ UGB  
URD CPP ISD ISE ISEO JLE  
REF TEHRAN TEL RPGR8113 26FEB  
---USA/IRAN RELATIONS

FILE	DOSSIER
20-IRAN-13-USA	

FEB 22 ARTICLE IN TEHRAN TIMES CALLING FOR RELEASE OF ALL  
HOSTAGES IN LEBANON, COVERAGE GIVEN LEBANESE HIZBOLLAH LEADER  
FADLALLAHS REITERATION OF IT AND SIMILAR ECHOES IN OTHER  
IRANIAN PAPERS, HAVE CAUGHT ATTENTION OF IRAN WATCHERS IN STATE  
DEPT. ACCORDING TO LARRY POPE, DIRECTOR OF NORTHERN GULF  
AFFAIRS, THERE IS NOTHING IN EDITORIAL TO RAISE EXCESSIVE  
OPTIMISM. IDEA DOES APPEAR TO BE SINKING IN THAT HOSTAGES ARE A  
BURDEN FOR IRAN. POPE SUGGESTED CALL FOR HOSTAGES RELEASE, AND  
FACT THAT IT HAS NOT BEEN OFFICIALLY COUNTERED REFLECTS MORE  
THAN A CHANGE OF HEART IN TEHRAN. IT ALSO MAY STEM FROM  
REGIMES CURRENT ECONOMIC AND POLITICAL DIFFICULTIES INCLUDING  
SERIOUS RIOT LAST WEEK AND AN ECONOMY THAT IS IN A MESS. BULK  
OF POPULATION IS NOT CONCERNED ABOUT ISSUES SUCH AS RUSHDIE AND  
...2

PAGE TWO UNGR1956 CONF

ATTENTION CAN NO LONGER BE DISTRACTED FROM DOMESTIC ECONOMIC DIFFICULTIES BY CALLS FOR DEATH TO AMERICANS. MOOD IS TURNING BAD AND QUICKEST WAY IRAN HAS OF CHANGING THINGS FOR THE BETTER IS TO IMPROVE RELATIONS WITH THE WEST INCLUDING THE USA. AMERICANS ARE STILL WAITING FOR CONCRETE ACTION FROM TEHRAN ON HOSTAGES, HOWEVER, AND POPE THOUGHT THAT USA PUBLIC REACTION TO RECENT DEVELOPMENTS WOULD CONTINUE TO BE COOL.

2. POPE DENIED KNOWLEDGE OF ANY DIRECT USA/IRAN TALKS OUTSIDE THE CLAIMS TRIBUNAL IN THE HAGUE. BOTH STATE DEPT AND WHITE HOUSE OFFICIAL SPOKESPERSONS IN PRESS BRIEFINGS TODAY SOUGHT TO DEFUSE RUMOURS ABOUT HIGH LEVEL CONTACTS TO DISCUSS NORMALIZATION OF RELATIONS. STATE DEPT REITERATED CALL FOR RELEASE OF HOSTAGES, WHILE DENYING THERE WAS SUBSTANCE TO RUMOURS OF USA/IRAN TALKS. WHITE HOUSE SPECIFICALLY DENIED THAT PRESIDENT HAD AUTHORIZED ANY HIGH LEVEL CONTACTS WITH IRANIANS IN GENEVA OR ELSEWHERE TO DISCUSS RELEASE OF HOSTAGES OR NORMALIZATION OF RELATIONS. SPOKESPERSON DID NOT RULE OUT POSSIBILITY THAT THERE COULD HAVE BEEN CONTACTS AT A LOWER LEVEL INVOLVING AMERICANS OR OTHERS ACTING ON USAS BEHALF BUT DENIED THAT WHITE HOUSE HAD ANY SPECIFIC KNOWLEDGE OF SUCH MEETINGS.

GIVEN EXPERIENCE OF REAGAN ADMIN WITH IRAN ON THE HOSTAGES ISSUE, WE CONTINUE TO THINK THAT POSSIBILITY OF USA DOING ANYTHING DRAMATIC TO NORMALIZE RELATIONS REMAINS REMOTE.

CCC/095 272359Z UNGR1956



**ACTION**  
**SUITE A DONNER**

693203		DATE
FILE	20-IRAN-1-3	
LOC	DOSSIER	
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USA  
NOV 15 1989

C O N F I D E N T I A L

FM WSHDC UNGR2333 14NOV89

TO EXTOTT/GMR

INFO TERAN CAIRO TAVIV DMCUS BGHDD RYADH AMMAN KWAIT TUNIS RABAT  
ALGER LDN PARIS ROME MOSCO PRMNY BONN TOKYO BNATO ATHENS STKHM  
ANKRA PCOOTT/DOYLE PMOOTT/HARTT/HEINBECKER PILLAROTT/FPL  
CIDAHULL/MINE

TT NDHQOTT/CIS/CSA/DIPOL/ DE CAF

DISTR MINA USS DMC IFB GGB GMD IMU IND INP GRP GMRD GMT URR UGB  
URD CPP ISD ISE ISEO JLE

REF TERAN TEL GR8334 09NOV

---USA IRAN RELATIONS:STILL A LONG WAY TO GO

SUMMARY:FROM USA PERSPECTIVE IRANS SUPPORT FOR INTERNATIONAL  
TERRORISM AND UNWILLINGNESS TO ASSIST IN OBTAINING RELEASE OF  
AMERICAN HOSTAGES IN LEBANON REMAIN MAJOR OBSTACLES TO IMPROVED  
RELATIONS WITH TEHRAN.THERE IS NO/NO SIGNIFICANT CONSTITUENCY HERE  
PRESSING FOR BETTER TIES WITH IRAN.BUSH ADMIN HAS NO/NO DESIRE TO  
SEE IRAN ISOLATED BUT IS DETERMINED NOT/NOT TO BE DRAWN INTO  
POLITICALLY EMBARRASSING SITUATION ANALOGOUS TO THAT OF  
PREDECESSORS EXCHANGE OF ARMS FOR HOSTAGES.ANY CONCILIATORY MOVES  
USA MAKES WILL HAVE TO BE ONES IT CAN JUSTIFY TO SCEPTICAL PUBLIC  
AND CONGRESS.DECISION TO ALLOW DLRS 567/567 MILLION IN ASSETS HELD  
IN BANK OF ENGLAND TO RETURN TO IRAN FALLS INTO THAT CATEGORY.USA  
HAD NO/NO LEGAL MEANS TO SUCCESSFULLY PREVENT RETURN AND

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PAGE TWO UNGR2333 CONF

REACHING NEGOTIATED AGREEMENT WITH IRANIAN LAWYERS IN HAGUE MEANT  
ADDITIONAL DLRS 243/243 MILLION WAS TRANSFERED TO BANK OF  
NETHERLANDS TO BE USED FOR COMPENSATION OF AMERICAN CLAIMANTS  
AGAINST IRAN.EVEN AT THAT ADMIN WAS CRITICIZED SHARPLY IN HOUSE  
LAST WEEK BOTH BY REPUBLICANS AND DEMOCRATS.DESPITE THAT PUBLIC  
CRITICISM,THOUGHT IS BEING GIVEN WITHIN STATE DEPT TO POSSIBILITY  
THAT IRAN AIR COMPENSATION ISSUE MIGHT SOMEHOW BE USED TO SEND A  
FURTHER SIGNAL TO TEHRAN OF USAS DESIRE FOR BETTER RELATIONSHIP.  
NOTHING WILL BE DONE,HOWEVER,THAT CANNOT/NOT BE JUSTIFIED ON ITS  
OWN MERITS.NO/NO ONE HERE IS PREDICTING SHORT TERM RESOLUTION OF  
OUTSTANDING ISSUES LEADING TO EARLY NORMALIZATION OF RELATIONS.  
2.REPORT:USA ADMIN HAS NO/NO DESIRE TO SEE IRAN ISOLATED AND WOULD  
LIKE TO BE ABLE TO MOVE TOWARD A NORMAL RELATIONSHIP.BUT ADMIN  
WILL FIRST HAVE TO GET CLEAR SIGNALS FROM TEHRAN BOTH THAT IT IS  
WILLING TO HELP WITH AMERICAN HOSTAGES IN LEBANON AND THAT TEHRAN  
WILL END ITS SUPPORT FOR INTERNATIONAL TERRORISM.BAGGAGE OF  
HISTORY(EMBASSY HOSTAGE DRAMA,FACT REAGAN ADMIN GOT CAUGHT TRADING  
ARMS FOR HOSTAGES,SUSPICION THERE MAY HAVE BEEN IRANIAN FINGER IN  
DOING OF PANAM 103)IS SUCH THAT USA IS VERY CONSTRAINED IN WHAT  
IT CAN DO TO IMPROVE RELATIONSHIP.WHILE AWAITING IRANIAN MOVES ON  
HOSTAGES AND TERRORISM,WASHINGTON WILL DO WHAT IT CAN TO EDGE THE  
RELATIONSHIP FORWARD BUT USA WILL NOT/NOT MAKE ANY CONCILIATORY  
MOVES THAT CANNOT/NOT BE THOROUGHLY JUSTIFIED ON THEIR OWN MERITS  
...3

PAGE THREE UNGR2333 CONFID

QUITE APART FROM IMPACT THEY MAY HAVE ON LEADERSHIP IN THERAN.

3. DECISION NOT/NOT TO CONTEST RETURN OF DLRS 567/567 MILLION IN ASSETS TO IRAN IN HAGUE TRIBUNAL IS CASE IN POINT. RATIONALE WAS THAT ALTHOUGH USA COULD HAVE FOUGHT A DELAYING BATTLE IN HAGUE IT COULD NOT/NOT IN END HAVE PREVENTED RETURN OF FUNDS. THESE NOT/NOT ONLY BELONGED TO IRAN BUT HAD BEEN TRANSFERRED FROM USA TO BANK OF ENGLAND UNDER TERMS OF ALGIERS ACCORD WHICH ENDED EMBASSY HOSTAGE CRISIS IN 1981. USA HAD NO/NO CONTROL OVER ROUGHLY DLRS 820/820 MILLION REMAINING FORM DLRS 1.4/1.4 BILLION ORIGINAL SUM. SYNDICATED BANK CLAIMS FOR WHICH THOSE FUNDS WERE INTENDED HAD BEEN SATISFIED. THROUGH NEGOTIATED AGREEMENT USA, WHILE ACCEPTING RETURN OF DLRS 567/567 MILLION TO TEHRAN, WAS ALSO ABLE TO SECURE TEHRANS CONCURRENCE TO TRANSFER OF DLRS 243/243 MILLION TO ACCOUNT IN NETHERLANDS CENTRAL BANK FROM WHICH AWARDS TO AMERICAN CLAIMANTS AGAINST IRAN ARE PAID. DECISION ON RETURN OF DLRS 567/567 MILLION TO TEHRAN MAY HAVE SENT POSITIVE SIGNAL TO TEHRAN AND THAT WAS IN PAST USA INTENTION, BUT IT WAS A DECISION THAT ADMIN THOUGHT IT COULD THOROUGHLY JUSTIFY ON ITS OWN MERITS BEFORE SCEPTICAL PUBLIC AND CONGRESS.

4. EVEN WITH SOLID LEGAL JUSTIFICATION FOR ITS DECISION TO AGREE TO RETURN OF FUNDS, ADMIN HAS TAKEN FLACK FROM CONGRESS. HOUSE MIDEAST SUBCOMMITTEE HEARD ADMIN WITNESSES ON ISSUE FOR TWO HOURS LAST WEEK. DEMOCRATIC AND REPUBLICAN MEMBERS WERE VIRTUALLY UNANIMOUS IN

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PAGE FOUR UNGR2333 CONF

ATTACKING ADMIN FOR POOR JUDGEMENT. CONGRESSIONAL CRITICISM REFLECTS REALITY THAT THERE SIMPLY IS NO/NO SIGNIFICANT CONSTITUENCY IN THE USA CALLING FOR IMPROVED RELATIONS WITH IRAN. FOR ADMIN THIS MEANS THERE ARE A LOT OF POTENTIAL PITFALLS IN SEEKING BETTER TIES BUT FEW POLITICAL PLUSES. TENDENCY WILL THEREFORE BE TO PROCEED WITH GREAT CAUTION.

5. AMERICANS BELIEVE THEY HAVE DETECTED SOME SIGN OF RAFSANJANI'S WILLINGNESS TO RECIPROCATE THEIR POSITIVE GESTURE. TEHRAN'S AGREEMENT TO TRANSFER OF DLRS 243/243 MILLION TO BANK OF NETHERLANDS IS INTERPRETED WITHIN STATE DEPT AS SIGNAL FROM IRANIAN PRESIDENT. BUT IT IS RECOGNIZED HERE THAT RAFSANJANI ALSO HAS CONSTRAINTS AFFECTING HIS FREEDOM OF ACTION. RADICAL DEPUTIES IN MAJLIS WOULD BE VERY VOCAL IN CRITICISM OF ANYONE WHO APPEARED TO BE DEPARTING FROM KHOMEINI LINE AS MIGHT SOME MEMBERS OF GOVT. IT IS ALSO LIKELY THAT FIGURES OUT OF GOVT SUCH AS FORMER INTERIOR MINISTER MOHTASHEMI, WHO HAS BEEN CONNECTED TO HIZBOLLAH, RETAIN A GOOD DEAL OF INFLUENCE AND MIGHT TRY TO USE ANY TO OBVIOUS MOVES TOWARDS USA (EG ON HOSTAGES IN LEBANON) AGAINST RAFSANJANI. ISRAELI KIDNAPPING OF SHEIKH OBEID LAST SUMMER AND DEATH OF COL HIGGINS MAY HAVE FURTHER LIMITED RAFSANJANI'S FREEDOM OF MOVEMENT ON HOSTAGES.

6. PROGNOSIS IS FOR BOTH SIDES TO CONTINUE TO PROCEED WITH CAUTION ON NORMALIZING RELATIONS. AMERICANS ARE IN PROCESS OF EXAMINING

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PAGE FIVE UNGR2333 CONF

WHETHER ISSUE OF COMPENSATION FOR FAMILIES OF THOSE KILLED ON  
IRANIAN AIRLINER DOWNED OVER GULF CAN BE USED TO NUDGE  
NORMALIZATION PROCESS FORWARD.USA WANTS TO COMPENSATE FAMILIES EX  
GRATIA BUT IRAN HAS CLAIMED USA IS LEGALLY AND CRIMINALLY LIABLE  
INCLUDING FOR LOSS OF AIRCRAFT AND HAS FILED SUIT IN WORLD COURT.  
THOUGHT HERE IS THAT SOME PROSPECT MAYEXIST FOR WORKING TOWARDS  
AN AGREED SETTLEMENT WITH IRAN ON COMPENSATION ISSUE,BUT ONCE  
AGAIN USA WILL NOT/NOT MAKE ANY GESTURE THAT CANNOT/NOT BE  
JUSTIFIED TO SCEPTICAL PUBLIC AND CONGRESS.ADMIN IS VERY UNLIKELY  
TO GO OUT ON A LIMB IN EFFORT TO NORMALIZE RELATIONS UNTIL IRAN  
MOVES ON HOSTAGES AND SUPPORT FOR TERRORISM.

6.ISSUE OF IRANIAN CLAIM FOR MILITARY ASSETS CONFISCATED FOLLOWING  
REVOLUTION ALSO REMAINS OUTSTANDING.TRIBUNAL HAS DECIDED THAT IRAN  
SHOULD BE REIMBURSED FOR THAT EQUIPMENT AT ITS MARCH 1981 VALUE BUT  
IT REMAINS TO BE DECIDED WHAT THAT SUM WOULD BE,QUITE POSSIBLY  
SEVERAL BILLIONS.AMERICANS SEE LITTLE CHANCE OF RAPID PROGRESS ON  
SETTLEMENT ESPECIALLY IF FIGURES INVOLVED HAVE TO BE DECIDED UPON BY  
HAGUE TRIBUNAL RATHER THAN DIRECT NEGOTIATIONS.THIS IS NOT/NOT AREA  
IN WHICH ANYONE HERE IS THINKING OF MAKING CONCILIATORY GESTURES.

7.FORWARDING GMR AND TEHRAN TEXT OF STATE DEPT LEGAL ADVISORS  
RATIONALE FOR USA GREEEMENT TO RETURN OF ASSETS TO TEHRAN.

CCC/085 142308Z UNGR2333

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NOV 10 1989

UNCLASSIFIED/SECURE TRANSMISSION ABROAD

FM TERAN RPGR8335 09NOV89

TO EXTOTT GMR

INFO WSHDC LDN

DISTR GMD GMRD IND INP INS

REF YOURTEL INS0611 11AUG

---TERAN TIMES 09NOV EDITORIAL

QUOTE:

USA STILL SHORT ON

GENUINE GOODWILL

**ACTION**  
**SUITE A DONNER**

AL	005108
20-IRAN-1-3-USA	

THE UNITED STATES NEVER TIRES OF CALLING ON IRAN TO MOVE TO HAVE THE HOSTAGES HELD IN LEBANON RELEASED AS IF IT(IRAN)WAS SOMEHOW DIRECTLY RESPONSIBLE IN THIS MATTER.THE LATEST CALL CAME FROM NO/NO LESS A PERSON THAN PRESIDENT GEORGE BUSH ON TUESDAY SUBSEQUENT TO A DECISION BY THE USA TO RETURN TO IRAN DLR\$567 MILLION HELD BY THEM IN FROZEN ASSETS.

IT IS TRUE THAT IRAN(AND IN PARTICULAR PRESIDENT RAFSANJANI) HAS ASSURED THE USA ON SEVERAL OCCASIONS THAT THE ISLAMIC REPUBLIC WILL USE ITS GOOD OFFICES WITH ISLAMIC GROUPS IN LEBANON TO DO ALL IT CAN TO HELP TO FREE THE HOSTAGES PROVIDED THE USA SHOWS GENUINE GOODWILL.BUT SURELY THERE APPEARS TO BE LITTLE SIGN OF THIS YET. TO SAY THAT THE LATEST PARTIAL RELEASE OF ASSETS IS A SIGN OF GOODWILL DOES NOT/NOT CARRY CONVICTION.IT IS NOT/NOT ENOUGH TO SAY THE LEAST.

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PAGE TWO RPGR8335 UNCLAS/SECURE TRANSMISSION ABROAD

AS SUCH PRESIDENT BUSH SHOULD NOT/NOT LET HIS EXPECTATIONS OF IRANIAN HELP RUN TOO HIGH. AFTER ALL THE RELEASE OF THE DLRS567 MILLION IS A LEGITIMATE SUM OWED TO IRAN AND ONE WHICH THE INNATL COURT OF THE HAGUE HAS DECIDED IS LEGALLY DUE TO IRAN AND ORDERED ITS SETTLEMENT.

A SOURCE CLOSE TO PRESIDENT RAFSANJANI HAS SAID THAT IT IS THE IRANIAN PRESIDENTS VIEW THAT A TOTAL AND UNQUALIFIED SETTLEMENT OF ALL IRANIAN ASSETS HELD IN THE UNITED STATES IS REQUIRED BEFORE IRAN CAN BE CONVINCED OF THE SINCERITY OF USA INTENTIONS. BESIDES, THIS SOURCE HAS SAID THAT THIS WOULD CERTAINLY INCLUDE THE RELEASE OF ASSETS HELD ON ACCOUNT OF MILITARY PURCHASES MADE BY IRAN BEFORE THE ISLAMIC REVLN BY THE EX-SHAH. THE USA HAS NOT/NOT ONLY DELAYED THE DELIVERY OF THE ARMS, BUT HAS FURTHER ASKED THAT WAREHOUSE CHARGES BE SETTLED ON THE ARMS HELD BACK BY THE USA. IT IS HEARTENING TO NOTE THAT PRESIDENT BUSH HAS ASKED FOR A FULL INVESTIGATION INTO THE MATTER OF SETTLEMENTS DUE TO THE ISLAMIC REPUBLIC OF IRAN. ONE MUST HOPE THAT THIS WILL BE FOLLOWED BY ACTION EXPEDITIOUSLY TAKEN.

EVEN AS WE GO TO PRINT TODAY, NEWS HAS REACHED US THAT THE USA USING ITS VETO RIGHT HAS BEEN THE ONLY ONE AMONG THE 14 MEMBERS OF THE SECURITY COUNCIL TO VOTE AGAINST AND KILL A MOTION URGING THE SETTING UP OF A UN INQUIRY COMMISSION ON THE EXTORTIONS BEING CARRIED OUT BY ISRAEL OF PALESTINIANS IN THE OCCUPIED TERRITORIES

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PAGE THREE RPGR8335 UNCLAS/SECURE TRANSMISSION ABROAD  
IN THE GUISE OF COLLECTING TAXES. ISLAMIC IRAN IS DEEPLY CONCERNED  
ABOUT THE FATE OF MOSLEMS IN PALESTINE, IN LEBANON AND WHEREVER  
IT BE. IRAN BELIEVES THAT THE USA SHOULD NOT/NOT USE ITS POWER  
TO HELP THOSE WHO SUPPRESS MOSLEMS AND THEIR RIGHTS.

AT THE PRESENT, HOWEVER, THE USA IS STILL QUITE SHORT ON DISPLAYING  
ENOUGH MOVES TO CONVINCE IRAN OF GENUINE GOODWILL.

UNQUOTE.

CCC/162 090829Z RPGR8335



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NOV 10 1989

C O N F I D E N T I A L

FM TERAN RPGR8334 09NOV89

TO EXTOTT GMR

INFO WSHDC

DISTR GMD GMRD

---USA AND IRAN

ACC

INP

20-IRAN-1-3-USA

ACTION

SUITE A DONNER

WE AND OTHERS HAVE NOTED FOLLOWING EVENTS WHICH, IN CONTEXT OF  
A TOWN THAT LIVES ON RUMOURS, HAS PROMPTED SPECULATION:

-- 04 NOV DEMOS AT USA EMBASSY IN TERAN INCLUDED NO/NO STATE-  
MENTS BY EITHER KHAMENEI OR RAFSANJANI-SUGGESTING THEY WANTED  
TO BE SEEN AS DISTANT FROM RHETORIC.

-- 06NOV KWAIT DAILY AS-SIYASA CARRIED STORY SAYING BAKER MET  
VELAYATI AT UNGA.ON 07NOV STATEMENT STORY IS QUOTE CATEGORICALLY  
REFUTED UNQUOTE BY MFA HERE.

-- 06NOV USA ANNOUNCES RETURN OF DLRS567 MILLION IN ASSETS  
TO IRAN FOLLOWING MTGS BETWEEN USA AND IRANIAN OFFICIALS IN  
THE HAGUE.IN 09NOV STORY,TERAN TIMES QUOTES SOURCE CLOSE TO RAF-  
SANJANI AS SAYING THERE HAS BEEN NO/NO OUT OF COURT SETTLEMENT  
WITH USA.TERAN TIMES RAN EDITORIAL THIS MORNING SAYING USA ACTION  
IS QUOTE STILL QUITE SHORT UNQUOTE OF SHOWING NECESSARY  
GOODWILL,TOWARDS IRAN.

-- IRAN HAS NOT/NOT COMMENTED ON ELECTION OF NEW LEBANESE  
PRESIDENT.

CCC/162 090829Z RPGR8334



External Affairs  
Canada

Affaires extérieures  
Canada

MGTC/DIARY FILE  
MGTC/JOURNAL/CIRC/DOSSIER

Accession/Référence <b>641971</b>
File/Dossier <b>20-1RAN-1-3-USA</b>
7 Nov 89 22 37
12 10

MESSAGE

Align first character of Security Classification under this arrow  
Alignez le premier caractère de la Sécurité sous cette flèche

SECURITY  
SÉCURITÉ **C O N F I D E N T I A L**

FM/DE FM EXTOTT JLO-2026 6NOV89

TO/À TO TEHERAN WSHDC

INFO  
DISTR DISTR GMR GMD GMRD ISE ISD URR

REF REF YRTEL RPGR8322 OF 2NOV

SUBJ/SUJ

RECEIVED - REÇU

NOV 9 1989

Legal Operations Division (JLO)  
Direction des Opérations juridiques

---TENTH ANNIVERSARY OF USA EMBASSY TAKEOVER

JLO OFFICER WAS AT STATE DEPT ON WED 01NOV AND TOOK OPPORTUNITY OF VISIT TO LEGAL BUREAU TO INQUIRE ABOUT USA LEGISLATION REFERRED TO IN REFTEL. LEGAL OFFICER (BRUCE RASHKOW) MADE REASSURING NOISES THAT NO/NO NEW LEGISLATION WAS INVOLVED. WHAT HAD RAISED IRANIAN IRE WAS USA JUSTICE DEPT LEGAL OPINION ABOUT RIGHTS OF FBI TO ARREST VIOLATORS OF AMERICAN LAW. STATE DEPT REP STATED THAT OPINION LOOKED ONLY AT DOMESTIC LAW AND TOOK NO ACCOUNT WHATSOEVER OF USA INTL OBLIGATIONS AND APPLICABLE INTL LAW. AS SUCH, IT WAS NOT USA POLICY AND WAS INCORRECTLY TAKEN OUT OF ITS CONTEXT.

2. AS TO CDN REACTION TO ANY QUESTIONS ON THIS MATTER, WE WLD RECOMMEND THAT YOU STATE THAT WE HAVE NOT/NOT BEEN MADE AWARE OF ANY NEW USA LEGISLATION THAT WLD HAVE EFFECT OF ALLOWING USA OFFICIALS TO ARREST OFFENDERS IN FOREIGN STATES WITHOUT LATTERS PERMISSION. WSHDC SHLD FOLLOW UP TO ASCERTAIN WHAT LEGISLATION JUSTICE OPINION WAS BASED ON AND TO RECONFIRM THAT UNILATERAL FOREIGN ARRESTS WITHOUT BASIS IN INTL LAW IS NOT USA POLICY.

DRAFTER/REDACTEUR

DIVISION/DIRECTION

TELEPHONE

APPROVED/APPROUVE

JASON REISKIND/LS

JLO

992-2002

ROBERT ROCHON

SIG

SIG

000014



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of Canada

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Gouvernement  
du Canada

ACTION  
REQUEST

FICHE DE  
SERVICE

To - À

JLO (REISKIND)

Date

2 NOV. 89

Time - Heure

From - De

GMR (LAROCHELLE)

Telephone No - N° de téléphone

990-5994

Extension - Poste

☐ Please Call  
Prière d'appeler

☐ Returned your call  
Vous a rappelé

☐ Will call again  
Vous rappellera

☐ Wants to see you  
Désire vous voir

☒ Action  
Donner suite

☐ Comments  
Commentaires

☐ As requested  
Comme demandé

File no. - N° de dossier

☐ Approved  
Approbation

☐ Draft reply  
Projet de réponse

☐ Signature

☐ Note and return  
Noter et retourner

☐ Note and forward  
Noter et faire suivre

☐ Note and file  
Noter et classer

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Direction des Opérations (JLO)  
Division des Opérations juridiques

WE SPOKE

Thank you.

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ACTION COPY  
for JLO

C O N F I D E N T I A L

FM TERAN RPGR8322 02NOV89

TO EXTOTT GMR DELIVER BY 020900

DISTR GMD GMRD

---TENTH ANNIVERSARY OF USA EMBASSY TAKEOVER

A REMINDER THAT 04NOV IS THE TENTH ANNIVERSARY OF THE USA EMBASSY TAKEOVER IN TERAN. DAY IS HOLIDAY HERE CALLED QUOTE DAY AGAINST GLOBAL ARROGANCE UNQUOTE. VARIOUS STUDENT GROUPS HAVE PLANNED MAJOR MARCH IN TERAN AND BURNING OF 160 USA FLAGS TO PROTEST THE BEHEADING IN SAUDI OF THOSE ACCUSED OF BOMB EXPLOSIONS IN MECCA. GOVT WILL ALSO OPEN QUOTE DEN OF SPIES UNQUOTE EXHIBITION AT FORMER USA EMBASSY. FORMER INTERIOR MINISTER MOHTASHAMI, IS ACCORDING TO PRESS REPORTS TODAY, SCHEDULED TO MAKE A SPEECH AT THE PROTEST.

2. MAJLIS PASSED BILL 01NOV AUTHORIZING PRESIDENT RAFSANJANI TO TAKE MEASURES FOR THE ARREST AND PROSECUTION OF AMERICAN CITIZENS FOUND GUILTY BY IRANIAN COURTS. MAJLIS PASSED BILL IN RESPONSE TO USA LEGISLATION AND MAJLIS BILL AUTHORIZES (NOT/NOT ORDERS) ACTION AGAINST ANY COUNTRY THAT ALLOWS WSHDC TO ARREST IRANIAN CITIZENS ABROAD.

3. WE WILL REPORT ON DEMO ETC FOR YOU FOR MON MORNING. WOULD EXPECT PRESS COVERAGE, INCLUDING FILM, TO BE WIDELY AVAILABLE, AND THIS MAY INFLUENCE YOUR TIMING OF MEMO TO SSEA ON CDA/IRAN RELATIONS.

4. WOULD BE GRATEFUL FOR PRESS LINE ON CDN REACTION TO USA LEGISLATION.

CCC/162 021116Z RPGR8322

ACTION  
SUITE A DONNER

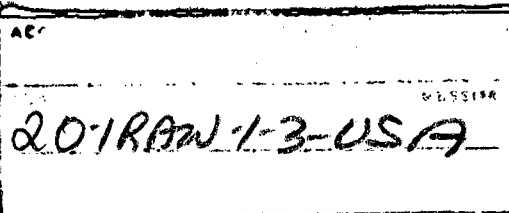
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NOV 06 1989

P R O T E C T E D

FM TERAN RPGR0529 05NOV89

TO EXTOTT GMR



INFO AMMAN BGHDD CAIRO DMCUS KWAIT RYADH ROME TAVIV ALGER RABAT  
TUNIS WSHDC LDN PARIS PRMNY GENEV CNBRA MOSCO BNATO ANKRA ISBAD  
PCOOTT/DOYLE/IAC

TT NDHQOTT/DIPOL/DDI/ DE CAF

DISTR MINA MINP USS DMC GGB GMD GMRD GMT GRP IMD IMU IMH IDD IDR  
ISE CPD CPP URR INE INP BMM

---USA EMBASSY:TEN YEARS AFTER

SUMMARY:

DESPITE HEAVY BUILD-UP BY LOCAL MEDIA FOR DEMONSTRATIONS AND  
EXHIBITS MARKING 10TH ANNIVERSARY OF SEIZURE OF USA EMBASSY,  
ACTUAL DEMONSTRATION WAS ATTENDED BY ONLY 10,000 PERSONS, MAINLY  
STUDENTS. LACK OF SPONTANEOUS ENTHUSIASM AND INTEREST IN EVENT WAS  
APPARENT IN BOTH LISTLESS REPETITION OF QUOTE DEATH TO AMERICA  
UNQUOTE CHANTS AND APPARENT INDIFFERENCE OF TERANS POPULATION  
TO VISIT EXHIBIT IN GROUNDS OF FORMER EMBASSY. ANNIVERSARY WAS  
VIEWED HERE AS PROVIDING OPPORTUNITY FOR RADICALS, INCLUDING  
FORMER INTERIOR MINISTER MOHTASHAMI TO REASSERT FUNDAMENTAL  
VALUES OF REV LN. LACK OF POPULAR RESPONSE, AND EVEN ORGANIZATIONAL  
EFFORT TO ENSURE APPARENT SUPPORT, RAISES MORE QUESTIONS THAN IT  
ANSWERS.

2. REPORT:

MEDIA COVERAGE BEFORE QUOTE FESTIVITIES UNQUOTE MARKING 10TH

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PAGE TWO RPGR0529 PROTECTED

ANNIVERSARY OF SEIZURE OF EMBASSY 04NOV79 AND SUBSEQUENT HOLDING OF HOSTAGES FOR 444 DAYS CITED DECLARATIONS BY LEADER OF THE REV LN KHAMENEI, FORMER MINISTER OF INTERIOR MOHTASHAMI, MINISTER OF JUSTICE YAZDI, AND OTHERS STRESSING NEED TO MARK QUOTE NATIONAL DAY OF STRUGGLE AGAINST GLOBAL ARROGANCE SPEARHEADED BY THE WORLD-DEVOURER USA UNQUOTE AND EXHORTING PEOPLE TO ATTEND PLANNED DEMONSTRATION OUTSIDE FORMER EMBASSY. MAJLIS HAD EARLIER PASSED RESLN CALLING ON PRESIDENT RAFSANJANI TO ORDER GOVT ORGANIZATIONS TO QUOTE MARK OCCASION AS SPLENDIDLY AS POSSIBLE UNQUOTE (RAFSANJANI HIMSELF WAS ALL BUT SILENT ON ISSUE). AT FRIDAY PRAYERS DAY BEFORE EVENT, FORMER JUSTICE MINISTER ARDEBILI CALLED THE TAKE-OVER OF QUOTE THE DEN OF SPIES BY THE STUDENTS FOLLOWING THE IMAMS LINE AS THE MOST CRUCIAL AND HONOURABLE OUTCOME OF THE ISLAMIC REPUBLIC UNQUOTE. TERAN TIMES, NORMALLY VIEWED AS MODERATE MOUTHPIECE OF RAFSANJANI, DEDICATED VIRTUALLY ALL OF FRONT PAGE 04NOV TO COMMEMORATION OF TAKEOVER AND STATEMENTS ASSERTING NEED TO REMAIN STEADFAST IN REV LNARY STRUGGLE AGAINST USA.

3. AGAINST THIS HEAVY MEDIA COVERAGE, ACTUAL TURNOUT OF 10,000 DEMONSTRATED LACK OF SPONTANEOUS INTEREST AND SUPPORT IN BOTH DEMONSTRATION, ANNIVERSARY, AND PERHAPS OPPOSITION TO USA ITSELF. MOST OF THE DEMONSTRATORS APPEARED TO BE FROM THE PASDARAN (REV LNARY GUARDS), AND THE MOSLEM STUDENTS ASSOCIATION. NO/NO REAL ENTHUSIASM WAS APPARENT AMONG THE CROWD: ON THE CONTRARY, CALLS BY THE ANNOUNCER ...3

PAGE THREE RPGR0529 0PROTECTED

TO REPEAT THE OLD SLOGANS OF QUOTE DEATH TO AMERICA UNQUOTE AND THE LIKE WERE RESPONDED AUTOMATICALLY, WITHOUT FERVOUR, COMMITMENT, OR INTEREST. THE VACANT AND INBRED LOOK OF THE CROWD SUGGESTED THAT ONLY THE POOREST STRATA OF RURAL IRANIAN SOCIETY, BOTH INTELLECTUALLY AND MATERIALLY, HAD BEEN RECRUITED TO ATTEND THE EVENTS.

4. ATMOSPHERE AT DEMONSTRATION WAS NEITHER COMMITTED NOR HOSTILE, AS WE AND DANISH COLLEAGUES DID SHORT WALK IN MID-AFTERNOON. SOME STUDENTS WERE SEEN STUDYING FOR TOEFL EXAMS, OTHERS, MUCH YOUNGER GREETED US WITH THE QUOTE HELLO, HELLO UNQUOTE REFRAIN SO COMMON HERE WITH BIG SMILES ON THEIR FACES. THE SECURITY PEOPLE STOPPED US BRIEFLY TO ASK WHO WE WERE, BUT THEN LET US WANDER THROUGH THE CROWD WITHOUT HINDRANCE.

5. EXHIBITION HELD INSIDE GROUNDS OF COMPOUND AND IN FRONT OF MAIN EMBASSY BUILDING WAS FIRST TIME COMPOUND WAS OPEN TO PUBLIC IN 10 YEARS (EMBASSY IS APPARENTLY IN USE AS PASDARAN HIGH SCHOOL). GROUNDS APPEAR WELL KEPT-UP, AND MAIN BUILDING, JUDGING FROM OUTSIDE, APPEARS NEITHER BETTER NOR WORSE THAN ANY OTHER GOVT BUILDING IN TERAN-TIRED IN APPEARANCE BUT FUNCTIONAL (WE SAW A NUMBER OF PASDARAN IN BUILDING THROUGH WINDOWS). SECURITY, ALTHOUGH NUMEROUS AND WELL-ARMED WITH MACHINE GUNS, WAS NEVERTHELESS RELAXED. APPEARANCE OF WESTERNERS IN COMPOUND DREW CURIOUS BUT NON-HOSTILE GLANCES.

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PAGE FOUR RPGR0529 PROTECTED

6. EXHIBIT WAS TOURED BY FORMER MINISTER OF INTERIOR MOHTASHAMI, FORMER PROSECUTOR GENERAL (AND RELIGIOUS LEADER OF STUDENTS WHO OCCUPIED EMBASSY) KHOENIHA, MINISTER OF ISLAMIC GUIDANCE KHATEMI, MINISTER OF INTELLIGENCE FALAHIAN, ALL ACCOMPANIED BY 4 TO 5 GUARDS DRESSED IN CIVILIAN CLOTHES. EXHIBIT WAS POSTER DISPLAY FEATURING CONFESSIONS OF MEMBERS OF ALLEGED CIA SPY RING UNCOVERED APR89, COPIES OF SAVAK DOCUS, PHOTOS FROM STORMING OF EMBASSY, PHOTOS OF TABAS FAILED RESCUE EFFORT, AND DESCRIPTIONS OF MARTYRS OF REV LN. ONLY DISPLAY OF EQPT WAS REMAINS OF IRAN AIR AIRBUS DOWNED 03JUL88. CONTRARY TO MEDIA COVERAGE, NONE OF THE EQPT REPORTEDLY FOUND WITH QUOTE SPY RING UNQUOTE WAS ON DISPLAY (PRESS PHOTOS AT TIME DISPLAYED WHAT APPEARED TO BE PCS AND A SONY SHORTWAVE RADIO). EXHIBITION WILL CONTINUE TO 09NOV89.

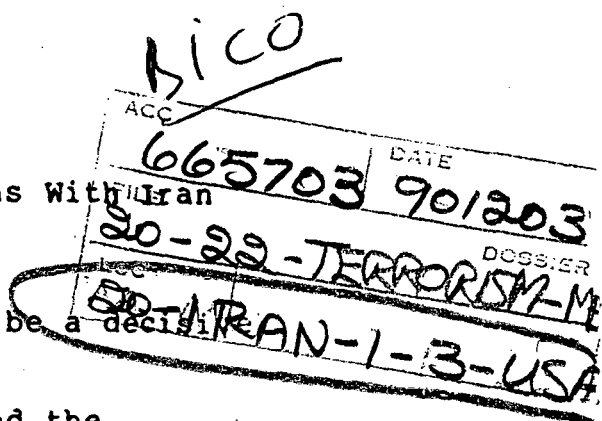
7. MEDIA COVERAGE FOLLOWING EVENT WAS SUBDUED IN CONTRAST TO EARLIER BUILD-UP. APART FROM EXAGGERATED ATTENDANCE FIGURE CITED AS SEVERAL HUNDRED THOUSAND, VISIT OF LEADER OF REV LN KHAMENEI TO KHOMEINIS SHRINE IN BEHESHT-E-ZAHRA CEMETERY (04NOV63 WAS DATE OF KHOMEINIS EXILE FROM IRAN) RECEIVED AS MUCH ATTN AS DEMONSTRATION AND STATEMENTS OF ALLEGED IRANIAN USA SPIES DURING PRESS CONFERENCE. CCC/162 051109Z RPGR0529



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SECRET

Message from Secretary Baker on Relations With Iran



-- I want to ask for your help at what may be a decisive moment.

-- The murder of Colonel Higgins has shocked the American people and the entire international community, particularly given his service as a member of the UN Truce Supervisory Organization. In the United States it has led to calls for decisive military action against those responsible.

-- We will not act without careful and sober consideration of all the potential consequences. But we are not prepared to leave the initiative with terrorist killers who try to turn our reverence for human life against us.

-- As you know, Iran has unique influence with the groups in Lebanon which have committed this outrage.

-- In recent messages to the Iranian government, we have stressed that in light of this influence Iran cannot escape responsibility for the murder of Colonel Higgins and the threats against other hostages.

-- I ask that you consider urgently how to convey your own views to the Iranian government in this critical situation.

-- Western interests are not well served by Iran's isolation in the world. But I believe the time has come for all of us to put the Iranian government on notice that Iran cannot continue to have it both ways. Iran cannot expect to enjoy the benefits of an economic and political relationship with the West while at the same time continuing to support hostage-taking and terrorism.

-- Iran's new leadership must be confronted with the need to choose. The choice cannot be postponed much longer. One road involves a serious Iranian effort to free all the hostages held in Lebanon by groups Iran supports. The other road will lead to Iran's isolation as an international pariah.

-- As we have said many times, the United States government remains ready for a direct dialogue with authorized representatives of the Government of Iran, without preconditions or intermediaries. But the issue of the hostages stands in the way of any progress in Iran's relationship with the United States. It must be resolved before Iran can regain its place as a respected member of the international community.

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-2-

-- I hope you will consider urgently what you can do to drive this message home to the Iranian government in any way you can. My own view is that Iranian attempts to imply that the U.S. or the West are in some way at fault in this situation should be firmly rejected. Responsibility for the murder of Colonel Higgins rests squarely on the shoulders of his kidnappers and their supporters.

-- We can also expect factions in Iran's internal political struggle to try to evade responsibility by blaming their rivals, citing divisions between so-called moderates and radicals. This well-worn Iranian ploy should be recognized for what it is and rejected.

-- I have sent a similar message to others of our colleagues. I would welcome your views and the closest possible consultation between us as this crisis evolves.

SECRET

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NOV 02 1989

**ACTION**  
**SUITE A DONNER**

C O N F I D E N T I A L

FM TERAN RPGR8322 02NOV89

TO EXTOTT (GMR) DELIVER BY 020900

DISTR GMD GMRD

20-1BAN-1-3-USA
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---TENTH ANNIVERSARY OF USA EMBASSY TAKEOVER

A REMINDER THAT 04NOV IS THE TENTH ANNIVERSARY OF THE USA EMBASSY TAKEOVER IN TERAN. DAY IS HOLIDAY HERE CALLED QUOTE DAY AGAINST GLOBAL ARROGANCE UNQUOTE. VARIOUS STUDENT GROUPS HAVE PLANNED MAJOR MARCH IN TERAN AND BURNING OF 160 USA FLAGS TO PROTEST THE BEHEADING IN SAUDI OF THOSE ACCUSED OF BOMB EXPLOSIONS IN MECCA. GOVT WILL ALSO OPEN QUOTE DEN OF SPIES UNQUOTE EXHIBITION AT FORMER USA EMBASSY. FORMER INTERIOR MINISTER MOHTASHAMI, IS ACCORDING TO PRESS REPORTS TODAY, SCHEDULED TO MAKE A SPEECH AT THE PROTEST.

2. MAJLIS PASSED BILL 01NOV AUTHORIZING PRESIDENT RAFSANJANI TO TAKE MEASURES FOR THE ARREST AND PROSECUTION OF AMERICAN CITIZENS FOUND GUILTY BY IRANIAN COURTS. MAJLIS PASSED BILL IN RESPONSE TO USA LEGISLATION AND MAJLIS BILL AUTHORIZES (NOT/NOT ORDERS) ACTION AGAINST ANY COUNTRY THAT ALLOWS WSHDC TO ARREST IRANIAN CITIZENS ABROAD.

3. WE WILL REPORT ON DEMO ETC FOR YOU FOR MON MORNING. WOULD EXPECT PRESS COVERAGE, INCLUDING FILM, TO BE WIDELY AVAILABLE, AND THIS MAY INFLUENCE YOUR TIMING OF MEMO TO SSEA ON CDA/IRAN RELATIONS.

4. WOULD BE GRATEFUL FOR PRESS LINE ON CDN REACTION TO USA LEGISLATION.

CCC/162 021116Z RPGR8322

C O N F I D E N T I A L

FM TERAN RPGR0421 24AUG89

TO EXTOTT GMR IMMED

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IMD IMU IDR EMM URD URR

REF YOUR 1323 10AUG 1338 11AUG

---IRAN, USA AND THE HOSTAGES

SUMMARY:PAKISTANI FM LEFT TEHRAN QUOTE NOT/NOT ENTIRELY PESSIMISTIC

UNQUOTE OVER HOSTAGE CRISIS AND WENT ON TO DMCUS TO MEET PRES.

ASSAD WITH WHOM,WITH RAFSANJANIS ENCOURAGEMENT,HE WILL ALSO HAVE

RAISED HOSTAGES.SENSE HERE IS STILL THAT HOSTAGE PROBLEM WILL TAKE

TIME TO RESOLVE BUT THAT IF BALL GETS ROLLING DEVELOPMENTS COULD

OCUR QUICKLY.IRANIAN CABINET IS EXPECTED TO BE CONFIRMED AND GOVT

IN PLACE BY 01SEP.DOMESTIC BALANCING ACT FOR RAFSANJANI,BETWEEN

FOLLOWING KHOMENEIS LINE AND USHERING IN NEW ERA,IS BEST SUMMARIZED

BY HEADLINE IN TODAYS PAPER WHICH,QUOTING RAFSANJANI,SAYS NO/NO

REFORMS IN IRANIAN GOVERNMENT-ONLY CHANGES.

2.REPORT:WHILE SPECULATION HERE CONTINUES ON IRANIAN INTENTIONS

AND POSSIBLE EFFORTS TO EFFECT THE RELEASE OF HOSTAGES IN LEBANON

SENSE FROM A VARIETY OF INTERLOCUTORS IS THAT,IN THE WORDS OF FM

VELAYATIS BROTHER-IN-LAW,IT WILL TAKE TIME TO SOLVE THE HOSTAGE

PROBLEM.MALEKI,WHO IS DG OF MFAS INTERNATIONAL INSTITUTE,LEFT

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PAGE TWO RPGR0421 CONF

IMPRESSION 20AUG THAT IRANIANS AND RAFSANJANI STILL NEEDED TO PUT THEIR HOUSE IN ORDER BEFORE THERE MIGHT BE PROGRESS ON HOSTAGE ISSUE.

3. ACCORDING TO PAKISTANI AMBASSADOR (PLS PROTECT), FM KHAN LEFT TEHRAN FOR DMCUS 20AUG QUOTE NOT/NOT ENTIRELY PESSIMISTIC UNQUOTE ABOUT THE HOSTAGE RCISIS IN LEBANON WHILE PAKISTANIS WERE AT PAINS TO AVOID BEING SEEN AS MESSENGERS FOR AMERICANS, WHICH AMBASSADOR BELIEVES IS NOT/NOT A HELPFUL ROLE FOR ANYONE OR COUNTRY TO PLAY, KHAN RAISED ISSUE AT BOTH HIS MEETINGS WITH PRES RAFSANJANI AND FM VELAYATI. ACCORDING TO AMB KHAN WILL ALSO HAVE RAISED HOSTAGE ISSUE WITH PRES ASSAD IN DMCUS, WITH THE ENCOURAGEMENT OF RAFSANJANI.

4. AMBASSADOR SAID THAT KHAN FOUND THE SITUATION VERY COMPLEX. IN HIS VIEW BOTH THE AMERICANS AND THE IRANIANS ARE TAKING DECLARATORY AND OPERATIONAL POSITIONS - AND STATEMENTS AND MESSAGES FROM BOTH NEEDED TO BE VIEWED IN THIS LIGHT. KHAN WAS TOLD IRANIANS DID NOT/NOT WANT TO BE QUOTE HUMILIATED UNQUOTE BY DIRECT LINKAGE BETWEEN FROZEN ASSETS IN USA AND RELEASE OF HOSTAGES BUT AT SAME TIME IT WAS CLEAR TO KHAN THAT IRAN WANTED ASSETS RELEASED AS THEY NEED THE MONEY. TONE OF PUBLIC AMERICAN MESSAGES WAS APPARENTLY AN IRANIAN HANGUP WHICH WAS BORNE OUT BY RAFSANJANI'S REMARKS QUOTED BY PRESS FROM HIS MEETING WITH KHAN. QUOTE IF THE USA IS EXPECTING OUR HELP IN THE LEBANON AFFAIR IT MUST GIVE UP ITS HOSTILE ATTITUDE TOWARDS US AND LET US FIND THE DISPOSITION TO HELP SOVE THE PROBLEM ...3

PAGE THREE RPGR0421 CONF

UNQUOTE.

5. PAKISTANI AMBASSADOR OFFERED THAT KHAN HAD FOUND BAKERS MESSAGE TO ALLIES, (GMR1294 04AUG), EQUALLY AS DECLARATORY AS SOME FROM IRANIANS. (WE ASSUME MSG TO PAKISTANIS WAS SIMILAR TO THAT RECD IN OTT). IT IS CLEAR TO PAKISTANIS, AND TO MOST OBSERVERS HERE AS WELL, THAT CONTRARY TO COMMENTS IN MSG THERE ARE INTERNAL DIFFERENCES IN IRAN, AS IN ANY GOVERNMENT, AND BAKER SEEMED TO BE IGNORING THE OBVIOUS WHEN HE SUGGESTED THAT FACTIONS IN IRAN WERE EVADING RESPONSIBILITY BY BLAMING THEIR RIVALS.

6. IT SEEMS THAT IRANIANS MAY BE TRYING TO ISOLATE HOSTAGE FILE IN ORDER THAT IT DOES NOT/NOT GET SWAMPED IN BROADER ISSUES OF LEBANON, THE MIDDLE EAST AND IRANS RELATIONS WITH THE WEST, ESPECIALLY THE USA, DESPITE THE FACT THAT THEY KNOW IT HAS MAJOR IMPACT OR RELATIONSHIP TO ALL OF THE ABOVE. IT WAS INTERESTING THAT DFM VAEZI DID NOT/NOT REFER TO RELATIONS WITH THE USA DURING DEMARCHE MADE ON HOSTAGES 19AUG (OUR RPGR0416 REFERS) BUT RATHER TALKED ONLY OF SHEIKH OBEIDS KIDNAPPING AND THE NEED TO CONDEMN ISRAELI ACTION AND TO SECURE RELEASE OF OBEID.

7. ON RELATIONS WITH THE USA RAFSANJANI TOLD KHAN, IN REPLY TO HIS COMMENT THAT SENIOR AMERICAN OFFICIALS HAD TOLD HIM THEY WANTED TO NORMALIZE RELATIONS WITH IRAN, THAT ANY RAPPROCHEMENT WOULD TAKE TIME. AMBASSADOR GOT IMPRESSION THAT THE HIDDEN MESSAGE WAS THAT RAFSANJANI NEEDED TO CONSOLIDATE HIS POSITION BEFORE PURSUING RELATIONS WITH THE USA.

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PAGE FOUR RPGR0421 CONF

8. WHILE SENSE THAT SOLUTION TO HOSTAGE CRISIS WILL TAKE TIME CONTINUES, THERE IS EQUAL FEELING THAT ONCE BALL GETS ROLLING THINGS COULD MOVE QUICKLY. RAFSANJANI'S CABINET STILL NEEDS TO BE CONFIRMED BY MAJLIS, AND WITH A LITTLE HELP FROM KHAMENEI ON 21AUG (IN STATEMENT KHAMENEI CALLED ON MAJLIS TO QUICKLY REVIEW CABINET NOMINEES AND TO ENSURE NO/NO CABINET POST IS LEFT VACANT -A CLEAR REFERENCE TO THE RUMBLINGS OVER FORMER INTERIOR MINISTER MOHTASHAMI), WE EXPECT THE MAJLIS TO CONFIRM RAFSANJANI'S CABINET BY 01SEP AT THE LATEST. WITH THE CABINET APPROVED (IT HAS ALREADY HAD INITIAL MEETING EARLIER THIS WEEK), AND SEVERAL DEPUTY PRESIDENTS APPOINTED THIS WEEK, RAFSANJANI WILL BE ABLE TO FOCUS ON VARIETY OF SUBSTANTATIVE ISSUES AND NOT/NOT SIMPLY THE PROCESS OF GETTING HIS GOVT IN PLACE. DOMESTIC BALANCING ACT FOR RAFSANJANI, BETWEEN FOLLOWING KHOMEINI'S LINE (RADICALS CARD) AND USHERING IN NEW ERA, IS PERHAPS BEST SUMMARIZED BY TODAY'S HEADLINE IN KAYHAN - QUOTE RAFSANJANI SAYS: NO/NO REFORMS IN IRANIAN GOVERNMENT - ONLY CHANGES UNQUOTE.

CCC/069 241105Z RPGR0421

**Pages 28 to / à 30  
are withheld pursuant to section  
sont retenues en vertu de l'article**

**13(1)(a)**

**of the Access to Information Act  
de la Loi sur l'accès à l'information**





External Affairs  
Canada

Affaires extérieures  
Canada

MGTC/DIARY/CIRCULE MCTC/JOURNAL/CIRC/DOSSIER	
ACC Accession/Référence 699/26	DATE
FILE 15 AUG 89 20	DOSSIER 80-1/ATV-1-3-USA
LOC A4.	

MESSAGE

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SECURITY  
SÉCURITÉ

~~CONFIDENTIAL~~ **PROTECTED**

FM/DE

FM EXTOTT GMR-1346 14AUG89

TO/À

TO TERAN

INFO

INFO WSHDC TAVIV DMCUS PRMNY PCOOTT/HAGEN/IAC

DISTR

DISTR GGB GMD INP ISD ISE JLA URD URR

REF

REF YOURTEL RPGR8230 10 AUG,OURTEL GMR1338 11 AUG

SUBJ/SUJ

---IRANIAN ASSETS IN USA

UNCLASS **US**  
FOLLOWING IS FACT SHEET RELEASED BY\*STATE DEPT ON 8 AUG 89 ON  
IRANIAN ASSETS IN US WHICH YOU MAY FIND OF INTEREST.

2.QUOTE.THE IRAN-UNITED STATES CLAIMS TRIBUNAL WAS ESTABLISHED BY  
THE ALGIERS ACCORDS IN 1981.THE TRIBUNAL HAS BEFORE IT CLAIMS OF  
U.S. NATIONALS AGAINST IRAN AND CLAIMS OF IRANIAN NATIONALS  
AGAINST THE UNITED STATES WHICH ARISE OUT OF DEBTS,CONTRACTS,  
EXPROPRIATIONS OR OTHER MEASURES AFFECTING PROPERTY RIGHTS.AS OF  
AUGUST 8,1989,THE TRIBUNAL HAD ISSUED CONTESTED AWARDS AND AWARDS  
ON AGREED TERMS WITH RESPECT TO 304 LARGE U.S. PRIVATE CLAIMS  
(CLAIMS FOR \$250,000 OR MORE),80 SMALL U.S. PRIVATE CLAIMS  
(CLAIMS FOR LESS THAT \$250,000),AND 4 PRIVATE IRANIAN CLAIMS.AS  
OF THIS SAME DATE,THE TRIBUNAL HAD REMAINING BEFORE IT 162 LARGE  
U.S. PRIVATE CLAIMS,2383 SMALL U.S. PRIVATE CLAIMS AND 14 CLAIMS  
OF IRANIAN NATIONALS.THE REMAINING PRIVATE U.S. NATIONALS' CLAIMS  
AGAINST THE IRANIAN GOVERNMENT ARE FOR BILLIONS OF DOLLARS.

3.ALSO PENDING BEFORE THE TRIBUNAL ARE CERTAIN CLAIMS OF THE  
UNITED STATES AND IRAN AGAINST EACH OTHER ARISING OUT OF

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DRAFTER/RÉDACTEUR

DIVISION/DIRECTION

TELEPHONE

APPROVED/APPROUVÉ

P.LAROCHELLE/at

GMR

0-5994

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A.ROBINSON 000031



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PAGE TWO GMR-1346 CONFD

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CONTRACTUAL ARRANGEMENTS BETWEEN THEM FOR THE PURCHASE AND SALE OF GOODS AND SERVICES AND DISPUTES AS TO THE INTERPRETATION OF THE ALGIERS ACCORDS. AS OF AUGUST 8, 1989, THE TRIBUNAL HAS ISSUED AWARDS IN 34 GOVERNMENT-TO-GOVERNMENT CLAIMS AND 9 INTERPRETIVE DISPUTES. AS OF THIS SAME DATE THE TRIBUNAL HAD REMAINING BEFORE IT 22 GOVERNMENT-TO-GOVERNMENT CLAIMS AND 14 INTERPRETIVE DISPUTES. THE REMAINING IRANIAN GOVERNMENT CLAIMS AGAINST THE UNITED STATES GOVERNMENT ARE FOR BILLIONS OF DOLLARS.

4. U.S. NATIONALS HAVE BEEN AWARDED APPROXIMATELY \$1,278 BILLION (INCLUDING INTEREST) THROUGH AUGUST 8, 1989. THE TRIBUNAL HAS ALSO AWARDED APPROXIMATELY \$118 MILLION (NOT INCLUDING INTEREST) IN 4 CASES BROUGHT BY IRANIAN NATIONALS.

5. AWARDS TO U.S. NATIONALS AND THE U.S. GOVERNMENT ARE PAID OUT OF A SECURITY ACCOUNT WHICH, AS OF AUGUST 8, 1989, CONTAINED \$500 MILLION. INTEREST ON THE SECURITY ACCOUNT IS MAINTAINED SEPARATELY, AS OF JULY 31, 1989, \$106 MILLION REMAINED IN THE INTEREST ACCOUNT.

6. DISPUTES RELATING TO CERTAIN LOANS AND CREDITS MADE BY BANK SYNDICATES ARE PAYABLE OUT OF DOLLAR ACCOUNT NO. 1, ESTABLISHED BY THE ALGIERS ACCORDS. PURSUANT TO A TRIBUNAL ORDER, \$454 MILLION WAS TRANSFERRED FROM THIS ACCOUNT TO IRAN IN APRIL 1988. AS OF AUGUST 2, 1989, \$11.9 MILLION REMAINED IN THAT ACCOUNT.

7. OTHER BANK CLAIMS ARE PAYABLE OUT OF DOLLAR ACCOUNT NO. 2, ALSO

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PAGE THREE GMR-1346 CONFD

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ESTABLISHED BY THE ALGIERS ACCORDS. AS OF JULY 31, 1989, \$800  
MILLION REMAINED IN THAT ACCOUNT.

8. THE ESCROW ACCOUNTS WERE INITIALLY FUNDED IN 1981 AS  
FOLLOWS: SECURITY ACCOUNT-\$1 BILLION; DOLLAR ACCOUNT NO. 1-\$3,667  
BILLION; DOLLAR ACCOUNT NO. 2-\$1,418 BILLION. THIS FUNDING WAS  
DERIVED FROM \$9,975 BILLION TRANSFERRED BY THE UNITED STATES AS A  
RESULT OF THE ALGIERS ACCORDS, WITH THE EXCESS NOT NEEDED FOR THE  
ESCROW ACCOUNTS GOING TO IRAN. ALL IRANIAN PROPERTY NOT UNDER  
ARBITRATION BEFORE THE CLAIMS TRIBUNAL WAS RETURNED TO IRAN AT  
THAT TIME. UNQUOTE.

AY

CORRECTED COPY  
EXEMPLAIRE CORRIGE

**ACTION**  
**SUITE A DONNER**

S E C R E T CDN EYES ONLY

FM TERAN RPGR8230 11AUG89

TO EXTOTT GMR DELIVER BY 110900

INFO WSHDC PCOOTT/HAGEN/IAC

DISTR DMC GGE GMD IND INP ISD ISE

REF YCUR GMR1323 10AUG

---IRAN,USA AND THE HOSTAGES-CDN DEMARCHE

(NOT/NOT FOR TEL SUMMARY DISTRIBUTION)

SUMMARY:WE ARE AWARE THAT WE ARE NOT/NOT FULLY INFORMED ON DEVELOPMENTS IN HOSTAGE CRISIS,BUT HAVE A SENSE,SHARED BY OTHER LIKE-MINDED COLLEAGUES,THAT INTENSE DIPLOMATIC EFFORTS,INCL EITHER DIRECT USA-IRAN CONTACTS OR THROUGH THIRD PARTIES,ARE UNDERWAY. PURPOSE OF TEL IS TO REVIEW SOME ELEMENTS OF HOSTAGE CRISIS FROM TERAN PERSPECTIVE AND TO REPORT THAT EXTREME OPTIMISM IS BEING EXPRESSED BY SOME.WE UNDERSTAND UK AND AUSTRALIANS HAVE RESPONDED TO BAKERS MESSAGE TO ALLIES.BEFORE MAKING DEMARCHE, OUTLINED IN REFTTEL,WHICH WOULD PROPOSE TO DO AT DEPUTY FM LEVEL, BELIEVE SHOULD AWAIT RAFSANJANIS FORMAL INAUGURATION AND HAVE FURTHER COMMENTS FROM YOU.IF/IF BREAKTHROUGH ON HOSTAGES IS IN FACT POSSIBLE THIS WILL HAVE IMPLICATIONS FOR CDN POLICY ON IRAN. 2.REPORT:SEVERAL LIKE-MINDED COLLEAGUES SHARE VIEW THAT WE ARE NOT/NCT FULLY INFORMED ON DEVELOPMENTS IN HOSTAGE CRISIS-NOR/NOR NECESSARILY DO WE EXPECT TO BE-AND,AS A RESULT,OUR REPORTING MAY BE OFF THE MARK.GIVEN BYZANTINE POLITICAL STRUCTURE HERE AND

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RECEIVED IN GMR	
ACC 699/30	DATE AUG 11 1989
FILE 20-1-2-IRAN	DOSSIER A-4
LOC A4-20-22-TERRORISM-MID EAST	
20-1-RAN-1-3-USA	

PAGE TWO RPGR8230 SECRET CDN EYES ONLY

LACK OF GOOD ACCESS TO RAFSANJANI'S TEAM MUCH, THOUGH NOT/NOT ALL, OF OUR REPORTING AND THAT OF MOST COLLEAGUES, HAS BEEN DRAWN FROM IRANIAN PRESS AND IMPRESSIONS GLEANED FROM THOSE DIPLOMATS WE BELIEVE HAVE BETTER CONTACTS AND INSIGHT THAN OURSELVES.

3. BAKERS MESSAGE TO SSEA AND OTHER FMS DISCOUNTED POLITICAL INFIGHTING HERE AND SUGGESTED THAT IRANIANS COULD SOLVE HOSTAGE CRISIS IF THEY WANTED TO. UNDERSTAND THAT UK AND AUSTRALIANS HAVE RESPONDED TO BAKERS MESSAGE WITH BOTH REPLIES TAKING LINE THAT PRAGMATIC VS RADICAL FACTIONALISM IS A SIGNIFICANT FACTOR IN IRANIAN DOMESTIC CONTEXT AND THAT HOSTAGE NEGOTIATIONS WILL BE LENGTHY AND COMPLEX. BASED ON INFO AVAILABLE WE SHARE SIMILAR VIEW-AS WAS REFLECTED IN OURTEL 0392 09AUG.

4. ALGERIAN AND LEBANESE AMBASSADORS ARE SUGGESTING THAT HOSTAGE CRISIS MAY BE RESOLVED QUICKLY AFTER RAFSANJANI TAKES OFFICE WITH SOME SORT OF ASSETS FOR HOSTAGES ARRANGEMENT. THEY MAY OR MAY NOT/NOT BE BETTER INFORMED THAN WE ARE. WHILE SITUATION IS SOMEWHAT LIKE LE CARRES MIRROR-IT DEPENDS ON HOW YOU LOOK AT IT AS TO WHAT THE REFLECTION SHOWS-THERE ARE SEVERAL FACTORS THAT COULD BE USED TO SUPPORT THEIR VIEW. ONGOING COVERAGE OF APPARENT OFFERS AND DENIALS BY TERAN TIMES (CLEARLY RAFSANJANI MOUTHPIECE) SUGGESTS NEGOTIATIONS OF SORTS ARE UNDERWAY BETWEEN USA AND IRAN, AND THESE MAY HAVE BEGUN AFTER BAKERS MSG TO ALLIES (10AUG EDITORIAL NOW SUGGESTS PAKISTANI FM WOULD BE EFFECTIVE INTERMEDIARY. WE UNDERSTAND FROM PAKISTANI EMB THAT HE IS EXPECTED SHORTLY IN TERAN-PERHAPS AS EARLY AS NEXT WEEK.) ACCORDING TO WASHINGTON POST

...3

PAGE THREE RPGR8230 SECRET CDN EYES ONLY

JOURNALIST PATRICK TYLER, WHO IS FAMILIAR WITH IRAN AND TEMPORARILY IN PARIS, WHEN HE PHONED LARIJANI'S HOUSE 09AUG HE WAS TOLD BY WIFE (OR MAID) THAT LARIJANI WAS OUT OF THE COUNTRY. LARIJANI WOULD BE LEADING CANDIDATE TO PARTICIPATE IN ANY USA-IRAN OR THIRD PARTY NEGOTIATIONS. HAGUE TRIBUNAL CONTINUES WORK ON CLAIMS AND ACCORDING TO IRANIAN PRESS 09/10AUG HAS AWARDED SEVERAL USA COMPANIES DAMAGES IN LAST FEW DAYS. FACT THIS HAS RECEIVED LOCAL COVERAGE MAY SUGGEST SOFTENING UP OF IRANIANS FOR BIGGER NEWS TO FOLLOW. SIMILARILY, IN INTERVIEW THIS WEEK, LARIJANI SAID RELEASE OF HOSTAGES WOULD BE QUOTE VICTORY FOR ISLAM UNQUOTE. THERE IS ALSO NO/NO QUESTION THAT IRANIANS NEED THE MONEY THAT WOULD BE AVAILABLE ONCE ASSETS ARE UNFROZEN AND EARLY INJECTION WOULD MAKE RAFSANJANI'S JOB AS HE BEGINS HIS TERM SIGNIFICANTLY EASIER.

5. IN REVIEWING SITUATION FROM TERAN PERSPECTIVE WE WOULD NOTE THAT BOTH IRAN AND USA APPEAR VERY CONSTRAINED BY DOMESTIC REALITIES WHICH SEEM TO REQUIRE THAT THE OTHER BE PORTRAYED AS A LOSER. IT WILL BE AS DIFFICULT FOR IRANIAN LEADERSHIP TO MOVE FROM GREAT SATAN LINE AS IT WOULD BE FOR AMERICAN ADMINISTRATION TO APPEAR IN ANY WAY TO HAVE QUOTE PAID UNQUOTE FOR THE HOSTAGES. SOLUTION TO CRISIS WOULD SEEM TO REQUIRE A WIN-WIN SCENARIO WHERE BOTH USA AND IRANIANS CAN PRESENT ARRANGEMENT DOMESTICALLY AS VICTORY. THIS APPEARS VERY DIFFICULT. IRAN WANTS ASSETS UNFROZEN AND USA WANTS HOSTAGES RELEASED AND UNLESS THERE IS CONFIDENCE ON BOTH SIDES, WHICH SEEMS DOUBTFUL,

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PAGE FOUR RPGR8230 SECRET CDN EYES ONLY

FINDING AN ARRANGEMENT THAT WORKS WITHOUT BEING SEEN AS MAKING  
DIRECT RANSOM STYLE LINK WILL BE VERY COMPLEX. AT THE SAME TIME,  
SENSE HERE IS THAT RAFSANJANI WANTS TO START PRESIDENCY WITH A BANG  
AND EXPECTATIONS ARE HIGH. (SENSE IS CONVEYED BY PRESS AND MANY  
BUREAUCRATS, INCLUDING IN MFA). HE MAY ALSO WANT TO GO BELGRADE NAM  
MEETING, WHICH YUGOSLAV AMBASSADOR BELIEVES HE WILL, AS A STAR. YOU  
WILL RECALL LARAJANI COMMENT THAT RAFSANJANI WILL QUOTE MAKE  
COURAGEOUS FOREIGN POLICY DECISIONS UNQUOTE.

6. WHILE INSTINCT SUGGESTS SOMETHING IS IN THE AIR, PRUDENCE LEADS US  
TO BE CAUTIOUS AND TO REPORT THAT ROAD TO RELEASE OF HOSTAGES IS A  
DIFFICULT ONE AND THAT IRANIAN HOUSE, FOR NOW, DOES NOT/NOT APPEAR  
IN CRIER TO DO SO. ALSO, WHILE OTHERS KNOW LEBANON BETTER THAN WE,  
WONDER IF IRANIAN INFLUENCE IN LEBANON AMOUNTS TO REAL CONTROL OVER  
THOSE HOLDING HOSTAGES—AND WHAT PRICE IRAN WILL HAVE TO PAY TO THOSE  
GROUPS TO EFFECT RELEASE GIVEN LOSS OF KEY CARD FOR THEM. FINALLY,  
NOT/NCT ALL HOSTAGES ARE AMERICAN AND WE WONDER HOW SCENARIO  
WOULD DEAL WITH OTHERS.

7. FIRST CDN DEMARCHE WAS DONE AT DIRECTOR LEVEL HERE. TO BE  
MEANINGFUL, FURTHER CDN DEMARCHE SHOULD BE DONE AT SENIOR LEVEL AND  
BELIEVE IT SHOULD AWAIT FORMAL INAUGURATION BY MAJLIS, EXPECTED  
15AUG, OF NEW PRESIDENT RAFSANJANI. (OTHERWISE MFA CAN DUCK ISSUE  
BY POINTING TO ONGOING TRANSITION). IT MAY ALSO BE APPROPRIATE  
TO WAIT FEW DAYS FURTHER TO SEE IF NEW CABINET AND FM IS NAMED

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PAGE FIVE RPGR8230 SECRET CDN EYES ONLY

QUICKLY.(TO OUR KNOWLEDGE NO/NO OTHER COUNTRY HAS MADE FURTHER DEMARCHE.IF NEW CABINET IS NAMES QUICKLY,MSG FROM SSEA TO NEW FM CCULD BE DELIVERED TO DFM WITH REFERENCE TO HOSTAGES DEPENDING ON DEVELOPMENTS.)AT ANY LEVEL IRANIANS WILL PRESS ABOUT OUR POSITION ON KIDNAPPING OF SHEIK OBEID.HAVE NOTED PRESS LINE IN GMR1267 OF 31JUL INDICATING WE HAVE MADE REPRESENTATIONS TO ISREALI GOVT BUT IRANIANS WILL NOTE THAT MANY COUNTRIES,INCLUDING WESTERN ONES,HAVE OPENLY CONDEMNED ISRAELI ACTION.WOULD APPRECIATE YOUR VIEWS ON THIS ISSUE.FINALLY,IF/IF,AS SOME SUSPECT,USA-IRAN NEGOTIATIONS OF A SCRT ARE UNDERWAY EITHER DIRECTLY OR THROUGH THIRD PARTIES,THEN FOCUS OF DEMARCHE MAY NEED FURTHER REFLECTION. 8.IF A HOSTAGES AND ASSETS SCENARIO IS POSSIBLE THEN THIS WOULD HAVE A DIRECT POSITIVE IMPACT ON USA-IRAN RELATIONS.IN SUCH A SCENARIO CANADIAN POLICY TOWARDS IRAN WOULD NEED TO BE REVIEWED AS MAJOR IRRITANT IN WEST-IRAN RELATIONS WOULD BE REMOVED AND UNEXPECTED DEVELOPMENTS AS WELL AS PACE OF ANY IMPROVEMENT MIGHT PLACE US BEHIND OUR ALLIES UNLESS WE ARE PREPARED. 9.MUCH OF THIS TEL IS SPECULATIVE HENCE LIMITED DISTRIBUTION. (WOULD WELCOME COMMENTS ON BOTH PAST AND FUTURE REPORTING WE HAVE PROVIDED ON IRAN AND THE HOSTAGES CRISIS.WOULD ESPECIALLY WELCOME ANALYSIS OF ASSETS ISSUE AS AMOUNTS AT STAKE,AND STATE OF PLAY IN HAGUE TRIEFUNAL REMAIN FUZZY TO US AND MOST COLLEAGUES HERE.) GRATEFUL INSTRUCTIONS ON DEMARCHE PER ABOVE.

CCC/069 111020Z RPGR8230

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AUG 11 '89 15:51 POL SEC CDN EMB

External Affairs Affaires extérieures  
Canada CanadaDocument disclosed under the Access to Information Act -  
Document divulgué en vertu de la Loi sur l'accès à l'information  
MGTC/DIARY/CIRC/FILE  
MGTC/JOURNAL/CIRC/DOSSIER

## MESSAGE

Align first character of Security Classification under this arrow  
Alignez le premier caractère de la Sécurité sous cette flècheSECURITY  
SÉCURITÉ

UNCLASSIFIED FACSIMILE

FM/DE

FM WSHDC POL0481 11AUG89

TO/A

TO EXTOTT GMR/LAROCHELLE

INFO

DISTR

---IRANIAN ASSETS IN USA

REF

SET OUT BELOW IS TEXT OF FACT SHEET RELEASED BY STATE DEPARTMENT

SUBJ/SUJ

ON 08AUG89 ON IRANIAN ASSETS IN THE UNITED STATES.

2. (COMCENTRE PLS FAX ATTACHED PAGE)

ACC	DATE
FILE	DOSSIER
20-IRAN-1-3-USA	
LOC	
A4.	

DRAFTER/REDACTEUR  
PAUL CHAPIN/bmgDIVISION/DIRECTION  
POLTELEPHONE  
7465APPROVED/APPROUVÉ  
PAUL CHAPIN

SIG

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7/2

- o The Iran-United States Claims Tribunal was established by the Algiers Accords in 1981. The Tribunal has before it claims of U.S. nationals against Iran and claims of Iranian nationals against the United States which arise out of debts, contracts, expropriations or other measures affecting property rights. As of August 8, 1989, the Tribunal had issued contested awards and awards on agreed terms with respect to 304 large U.S. private claims (claims for \$250,000 or more), 80 small U.S. private claims (claims for less than \$250,000), and 4 private Iranian claims. As of this same date, the Tribunal had remaining before it 162 large U.S. private claims, 2383 small U.S. private claims and 14 claims of Iranian nationals. The remaining private U.S. nationals' claims against the Iranian Government are for billions of dollars.
- o Also pending before the Tribunal are certain claims of the United States and Iran against each other arising out of contractual arrangements between them for the purchase and sale of goods and services and disputes as to the interpretation of the Algiers Accords. As of August 8, 1989, the Tribunal had issued awards in 34 government-to-government claims and 8 interpretive disputes. As of this same date the Tribunal had remaining before it 22 government-to-government claims and 14 interpretive disputes. The remaining Iranian Government claims against the United States Government are for billions of dollars.
- o U.S. nationals have been awarded approximately \$1.278 billion (including interest) through August 8, 1989. The Tribunal has also awarded approximately \$118 million (not including interest) in 4 cases brought by Iranian nationals.
- o Awards to U.S. nationals and the U.S. Government are paid out of a Security Account which, as of August 8, 1989, contained \$500 million. Interest on the Security Account is maintained separately; as of July 31, 1989, \$106 million remained in the interest account.
- o Disputes relating to certain loans and credits made by bank syndicates are payable out of Dollar Account No. 1, established by the Algiers Accords. Pursuant to a Tribunal order, \$454 million was transferred from this account to Iran in May 1987; a further \$37.9 million was transferred from this account to Iran in April 1988. As of August 2, 1989, \$11.9 million remained in that account.
- o Other bank claims are payable out of Dollar Account No. 2, also established by the Algiers Accords. As of July 31, 1989, \$800 million remained in that account.
- o The escrow accounts were initially funded in 1981 as follows: Security Account - \$1 billion; Dollar Account No. 1 - \$3.667 billion; Dollar Account No. 2 - \$1.418 billion. This funding was derived from \$9.975 billion transferred by the United States as a result of the Algiers Accords, with the excess not needed for the escrow accounts going to Iran. All Iranian property not under arbitration before the Claims Tribunal was returned to Iran at that time.

UNITED  
NATIONS



Security Council

RETURN TO RENNVOYER AU		BICO		FOR FILING POUR DECRIRE		Document disclosed under the Access to Information Act - Divulgué en vertu de la Loi sur l'accès à l'information	
ACC		REF		DATE		PORTE AU DOSSIER	
FILE		20-IRAN-1-3-USA		DOSSIER		S	

Distr.  
GENERAL

S/20604  
25 April 1989

ORIGINAL: ENGLISH

LETTER DATED 24 APRIL 1989 FROM THE CHARGE D'AFFAIRES A.I. OF  
THE PERMANENT MISSION OF THE ISLAMIC REPUBLIC OF IRAN TO THE  
UNITED NATIONS ADDRESSED TO THE SECRETARY-GENERAL

I have the honour to enclose herewith copies of five notes verbales from the Interests Section of the Islamic Republic of Iran in Washington addressed to the Embassy of the People's Democratic Republic of Algeria concerning violations of international law by the United States naval forces stationed in the Persian Gulf and the Sea of Oman.

It would be appreciated if this letter and its annexes were circulated as a document of the Security Council.

(Signed) Mahmoud Sadat MADARSHAHI  
Ambassador  
Chargé d'affaires a.i.

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English  
Page 2

Annex I

Note verbale dated 10 March 1989 from the Interests Section of the  
Islamic Republic of Iran in Washington addressed to the Embassy of  
Algeria in Washington

The Interests Section of the Islamic Republic of Iran in Washington presents its compliments to the Embassy of the People's Democratic Republic of Algeria and has the honour to quote the attached messages in two copies, the original text and an unofficial translation, received from the Ministry of Foreign Affairs of the Islamic Republic of Iran. It is respectfully requested that original text of these messages be transmitted to the United States Department of State and that our office be informed of its response.

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English  
Page 3

Enclosure

According to information received from officials of the Government of the Islamic Republic of Iran, United States warships, by violating the principles of all international law, have aggressed upon the sovereignty of the Islamic Republic of Iran and have created a nuisance for the Iranian sea-patrolling aircraft which were in flight over the territorial sea of the Islamic Republic of Iran on the following dates at the times specified:

1. On 15 August 1988 at 1034 hours, a United States warship at the position of N 2530 and E 5700 from a distance of 50 miles away warned the pilot of an Iranian sea-patrolling aircraft, which was in flight over the territorial sea of the Islamic Republic of Iran and whose position was N 2620 and E 5655, not to get closer to the warship.
2. On 20 August 1988 at 1200 hours, a United States warship at the position of N 2506 and E 5709 from a distance of 35 miles away warned the pilot of an Iranian sea-patrolling aircraft, which was in flight over the territorial sea of the Islamic Republic of Iran and whose position was N 2540 and E 5709, not to get closer to the warship.
3. On 25 August 1988 at 1125 hours, a United States warship at the position of N 2550 and E 5530 from a distance of 48 miles away warned the pilot of an Iranian sea-patrolling aircraft, which was in flight over the territorial sea of the Islamic Republic of Iran and whose position was N 2640 and E 5546, not to get closer to the warship.

The Government of the Islamic Republic of Iran protests such unjustifiable actions by the United States warships and insistingly demands that such actions which are contrary to the sovereignty and territorial integrity of the Islamic Republic of Iran be stopped at once.

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English  
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Annex II

Note verbale dated 10 March 1989 from the Interests Section of the  
Islamic Republic of Iran in Washington addressed to the Embassy of  
Algeria in Washington

The Interests Section of the Islamic Republic of Iran in Washington presents its compliments to the Embassy of the People's Democratic Republic of Algeria and has the honour to quote the attached messages in two copies, the original text and an unofficial translation, received from the Ministry of Foreign Affairs of the Islamic Republic of Iran. It is respectfully requested that original text of these messages be transmitted to the United States Department of State and that our office be informed of its response.

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English

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Enclosure

According to information received from officials of the Government of the Islamic Republic of Iran, United States warships positioned in the Sea of Oman and the Persian Gulf have created a nuisance for Iranian sea-patrolling aircraft on the following dates at the times specified:

1. On 15 August 1988 at 0919 hours, a United States warship at the position of N 2548 and E 5528 from a distance of 25 miles away warned the pilot of an Iranian sea-patrolling aircraft, whose position was N 2613 and E 5524, not to get closer to the warship.
2. On 4 October 1988 at 0835 hours, a United States warship at the position of N 2529 and E 5700 warned the pilot of an Iranian sea-patrolling aircraft, whose position was N 2530 and E 5706, not to get closer to the warship.
3. On 8 October 1988 at 1105 hours, a United States warship at the position of N 2522 and E 5730 warned the pilot of an Iranian sea-patrolling aircraft, whose position was N 2529 and E 5726, not to get closer to the warship.
4. On 17 October 1988 at 0823 hours, a United States warship at the position of N 2550 and E 5637 from a distance of 21 miles away warned the pilot of an Iranian sea-patrolling aircraft, whose position was N 2607 and E 5649, not to get closer to the warship.

The Government of the Islamic Republic of Iran protests such illegal actions by the Government of the United States.

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English  
Page 6

Annex III

Note verbale dated 10 March 1989 from the Interests Section of the  
Islamic Republic of Iran in Washington addressed to the Embassy of  
Algeria in Washington

The Interests Section of the Islamic Republic of Iran in Washington presents its compliments to the Embassy of the People's Democratic Republic of Algeria and has the honour to quote the attached messages in two copies, the original text and an unofficial translation, received from the Ministry of Foreign Affairs of the Islamic Republic of Iran. It is respectfully requested that original text of these messages be transmitted to the United States Department of State and that our office be informed of its response.

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English  
Page 7

Enclosure

According to information received from officials of the Government of the Islamic Republic of Iran, United States warships positioned in the Sea of Oman and the Persian Gulf have created a nuisance for Iranian sea-patrolling aircraft on the following dates at the times specified:

1. On 19 October 1988 at 1425 hours, a United States warship at the position of N 2556 and E 5640 from a distance of 14 miles away warned the pilot of an Iranian sea-patrolling aircraft, whose position was N 2608 and E 5650, not to get closer to the warship.
2. On 20 October 1988 at 1517 hours, a United States warship at the position of N 2548 and E 5636 warned the pilot of an Iranian sea-patrolling aircraft, whose position was N 2542 and E 5636, not to get closer to the warship.
3. On 23 October 1988 at 0720 hours, a United States warship at the position of N 2527 and E 5717 warned the pilot of an Iranian sea-patrolling aircraft, whose position was N 2523 and E 5718, not to get closer to the warship.
4. On 24 October 1988 at 1505 hours, a United States warship at the position of N 2525 and E 5710 from a distance of 26 miles away warned the pilot of an Iranian sea-patrolling aircraft, whose position was N 2540 and E 5650, not to get closer to the warship.
5. On 25 October 1988 at 1015 hours, a United States warship at the position of N 2540 and E 5644 warned the pilot of an Iranian sea-patrolling aircraft, whose position was N 2540 and E 5650, not to get closer to the warship.
6. On 25 October 1988 at 1445 hours, a United States warship at the position of N 2540 and E 5410 warned the pilot of an Iranian sea-patrolling aircraft, whose position was N 2540 and E 5420, not to get closer to the warship.
7. On 26 October 1988 at 0830 hours, a United States warship at the position of N 2536 and E 5645 warned the pilot of an Iranian sea-patrolling aircraft, whose position was N 2540 and E 5650, not to get closer to the warship.
8. On 28 October 1988 at 1620 hours, a United States warship at the position of N 2535 and E 5350 warned the pilot of an Iranian sea-patrolling aircraft, whose position was N 2540 and E 5350, not to get closer to the warship.

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9. On 29 October 1988 at 0845 hours, a United States warship at the position of N 2537 and E 5648 warned the pilot of an Iranian sea-patrolling aircraft, whose position was N 2547 and E 5652, not to get closer to the warship.

The Government of the Islamic Republic of Iran protests such illegal actions by the Government of the United States.

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English  
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Annex IV

Note verbale dated 10 March 1989 from the Interests Section of the  
Islamic Republic of Iran in Washington addressed to the Embassy of  
Algeria in Washington

The Interests Section of the Islamic Republic of Iran in Washington presents its compliments to the Embassy of the People's Democratic Republic of Algeria and has the honour to quote the attached messages in two copies, the original text and an unofficial translation, received from the Ministry of Foreign Affairs of the Islamic Republic of Iran. It is respectfully requested that original text of these messages be transmitted to the United States Department of State and that our office be informed of its response.

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English  
Page 10

Enclosure

According to information received from officials of the Government of the Islamic Republic of Iran, United States warships, by violating the principles of all international law, have aggressed upon the sovereignty of the Islamic Republic of Iran and have created nuisances for sea-patrolling aircraft which were in flight over the territorial sea of the Islamic Republic of Iran on the following dates at the specified hours:

1. On 17 September 1988 at 0855 hours, a United States warship at the position of N 2553 and E 5638 from a distance of 34 miles away warned the pilot of an Iranian sea-patrolling aircraft, which was in flight over the territorial sea of the Islamic Republic of Iran and whose position was N 2625 and E 5653, not to get closer to the warship.
2. On 18 October 1988 at 1405 hours, a United States warship at the position of N 2510 and E 5720 from a distance of 34 miles away warned the pilot of an Iranian sea-patrolling aircraft, which was in flight over the territorial sea of the Islamic Republic of Iran and whose position was N 2530 and E 5750, not to get closer to the warship.
3. On 21 October 1988 at 1410 hours, a United States warship at the position of N 2632 and E 5640 from a distance of 30 miles away warned the pilot of an Iranian sea-patrolling aircraft, which was in flight over the territorial sea of the Islamic Republic of Iran and whose position was N 2655 and E 5620, not to get closer to the warship.

The Government of the Islamic Republic of Iran protests these unjustifiable aggressions of United States warships and insistingly demands that these actions which are contrary to the sovereignty and territorial integrity of the Islamic Republic of Iran be stopped at once.

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English  
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Annex V

Note verbale dated 16 March 1989 from the Interests Section of the  
Islamic Republic of Iran in Washington addressed to the Embassy of  
Algeria in Washington

The Interests Section of the Islamic Republic of Iran in Washington presents its compliments to the Embassy of the People's Democratic Republic of Algeria and has the honour to quote the attached messages in two copies, the original text and an unofficial translation, received from the Ministry of Foreign Affairs of the Islamic Republic of Iran. It is respectfully requested that original text of these messages be transmitted to the United States Department of State and that our office be informed of its response.

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English  
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Enclosure

According to information received from officials of the Government of the Islamic Republic of Iran, United States aircraft, by violating the principles of all international law, have aggressed upon the sovereignty and territorial integrity of the Islamic Republic of Iran and have aggressed into the airspace of the Islamic Republic of Iran. On 16 September 1988 at 1055 hours four United States F-14 aircraft at an altitude of 22,000 to 32,000 feet and at a speed of 450 miles per hour aggressed into the airspace of the territorial sea at the Islamic Republic of Iran's coastline, from the Strait of Hormuz to Ras-al-Kuh.

The Government of the Islamic Republic of Iran protests these actions taken by the United States aircraft which are nothing but open aggressions against the sovereignty of an independent State.

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UNITED  
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Security Council

RECEIVED IN GMA

Distr.  
GENERAL

S/20603  
25 April 1989

ORIGINAL: ENGLISH

RETURN TO RENOYER AU	BIG	MAY 8 1989	POUR - ETRE PORTE AU DOSSIER
ACC	REF	DATE	
FILE 20-IRAN 1-3-USA-DOSSIER			

LETTER DATED 21 APRIL 1989 FROM THE CHARGE D'AFFAIRES A.I. OF  
THE PERMANENT MISSION OF THE ISLAMIC REPUBLIC OF IRAN TO THE  
UNITED NATIONS ADDRESSED TO THE SECRETARY-GENERAL

I have the honour to enclose herewith copies of three notes verbales from the Interests Section of the Islamic Republic of Iran in Washington addressed to the Embassy of the People's Democratic Republic of Algeria concerning violations of international law by the United States fleet stationed in the Persian Gulf and the Sea of Oman.

It would be appreciated if this letter and its annexes were circulated as a document of the Security Council.

(Signed) Mahmoud Sadat MADARSHAHI  
Ambassador  
Chargé d'affaires a.i.

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English  
Page 2

Annex I

RECEIVED IN GENEVA

Note verbale dated 1 February 1989 from the Interests Section  
of the Islamic Republic of Iran in Washington addressed to  
the Embassy of Algeria in Washington

The Interests Section of the Islamic Republic of Iran in Washington presents its compliments to the Embassy of the People's Democratic Republic of Algeria and has the honour to quote the attached messages in two copies, the original text and an unofficial translation, received from the Ministry of Foreign Affairs of the Islamic Republic of Iran. It is respectfully requested that original text of these messages be transmitted to the United States Department of State and that our office be informed of its response.

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English

Page 3

Enclosure

According to information received from officials of the Government of the Islamic Republic of Iran, United States warships, by violating the principles of all international law, have aggressed upon the sovereignty of the Islamic Republic of Iran and have created nuisances for the Iranian sea-patrolling aircraft which were in flight over the territorial sea of the Islamic Republic of Iran on the following dates at the hours specified:

1. On 13 July 1988 at 1210 hours, a United States warship at the position of N 2825 and E 4925 warned the pilot of an Iranian sea-patrolling helicopter, which was in flight over the territorial sea of the Islamic Republic of Iran and whose position was N 2850 and E 5040, not to get closer to the warship.
2. On 26 July 1988 at 1108 hours, a United States warship at the position of N 2515 and E 5715 warned the pilot of an Iranian sea-patrolling aircraft, which was in flight over the territorial sea of the Islamic Republic of Iran and whose position was N 2540 and E 5710, not to get closer to the warship.

The Government of the Islamic Republic of Iran protests these unjustifiable actions by the United States warships and insistingly demands that such actions, which are contrary to the sovereignty and territorial integrity of the Islamic Republic of Iran, be stopped at once.

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English  
Page 4

Annex II

Note verbale dated 10 March 1989 from the Interests Section of the  
Islamic Republic of Iran in Washington addressed to the Embassy of  
Algeria in Washington

The Interests Section of the Islamic Republic of Iran in Washington presents its compliments to the Embassy of the People's Democratic Republic of Algeria and has the honour to quote the attached messages in two copies, the original text and an unofficial translation, received from the Ministry of Foreign Affairs of the Islamic Republic of Iran. It is respectfully requested that original text of these messages be transmitted to the United States Department of State and that our office be informed of its response.

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English  
Page 5

Enclosure

According to information received from officials of the Government of the Islamic Republic of Iran, United States warships and aircraft positioned in the Sea of Oman and the Persian Gulf have created a nuisance for Iranian sea-patrolling aircraft on the following dates at the times specified:

A. Warnings by the United States fleet

1. On 22 August 1988 at 0115 hours, a United States warship at the position of N 2535 and E 5326 from a distance of 40 miles away warned the pilot of an Iranian sea-patrolling aircraft, whose position was N 2611 and E 5345, not to get closer to the warship.
2. On 23 August 1988 at 0815 hours, a United States warship at the position of N 2515 and E 5655 from a distance of 40 miles away warned the pilot of an Iranian sea-patrolling aircraft, whose position was N 2554 and E 5700, not to get closer to the warship.
3. On 24 August 1988 at 0825 hours, a United States warship at the position of N 2524 and E 5645 from a distance of 17 miles away warned the pilot of an Iranian sea-patrolling aircraft, whose position was N 2535 and E 5659, not to get closer to the warship.
4. On 28 August 1988 at 1245 hours, a United States warship at the position of N 2534 and E 5645 from a distance of 18 miles away warned the pilot of an Iranian sea-patrolling aircraft, whose position was N 2545 and E 5700, not to get closer to the warship.
5. On 28 August 1988 at 1435 hours, a United States warship at the position of N 2600 and E 5530 from a distance of 18 miles away warned the pilot of an Iranian sea-patrolling aircraft, whose position was N 2605 and E 5510, not to get closer to the warship.
6. On 1 September 1988 at 1046 hours, a United States warship at the position of N 2538 and E 5406 from a distance of 21 miles away warned the pilot of an Iranian sea-patrolling aircraft, whose position was N 2559 and E 5404, not to get closer to the warship.
7. On 1 September 1988 at 1155 hours, a United States warship at the position of N 2532 and E 5657 from a distance of 40 miles away warned the pilot of an Iranian sea-patrolling aircraft, whose position was N 2608 and E 5659, not to get closer to the warship.
8. On 3 September 1988 at 1102 hours, a United States warship at the position of N 2519 and E 5710 from a distance of 30 miles away warned the pilot of an Iranian sea-patrolling aircraft, whose position was N 2522 and E 5752, not to get closer to the warship.

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English  
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9. On 5 September 1988 at 0835 hours, two United States warships at the position of N 2500 and E 5735 from a distance of 10 miles away warned the pilot of an Iranian sea-patrolling aircraft, whose position was N 2510 and E 5735, not to get closer to the warship.
10. On 6 September 1988 at 0808 hours, a United States warship at the position of N 2542 and E 5648 from a distance of 10 miles away warned the pilot of an Iranian sea-patrolling aircraft, whose position was N 2547 and E 5657, not to get closer to the warship.
11. On 10 September 1988 at 1500 hours, a United States warship at the position of N 2510 and E 5730 from a distance of 17 miles away warned the pilot of an Iranian sea-patrolling aircraft, whose position was N 2501 and E 5746, not to get closer to the warship.
12. On 11 September 1988 at 1042 hours, a United States warship at the position of N 2602 and E 5547 from a distance of 10 miles away warned the pilot of an Iranian sea-patrolling aircraft, whose position was N 2610 and E 5540, not to get closer to the warship.
13. On 11 September 1988 at 1118 hours, a United States warship at the position of N 2540 and E 5644 from a distance of 10 miles away warned the pilot of an Iranian sea-patrolling aircraft, whose position was N 2540 and E 5654, not to get closer to the warship.

B. Interceptions by United States aircraft

1. On 6 September 1988 at 0857 hours, three United States F-14 aircraft Nos. 203, 213 and 114 at the position of N 2438 and E 5851 intercepted an Iranian sea-patrolling aircraft for a period of 21 minutes.
2. On 7 September 1988 at 1009 hours, United States F-14 aircraft No. 101 at the position of N 2437 and E 6037 intercepted an Iranian sea-patrolling aircraft.
3. On 9 September 1988 at 0902 hours, a United States F-14 aircraft at the position of N 2440 and E 6013 intercepted an Iranian sea-patrolling aircraft.
4. On 12 September 1988 at 1100 hours, United States F-14 aircraft No. 114 at the position of N 2353 and E 5921 intercepted an Iranian sea-patrolling aircraft.
5. On 16 September 1988 at 0945 hours, United States F-14 aircraft No. 102 at the position of N 2459 and E 5730 intercepted an Iranian sea-patrolling aircraft.

The Government of the Islamic Republic of Iran protests such illegal actions by the Government of the United States.

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English  
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Annex III

Note verbale dated 6 February 1989 from the Interests Section of the  
Islamic Republic of Iran in Washington addressed to the Embassy  
of Algeria in Washington

The Interests Section of the Islamic Republic of Iran in Washington presents its compliments to the Embassy of the People's Democratic Republic of Algeria and has the honour to quote the attached messages in two copies, the original text and an unofficial translation, received from the Ministry of Foreign Affairs of the Islamic Republic of Iran. It is respectfully requested that original text of these messages be transmitted to the United States Department of State and that our office be informed of its response.

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English  
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Enclosure

According to information received from officials of the Government of the Islamic Republic of Iran, United States warships and aircraft positioned in the Sea of Oman and the Persian Gulf have created a nuisance for Iranian sea-patrolling aircraft on the following dates at the times specified:

A. Warnings by the United States fleet

1. On 12 July 1988 at 1223 hours, a United States warship at the position of N 2825 and E 4925 warned the pilot of an Iranian National Oil Company helicopter, whose position was N 2835 and E 5000 and which was en route from Bushehr to Frouzan's oil platform, not to get closer to the warship.
2. On 23 July 1988 at 1544 hours, a United States warship at the position of N 2525 and E 5645 warned the pilot of an Iranian sea-patrolling aircraft, whose position was N 2549 and E 5702, not to get closer to the warship.
3. On 1 August 1988 at 0916 hours, a United States warship at the position of N 2512 and E 5725 warned the pilot of an Iranian sea-patrolling aircraft, whose position was N 2539 and E 5702, not to get closer to the warship.
4. On 5 August 1988 at 0833 hours, a United States warship at the position of N 2500 and E 5732 warned the pilot of an Iranian sea-patrolling aircraft, whose position was N 2533 and E 5716, not to get closer to the warship.
5. On 7 August 1988 at 0803 hours, a United States warship at the position of N 2510 and E 5630 warned the pilot of an Iranian sea-patrolling aircraft, whose position was N 2530 and E 5703, not to get closer to the warship.

B. Interceptions by United States aircraft

1. On 9 July 1988 at 1310 hours, a United States F-14 aircraft at the position of N 2515 and E 5835 intercepted an Iranian sea-patrolling aircraft.
2. On 22 July 1988 at 0938 hours, United States F-14 aircraft No. F-111 at the position of N 2507 and E 5845 intercepted an Iranian sea-patrolling aircraft for a period of 20 minutes.
3. On 26 July 1988 at 1140 hours, a United States F-14 aircraft at the position of N 2504 and E 5856 intercepted an Iranian sea-patrolling aircraft for a period of 28 minutes.
4. On 29 July 1988 at 0908 hours, United States F-14 aircraft No. F-111 at the position of N 2502 and E 5848 intercepted an Iranian sea-patrolling aircraft for a period of 42 minutes.

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5. On 1 August 1988 at 0945 hours, a United States F-14 aircraft at the position of N 2455 and E 5843 intercepted an Iranian sea-patrolling aircraft for a period of 19 minutes.
6. On 5 August 1988 at 0904 hours, United States F-14 aircraft No. 103 at the position of N 2453 and E 5855 intercepted an Iranian sea-patrolling aircraft for a period of 30 minutes.
7. On 5 August 1988 at 0913 hours, United States F-14 aircraft No. 203 at the position of N 2445 and E 5923 intercepted an Iranian sea-patrolling aircraft for a period of 21 minutes.
8. On 6 August 1988 at 1030 hours, a United States F-14 aircraft at the position of N 2503 and E 5938 intercepted an Iranian sea-patrolling aircraft for a period of 10 minutes.
9. On 7 August 1988 at 0830 hours, a United States F-14 aircraft at the position of N 2505 and E 5800 intercepted an Iranian sea-patrolling aircraft for a period of 40 minutes.

The Government of the Islamic Republic of Iran protests such illegal actions by the Government of the United States.

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U 1 AM-IRAN 04-21 0400

AM-IRAN (SCHEDULED)

IRAN SAYS IT UNCOVERED NETWORK OF U.S. SPIES

By Mohammad Zargham

NICOSIA, April 21, Reuter - Iran said Friday it had uncovered a huge network of U.S. spies in its armed forces.

Parliamentary Speaker Ali Akbar Hashemi Rafsanjani, speaking at prayers in Tehran, confirmed reports of a purge in the top ranks of the navy, saying the confessed spies were still alive and some would be paraded on television.

"The spy officers who have been arrested informed the United States about the movement of our ships when we were battling the United States in the Persian Gulf," Tehran Radio quoted him as saying.

Rafsanjani, widely expected to be elected Iran's next president in August, gave the first official confirmation of high level arrests in the armed forces against a background of political turmoil.

Iran's 86-year-old supreme religious leader, Ayatollah Ruhollah Khomeini, no longer has a recognized successor and foreign analysts believe a major power struggle is taking place.

Iranian sources in the Middle East, quoting informed officials in Tehran, said Wednesday at least three admirals had been shot and other senior officers arrested for plotting against the state.

Rafsanjani said the story about a coup had been circulated by the Americans who learned a crackdown on their spy networks was in the offing.

"Some of the individuals arrested for spying are from the navy. They have confessed and are fortunately still alive," Rafsanjani said.

"I have listened to their interviews. They (the Americans) have announced these people have been executed because they are not aware of their whereabouts."

Rafsanjani, who is also acting head of Iran's armed forces, told worshippers the spies had been trained by the CIA over many years and groomed for special tasks.

Radios for passing coded messages, invisible ink and other espionage gear had been seized, he said.

He said the Iran Ajr -- a landing craft attacked and captured by the U.S. Navy on Sept. 21, 1987, and later scuttled -- had been betrayed by spies who have now confessed and repented.

The United States built up its fleet in the Gulf to defend shipping lanes during Iran's eight-year war with Iraq and clashed several times with Iranian forces. It said at the time that the Iran Ajr had been sowing mines.

Rafsanjani did not disclose how many spies were arrested, saying he did not want the Americans to know, but added: "You will see that the arrest of so many spies is unprecedented in contemporary history...They are too many. We will show some...on television."

The Iranian Intelligence Ministry has identified important CIA bases around the world, and the U.S. would have to pay a high price to protect such "safe" spy centers, Rafsanjani said.

Reuter

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GENERAL

S/20555  
31 March 1989

ORIGINAL: ENGLISH

LETTER DATED 31 MARCH 1989 FROM THE CHARGE D'AFFAIRES A.I.  
OF THE PERMANENT MISSION OF THE ISLAMIC REPUBLIC OF IRAN  
TO THE UNITED NATIONS ADDRESSED TO THE SECRETARY-GENERAL

I have the honour to enclose herewith a copy of the note verbale dated 26 September 1988, from the Interest Section of the Islamic Republic of Iran in Washington addressed to the Embassy of Algeria for transmittal to the United States authorities.

It would be highly appreciated if this note and its annex were circulated as a document of the Security Council.

(Signed) Mahmoud Sadat MADARSHAHI  
Ambassador  
Chargé d'affaires a.i.

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English  
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Annex

Note verbale dated 26 September 1988 from the Interest Section  
of the Islamic Republic of Iran in Washington addressed to the  
Embassy of Algeria

The Interests Section of the Islamic Republic of Iran in Washington presents its compliments to the Embassy of the Democratic and Popular Republic of Algeria and has the honour to quote the attached message in two copies, the original text and an unofficial translation, received from the Ministry of Foreign Affairs of the Islamic Republic of Iran. It is respectfully requested that original texts of the message be transmitted to the United States Department of State and our office be informed of their response.

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S/20555  
English  
Page 3

Enclosure

Note verbale from the Ministry of Foreign Affairs of the  
Islamic Republic of Iran addressed to the Embassy of  
Switzerland (Interests Section of the United States of  
America in the Islamic Republic of Iran)

The Foreign Ministry of the Islamic Republic of Iran presents its compliments to the Embassy of Switzerland (Interests Section of the United States of America in the Islamic Republic of Iran) and has the honour to inform it that, according to the information received from officials of the Government of the Islamic Republic of Iran, the following nuisances have been created by United States aircraft.

1. On 30 April 1988 at 0910 hours, a United States aircraft aggressed into the airspace of the Islamic Republic of Iran, made an effort to take pictures of the Bushehr and Hormozgan provinces and also flew reconnaissance flights over the area.
2. On 30 April 1988 at 0913 hours, the airspace of Bandar-e-Abbas was aggressed upon and subsequently the sound barrier was broken.

The Foreign Ministry of the Islamic Republic of Iran, while protesting United States aircrafts' aggressions upon the Islamic Republic of Iran's airspace, condemns these actions which are contrary to the principles of international law and proclaims that the aggression of United States aircraft is obviously a violation of the Islamic Republic of Iran's sovereignty and territorial integrity.

The Foreign Ministry of the Islamic Republic of Iran, in full consideration of its right of legitimate defence in response to the aggressions which were taken by the United States Government in the region, believes that such United States aggressions would increase confusion and endanger the peace and security in this sensitive region. The Government of the United States will be held responsible for the consequences of its unlawful acts.

The Government of the Islamic Republic of Iran, while intending to maintain its rights, demands an explicit explanation from United States officials regarding these obvious acts of aggression.

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---USA AND THE RUSHDIE AFFAIR

SUMMARY:WASHINGTON IS ANXIOUS THAT RUSHDIE AFFAIR NOT BE TURNED INTO

ANOTHER IRAN/USA CONFRONTATION.MATTER IS VIEWED LARGELY AS A BRITISH

AND EUROPEAN ISSUE WITH TEHRAN.IT WAS DESIRABLE IRANIANS SHOULD HAVE

IT BROUGHT FORCEFULLY HOME THAT THE VERY

COUNTRIES WHICH HAD DONE THE MOST TO ATTEMPT TO WORK OUT A MODUS

VIVENDI WERE THE ONES IMMEDIATELY AT LOGGERHEADS WITH THEM OVER

RUSHDIE AFFAIR.A HIGHER PROFILE USA ROLE WOULD HELP IRANIANS AVOID

THAT RELAITY AND ARGUE OPPOSITION WAS ORCHESTRATED BY USA.IN LONGER

TERM USA BELIEVES THAT WEST HAS WHAT IRAN WANTS AND THAT TEHRAN

WILL EVENTUALLY BE FORCED TO ESPOUSE VIEWS OF RAFSANJANI AND OTHER

QUOTE MODERATES.UNQUOTE,WHETHER THAT TAKES A MONTH OR A YEAR.USA

DOES NOT BELIEVE ISOLATION OF IRAN IS DESIRABLE BUT FOR TIME BEING

BELIEVES IT SHOULD STEW IN ITS OWN JUICE UNTIL GOVT REALIZES IT

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WILL HAVE TO TAKE COLLECTIVE RESPONSIBILITY FOR FIX IN WHICH

COUNTRY HAS BEEN PLACED BY KHOMEINI DEATH THREATS.

2.REPORT:USA HAS TAKEN A VERY DELIBERATE APPROACH ON RUSHDIE AFFAIR-WE WERE TOLD IN BRIEFING PROVIDED US BY DIRECTOR NORTHERN GULF AFFAIRS AT STATE DEPT.ESPECIALLY IN INITIAL STAGES,WHEN IT APPEARED THERE MIGHT BE A POSSIBILITY THAT BRITISH COULD WORK PROBLEM OUT FOLLOWING PRESIDENT KHAMEINIS SUGGESTION THAT DEATH SENTENCE COULD BE LIFTED IF RUSHDIE APOLOGIZED, USA WAS CAREFUL NOT TO ROCK BOAT.DANGER,AS THEY SAW IT,WAS THAT ISSUE COULD QUICKLY BE TURNED INTO ANOTHER IRAN/USA CONFRONTATION WHICH MIGHT,IN A SENSE,LET IRANIAN LEADERSHIP OFF THE HOOK AND ESCAPE,FOR A TIME,NECESSITY OF COPING DIRECTLY WITH ISSUE.

3.BOTH SECTY OF STATE AND PRESIDENT HAVE,HOWEVER,SPOKEN OUT ON ISSUE AND MADE CLEAR THAT USA CONSIDERS DEATH THREATS APPALLING.WSHDC HAS WELCOMED ECS FIRM SUPPORT FOR BRITS INCLUDING WITHDRAWAL OF AMBASSADORS.POINT IS MADE HERE THAT COUNTRIES TAKING ACTION ARE EXACTLY THOSE WHO HAVE BEEN TRYING HARDEST TO UNDERSTAND IRAN AND WORK OUT A MODUS VIVENDI.MOVES ON THEIR PART ARE ESPECIALLY EFFECTIVE AS THEY ARE SEEN AS EUROPEAN ACTION WHICH HAS IN NO WAY BEEN ORCHESTRATED BY USA.WSHDC,INCLUDING PRESIDENT BUSH,HAS BEEN SUPPORTIVE OF EUROPEAN ACTION.

4.USA DOES NOT NOW,AND HAS NOT FAVOURED ISOLATION OF IRAN.THERE IS STRONG BELIEF,HOWEVER,THAT BEST COURSE OPEN IS TO ALLOW IRANIANS TO

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STEW IN OWN JUICE FOR A WHILE. IT IS RECOGNIZED HERE THAT THERE IS A LOT OF SQUIRMING IN TEHRAN, WITH PEOPLE IN FOREIGN MINISTRY ATTEMPTING TO SUGGEST THIS IS ALL PART OF A RADICAL PLOT TO WESTERN CONTACTS. FROM WSHDC PERSPECTIVE IT IS THOUGHT BEST THAT IRANIAN GOVT BE FORCED TO REALIZE IT WILL HAVE TO TAKE COLLECTIVE RESPONSIBILITY FOR SITUATION IT IS IN, AS WELL AS FOR FINDING A WAY OUT. IRANIANS IN USA VIEW ARE VERY GOOD AT SAYING TO OTHERS WE ARE IN A MESS, FIND A WAY OUT FOR US.

5. OVER LONGER TERM, WHETHER IT TAKES A MONTH, A YEAR OR PERHAPS MORE, USA ASSESSMENT IS THAT IRANIANS HAVE NO ALTERNATIVE BUT TO PROCEED WITH POLICIES OF RAFSANJANI AND OTHER QUOTE MODERATES UNQUOTE. THEY RECOGNIZE THE WEST HAS WHAT THEY NEED, DISAFFECTION IS GROWING IN IRAN AND APPRECIATION IS ABOUT THAT COUNTRY CANNOT LIVE ON RHETORIC. RAFSANJANI AND COMPANY WILL IN IRANIAN MANNER BE CUNNING, INDIRECT AND CAREFUL WHEN THEY COME AROUND BUT ULTIMATELY THEY MUST DO SO. INTERLOCUTOR SPECULATED THAT CRISIS COULD HAVE LONGER TERM BENEFIT OF DEMONSTRATING TO IRANIAN LEADERSHIP DISADVANTAGES OF DEPARTING FROM ESTABLISHED NORMS OF INTERNATIONAL CONDUCT WITH RESULT THAT WHEN CRISIS IS RESOLVED IRANIAN MOVE TO MODERATION MAY BE ALL THE FIRMER.

6. WSHDC IS NOT CONCERNED BY SCHEVARDNADZE VISIT TO TEHRAN. THEY CONSIDER THAT ~~SOVIET~~ PERFORMANCE THERE WAS ENTIRELY CYNICAL. ONLY THING KHOMEINI SAID IN PUBLIC TV APPEARANCE WAS THAT HE WISHED TO

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PAGE FOUR UNGR1993 CONF

OPEN WINDOW TO AFTERLIFE FOR RUSSIANS. AMERICANS THOUGHT SOVIET FOR MIN LOOKED DISTINCTLY UNCOMFORTABLE WHEN HE READ PORTION OF GORBACHEV MESSAGE SUGGESTING MOSCOW WOULD BE SENDING STUDENTS TO QUM TO STUDY ISLAM.

7. IN CONTACTS WITH ARAB AND ISLAMIC COUNTRIES USA HAS ALSO TAKEN A LOW PROFILE. MATTER HAS BEEN RAISED WITH SAUDI AMB, PRINCE BANDAR, TO SUGGEST THAT SAUDIS USE THEIR INFLUENCE WITH ISLAMIC CONFERENCE. THAT APPROACH APPEARS TO BE WORKING EFFECTIVELY WITH STRESS IN CONFERENCE BEING LAID ON NECESSITY FOR A JUDICIAL PROCESS.

8. IN CASES OF OTHER ARABS AND MOSLEMS, HOWEVER, THOUGHT HERE HAS BEEN THAT IT WAS UNWISE TO FORCE CHOICE BETWEEN USA AND A FELLOW ISLAMIC STATE. TENSIONS EXISTING BETWEEN SHIIA IN IRAN AND SUNNI MOSLEMS ELSEWHERE WERE PROBABLY SUFFICIENT TO ENSURE THAT LATTER DISTANCED THEMSELVES FROM KHOMEINI.

9. USA EMBASSIES HAVE BEEN ARMED WITH BASIC TALKING POINTS FOR USE WHEN ISSUE COMES UP IN CONVERSATION. ESSENTIAL LINE IS THAT KHOMEINI HANDING DOWN A RELIGIOUS SENTENCE SIMPLY WILL NOT WASH AND THAT IT IS IMPORTANT STATES HAVING RELATIONS WITH IRAN USE THEIR INFLUENCE FOR MODERATION.

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---SATANIC VERSES

AS REQUESTED WE ARE FAXING TO YOU COPY OF RELEVANT PORTION OF  
TRANSCRIPT OF PRES BUSH PRESS CONF 21FEB AND STATE DEPT BRIEFING  
22FEB.

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WASHINGTON, D.C.

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REGULAR BRIEFING/BRIEFER: CHARLES REDMAN  
1:00 P.M. EST/WEDNESDAY, FEBRUARY 22, 1989

2/8

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responsible effort on the part of the political parties in El Salvador to better determine the FMLN's position.

Q Back on the evacuated American diplomats from Beirut: Are they still in Cyprus or are they on their way back to their post?

MR. REDMAN: I don't go into those kind of details.

Q The Iranian President Ali Khamenei in Yugoslavia is quoted as saying the threat of violence will spread if "The Satanic Verses" is not removed from bookstores. Any comment on that?

MR. REDMAN: Again, I believe our previous statements have spoken to these points. The statements that we have previously referred to, which constitute an incitement to commit an act of terrorism, an offer of money for Mr. Rushdie's murder, which make it all the more repugnant, and finally the fact that all of this is a direct assault on freedom of expression, which is a fundamental human right.

Q Any --

MR. REDMAN: It seems to me that this still fits squarely in that category.

Q Any reaction to the demonstrations that are taking place in this country? In New York; I understand they're actually reading from "The Satanic Verses." Is that something that the State Department considers a good idea or does that fan the flames a little bit?

MR. REDMAN: I think at this point, given the President's statements of yesterday, that I essentially have covered our view of this issue. The Secretary likewise spoke a number of times yesterday during his testimony.

Q One more question, however. The Secretary yesterday said that the booksellers may have legitimate concerns for safety. Is the State Department aware of any specific threats or death squads that have been sent to attack bookstores?

MR. REDMAN: Again, I don't think those are the kind of questions that I can go into in this kind of a forum. I would just have to resort to the generic answer in a case like this, which is that appropriate measures are taken by the appropriate agencies.

Q Yesterday the Secretary was questioned several times on the -- asked about the consultations or the lack of consultations between the United States and Western allies on Salman Rushdie. Have, since then, there been any contacts with Western allies about what they're doing?

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MR. REDMAN: There have been since the threats were made consultations with the British in particular. They are the party most directly involved, so we've been staying in touch with them.

Q But in relation to what Congressman Torricelli and others asked yesterday, there hasn't been any consultation between Secretary of State Baker and the other Western allies vis-a-vis removing their ambassadors, et cetera, et cetera?

MR. REDMAN: As I say, through the British, who are the party most directly involved, we have been aware of these kind of things, so that the consultation takes place in a very efficient way.

Q So he's now -- and you have upgraded your opinions of the threats to now being state-sponsored terrorism?

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DEPARTMENT REGULAR BRIEFING/BRIEFER: CHARLES REDMAN  
2:00 P.M. EST/WEDNESDAY, FEBRUARY 22, 1989

S-2-4 page# 1

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MR. REDMAN: I'm not sure what that means. In the very first reaction --

Q Well, that's what the Secretary --

MR. REDMAN: -- Secretary Baker offered when he was in Europe, he used that term.

Q Right.

Q I hate to bring this up again, but you'll remember a dialogue that we had shortly after Baker's confirmation hearings in which he said before the Senate Foreign Relations Committee that a solution to the MIA issue was a necessary condition to going -- to establishment of relations with the Vietnamese. And, then, in response to a question, you came back and said that, no, it wasn't a condition. We were back with the policy as stated before. Well, yesterday, he did it again. And, he said, as I recall it, that we've told the Vietnamese that we have to clear out this MIA problem before we move to establishment of any relationship. Could you once again find out if that's what he meant or is he going back to the previous policy or changing it or what?

MR. REDMAN: I'll take a look.

Q Secretary Baker said yesterday that it might be a good idea to send a couple of representatives to Luanda, as he had said on January 27th. Have the Angolans responded? Have they agreed to host those representatives?

MR. REDMAN: I just don't know what the state of play is in terms of getting that in place operationally. So, I don't know the answer to your question.

Q Chuck, also yesterday, Secretary Baker made some reference to the new government in Jamaica. Do you know -- has there been any formal contact between the two, and is there any plan for any direct contact with the new Prime Minister?

MR. REDMAN: Direct contact? Do you mean visits to the United States?

Q Yes.

MR. REDMAN: On that score, I don't know of any plans, but certainly our embassy has had contacts with the new government.

Q And, has there been any change in the AID program for Jamaica?

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PRESS CONFERENCE BY PRESIDENT GEORGE BUSH AND ANNOUNCEMENT BY  
REPRESENTATIVE BILL GRANT (D-FLA) OF HIS INTENTION TO RE-REGISTER  
AS A REPUBLICAN/THE WHITE HOUSE/TUESDAY, FEBRUARY 21, 1989

2-2-2 page# 1

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not change my heritage. This action is not going to change my values, nor will it change the way that I vote. I'm registering as a Republican because I can best serve the people of Florida's Second Congressional District and a working partnership with this President, with this administration and with this Republican Party. I've been assured by President Bush that he will work closely and cooperatively with me to ensure that the force of his administration is brought to bear to improve the lives of the people that I represent.

I'm re-registering as a Republican because I share this Party's commitment -- or inclusion -- for all of the American people. I'm re-registering as a Republican because I share the values for which the Party stands. Those values include a commitment to a strong national defense, where we're assured that our friends love us and our enemies fear us; a commitment to fair and equal opportunity for all the citizens of our land; and an unwavering commitment to fighting the crime and drug abuse that plague our society. I believe that these values are shared by the people that I represent, and I'm convinced that I can best serve them as a Republican and I'm proud to make this announcement today. Thank you.

PRESIDENT BUSH: Now, I'll be glad to take a couple of questions. As you know, we're leaving on this trip tomorrow and there may be some on that, which I doubt. (Laughter.) Terry?

Q Mr. President, what's your reaction to Iran's death threats against the British author Salman Rushdie? And do you think that the British allies -- or that the Western allies should impose economic sanctions against Iran in retaliation?

PRESIDENT BUSH: Well, I strongly support the EC-12 declaration in response to the Iranian threats against Rushdie. However offensive that book may be, inciting murder and offering rewards for its perpetration are deeply offensive to the norms of civilized behavior. And our position on terrorism is well-known. In the light of Iran's incitement, should any action be taken against American interests, the government of Iran can expect to be held accountable. And so that is my view on it, and I think the EC-12 did the right thing.

Q How about the economic sanctions part of it?

PRESIDENT BUSH: They will be discussing that, I'm sure, but I don't know where we go from there. As you know, we have certain economic sanctions, and I'll be meeting in -- I know I'll be talking to President Mitterrand, and I expect this subject will come up, and maybe others -- but Brent, are we in? -- I'm not sure

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PRESS CONFERENCE BY PRESIDENT GEORGE BUSH AND ANNOUNCEMENT BY  
REPRESENTATIVE BILL GRANT (D-FLA) OF HIS INTENTION TO RE-REGISTER  
AS A REPUBLICAN/THE WHITE HOUSE/TUESDAY, FEBRUARY 21, 1989

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exactly of the bilaterals we're having, but it will be a matter.

Holon, and then we'll start moving around trying to get to the back of the room.

Q Basically, in a way, a question about your trip. There is a widespread perception that you don't have a foreign policy, that you have permitted the Russians to move into the vacuum in the Middle East, you were surprised on Central America, that your "go slow" attitude really has let the Russians grab the ball.

PRESIDENT BUSH: Well, I've never heard such an outrageous hypothesis. (Scattered laughter.) The fact that the Soviets -- you failed to point out that the Soviets moved out of Afghanistan. Some good things happening. I don't worry about a trip by Mr. Shovardnadze to the Middle East. I have no worry about that --

Q (Off-mike.)

PRESIDENT BUSH: No, it happened just this week. And they're out of there. I don't worry about that. And we have a foreign policy. We are reviewing appropriately East-West relations, the way we look at South America. But this doesn't trouble me one bit. We've established and are following on with certain principles that are out there. And I think that Jim Baker when he came back made very clear that the NATO alliance still looks to the United States. I'll have an opportunity to discuss a lot of things as we go on this particular trip. So I simply don't agree with that. I really hadn't ever heard such a negative approach to foreign policy.

Q (Off-mike.)

PRESIDENT BUSH: Middle East policy? It's to encourage discussions between King Hussein and the Israelis. And to build on the progress that has been made already. And I think it was -- I've already said that I think it was very useful, the changes that the PLO advocated. Now, we want to see that there's some follow-on there. So the policy is set. I campaigned on what the policy is. And I think it's quite clear. The question is, what specific steps we take next, and I don't want to be rushing out because Mr. Shovardnadze went to the Middle East. I'd like to have for the first step we take of that nature to be a prudent step. So the principles are there, and I think we're -- you know, we've got to now flesh that out and figure out what we do specifically.

Yoo?

Q Mr. President, the FBI's final, or presumably final report on Senator Tower is now in. You are reported to have read some of it. The Senate Committee has it. I would like to know what you got from it, and also, whether you have any reason to believe that the Senate will go forward -- any reason from private conversations with members of the Armed Services Committee -- will go forward with a

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PRESS CONFERENCE BY PRESIDENT GEORGE BUSH AND ANNOUNCEMENT BY  
REPRESENTATIVE BILL GRANT (D-FLA) OF HIS INTENTION TO RE-REGISTER  
AS REPUBLICAN/THE WHITE HOUSE/TUESDAY, FEBRUARY 21, 1989

Z-2-3 page# 4

PRESIDENT BUSH: For what?

Q That's what you said the other day, that you were not going to stop -- be for the ban on gun control.

PRESIDENT BUSH: I'd like to find some way to do something about these automated weapons. I'd like to see some way to enforce the laws that are already in the books about automated AK-47s coming into this country. And I'd like to find a way to be supportive of the police who are out there on the line all the time, and maybe there is some answer to it. But I also want to have -- be the President that protects the rights of people to have arms. And that --

Q (Inaudible.)

PRESIDENT BUSH: -- so you don't go so far that the legitimate rights on some legislation are, you know, impinged on.

Q Sir, that's what we said last year, but now --

PRESIDENT BUSH: Sarah, look at the laws on gun control and you find where some of the most stringent gun control laws exist that weapons are procured there and weapons are used there. So, you're not going to get me to do anything other than to say, "Look, I'm very concerned about this. I'd like to find a way to do something about this, and we're going to take a hard look to see what we can do about it, if anything, that would be helpful." But whenever there is a crime involving a firearm, there are various groups, some of them quite persuasive in their logic, that think you can ban certain kinds of guns, and I am not in the mode. I am in the mode of being deeply concerned and would like to be a part of finding a national answer to this problem.

Now, we've got time for one more. Right in the middle. You can fight about it. (Laughs.)

Q Speaking of rights, I want to ask if it disturbs you at all the American booksellers were forced to take Mr. Rushdie's book -- intimidated into taking Mr. Rushdie's book off the shelves and if you'd given any thought to some sort of federal protection to help them defend the --

PRESIDENT BUSH: The answer is yes, and federal protection would be to enforce the laws that exist against people doing violence, and of course, I'm concerned about that. Who wouldn't be? Owen gets the follow-up and then I'm leaving.

Q Budget question --

PRESIDENT BUSH: I know there's an overwhelming -- Owen has got the last question, and I get the last word. (Laughter.)

Q I'm going to ask about Iran,

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AS A REPUBLICAN/THE WHITE HOUSE/TUESDAY, FEBRUARY 21, 1989

2-2-4-E page# 1

dost=owh,mwh,fl,islam,iran,budgus,islam,dos,credit,intrst,fedres  
dost+=forpolus,bookpb,la,black,civrts  
data

Q I'm going to ask about Iran,  
my follow-up will be on the budget. (Laughter.)

PRESIDENT BUSH: Get out of thoro. (Laughter.) You may ruin  
it for everybody, because what we're going to do then is stay with  
one question. I'm thinking very hard about this, and I know that  
this -- no?

(Mixed press comments.)

PRESIDENT BUSH: Go ahead.

Q Just one question. Do you plan to any unilateral action  
toward Iran because of those death threats since, as Karon  
mentioned, American book sellers have had to already, as a  
precaution, they claim, to remove books from their shelves. Thoro  
is an American connection. And you've also been slow to speak out  
about --

PRESIDENT BUSH: My Secretary of State spoke out on my behalf  
the other day. We're speaking out here today. And I -- my view is  
that we are an open society. None of us like everything that's  
written. And -- but certainly people should have their -- have  
protection of the law if they decide to go ahead and call a book of  
this nature. That's the answer I'd give to it.

Q Mr. President --

PRESIDENT BUSH: And I -- as to what I -- or how the Iran  
factor -- I've just laid down how I feel, in terms of the -- in this  
case, the Imam exhorting people to go out and commit murder.

Q Mr. President --

(Mixed press questions)

Q Alan Greenspan has just testified on the Hill that he's  
going to tighten credit.

Q Mr. Bush, about the (blackout?) --

PRESIDENT BUSH: I'll have to -- (inaudible, walking away from  
podium.)

(Mixed press comments)

PRESIDENT BUSH: Thank you all.

MR. ATWATER: No, no. I'll handle anybody's questions.

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LEVEL 1 - 2 OF 3 STORIES

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DISCLOSURE

20-IRAN-1-3-USA

FEB 24 1989

BODY:

IN A REMARKABLY craven response to a vague threat, many of this country's biggest book dealers have hastily pulled Salman Rushdie's book off their shelves. It is a shameful performance. The first to go was the Waldenbooks chain, the country's biggest bookseller.

The book, "The Satanic Verses," is beginning to be hard to find. The holy war declared on it by Moslem fundamentalists has increased interest in it, and some stores are genuinely sold out. Others, like some of the Waldenbooks branches, occasionally have it under the counter to be produced surreptitiously on request. And some, in a panic, have carted their copies off to the basement. It seems to be chiefly the smaller independent bookstores that have shown the courage to keep the book on display. It's another reason to think warmly of the independents, and to be grateful that the chains do not entirely dominate the book trade.

"This is not a freedom of speech issue," a Waldenbooks official is quoted as saying, "the sole reason is the protection of our employees." But Waldenbooks is mistaken about that too. It is obviously and inescapably a freedom of speech issue. Waldenbooks, and the many other stores that have done the same thing, are engaging in what's known as self-censorship. No one has forced them to hide the book. They are avoiding attack by a preemptive surrender.

The American publisher, Viking Penguin, is bringing out a second printing of the book. When it arrives, booksellers will no longer be able to claim that it's unavailable. But perhaps by that time Waldenbooks and the others will have had an opportunity to reflect on the dangers of self-censorship.

If it's wrong for the stores to cave in to the current protests, it's far worse for a government to join them. But ~~Canada's~~ ~~customs~~ service yesterday began seizing imports of "The Satanic Verses."

~~Canada?~~ The Canadian edition is printed abroad, and the government said stiffly that it is acting on a complaint by a Moslem group. It will hold the books until it determines whether they violate the law against the distribution of hate literature.

That's truly grotesque. Those laws proscribe material that incites to genocide or to the hatred of specific people or groups. They have nothing to do with the kind of religious dispute that Mr. Rushdie's book has ignited. The government says that it hopes to have the question settled in a day or two. Since there's only one possible answer, it's unlikely that any enduring threat to free expression will emerge. But since Canadians are sophisticated readers, and since the book has been on sale there for four months, the border seizures certainly suffice to make the Canadian government look very foolish.



1989 The Washington Post, February 18, 1989

One of the purposes of literature is to cause readers to reflect on human weakness and cowardice, as well as on courage and wisdom. Mr. Rushdie's book is succeeding in that respect to a degree that its author could never have imagined.

TYPE: EDITORIAL

SUBJECT: BOOKS; CENSORSHIP

NAME: SALMAN RUSHDIE



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**NON CLASSIFIÉ**

MESSAGE

Align first character of Security Classification under this arrow  
Alignez le premier caractère de la Sécurité sous cette flèche

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REPRESENTATIVE BILL GRANT (D-FLA) OF HIS INTENTION TO RE-REGISTER  
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Z-2-1 page# 1

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PRESIDENT BUSH: With me is Congressman Bill Grant from the  
Second District of Florida and his wife; the new Chairman of the  
Republican Party in the State of Florida, my old friend Van Poole (?);  
and our Chairman of the National Committee, Lee Atwater. And I just  
wanted to bring Congressman Grant in here to say how pleased I am  
that he is switching over to become a Republican. Florida is on the  
move. The nation, I think, benefits from this. Bill can answer any  
questions. He has a small, short statement. But this is good news  
for our party, not only in Florida, not only in the South, but  
nationally, and I welcome him to the party. The way it will work is  
I have asked him to say a few words and then I'm going to step back  
in and take a couple of questions and then turn it over to Bill for  
follow-on and Lee Atwater will be with him.

Congressman Grant, welcome.

REP. GRANT: Thank you, Mr. President.

PRESIDENT BUSH: We're pleased you're here.

REP. GRANT: Thank you. Well, I'm here this morning to  
announce that I intend to re-register as a Republican in my hometown  
of Madison, Florida this afternoon. After a period of prolonged and  
careful deliberation, I have determined that I can better represent  
the values and the priorities of north Floridians in the State of  
Florida as a Republican. Please understand, I have been a Democrat  
all of my adult life and I want the people who have sent me to the  
Congress to understand that my actions are not going to change me as  
a person, will not change my heritage.

CONTINUED

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not change my heritage. This action is not going to change my values, nor will it change the way that I vote. I'm registering as a Republican because I can best serve the people of Florida's Second Congressional District and a working partnership with this President, with this administration and with this Republican Party. I've been assured by President Bush that he will work closely and cooperatively with me to ensure that the force of his administration is brought to bear to improve the lives of the people that I represent.

I'm re-registering as a Republican because I share this Party's commitment -- or inclusion -- for all of the American people. I'm re-registering as a Republican because I share the values for which the Party stands. Those values include a commitment to a strong national defense, where we're assured that our friends love us and our enemies fear us; a commitment to fair and equal opportunity for all the citizens of our land; and an unswerving commitment to fighting the crime and drug abuse that plague our society. I believe that these values are shared by the people that I represent, and I'm convinced that I can best serve them as a Republican and I'm proud to make this announcement today. Thank you.

PRESIDENT BUSH: Now, I'll be glad to take a couple of questions. As you know, we're leaving on this trip tomorrow and there may be some on that, which I doubt. (Laughter.) Terry?

Q Mr. President, what's your reaction to Iran's death threats against the British author Salman Rushdie? And do you think that the British allies -- or that the Western allies should impose economic sanctions against Iran in retaliation?

PRESIDENT BUSH: Well, I strongly support the EC-12 declaration in response to the Iranian threats against Rushdie. However offensive that book may be, inciting murder and offering rewards for its perpetration are deeply offensive to the norms of civilized behavior. And our position on terrorism is well-known. In the light of Iran's incitement, should any action be taken against American interests, the government of Iran can expect to be held accountable. And so that is my view on it, and I think the EC-12 did the right thing.

Q How about the economic sanctions part of it?

PRESIDENT BUSH: They will be discussing that, I'm sure, but I don't know where we go from there. As you know, we have certain economic sanctions, and I'll be meeting in -- I know I'll be talking to President Mitterrand, and I expect this subject will come up, and maybe others -- but Brent, are we in? -- I'm not sure

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exactly of the bilaterals we're having, but it will be a matter.

Helen, and then we'll start moving around trying to get to the back of the room.

Q Basically, in a way, a question about your trip. There is a widespread perception that you don't have a foreign policy, that you have permitted the Russians to move into the vacuum in the Middle East, you were surprised on Central America, that your "go slow" attitude really has let the Russians grab the ball.

PRESIDENT BUSH: Well, I've never heard such an outrageous hypothesis. (Scattered laughter.) The fact that the Soviets -- you failed to point out that the Soviets moved out of Afghanistan. Some good things happening. I don't worry about a trip by Mr. Shevardnadze to the Middle East. I have no worry about that --

Q (Off-mike.)

PRESIDENT BUSH: No, it happened just this week. And they're out of there. I don't worry about that. And we have a foreign policy. We are reviewing appropriately East-West relations, the way we look at South America. But this doesn't trouble me one bit. We've established and are following on with certain principles that are out there. And I think that Jim Baker when he came back made very clear that the NATO alliance still looks to the United States. I'll have an opportunity to discuss a lot of things as we go on this particular trip. So I simply don't agree with that. I really hadn't ever heard such a negative approach to foreign policy.

Q (Off-mike.)

PRESIDENT BUSH: Middle East policy? It's to encourage discussions between King Hussein and the Israelis. And to build on the progress that has been made already. And I think it was -- I've already said that I think it was very useful, the changes that the PLO advocated. Now, we want to see that there's some follow-on there. So the policy is set. I campaigned on what the policy is. And I think it's quite clear. The question is, what specific steps we take next, and I don't want to be rushing out because Mr. Shevardnadze went to the Middle East. I'd like to have for the first step something of that nature to be a prudent step. So the principles are there, and I think we're -- you know, we've got to now flesh that out and figure out what we do specifically.

Yes?

Q Mr. President, the FBI's final, or presumably final report on Senator Tower is now in. You are reported to have read some of it. The Senate Committee has it. I would like to know what you got from it, and also, whether you have any reason to believe that the Senate will go forward -- any reason from private conversations with members of the Armed Services Committee -- will go forward with a

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favorable vote on this nomination?

PRESIDENT BUSH: What I got from it -- and I reviewed some of  
the more -- the parts that related to some of the allegations  
against Tower -- what I got from it was that there has been a very  
unfair treatment of this man by rumor and innuendo, over and over  
again -- rumors surfacing with no -- no facts to back them up.

And I saw this as a reaffirmation of what I've felt all along,  
and that is that John Tower is qualified to be Secretary of Defense;  
he will be a good Secretary of Defense, although the report didn't  
answer that. But the allegations against him that have been hanging  
over this simply have been gunned down in terms of fact. And so  
that's positive. And I had a little preview, so when I held my  
thumbs up, I was glad to get that report. And I hope that the  
Senate will move forthrightly on this nomination.

So -- and I don't know, Brit, what -- where it stands. I  
talked to -- I had some of the leaders down this morning, but the  
only one I got to talk to on this was Bob Dole. And I'd like to see  
it go forward, obviously.

Q If I might follow --

PRESIDENT BUSH: I have never wavered in my support for John  
Tower.

Q If I could follow up, sir. There's a report in the Wall  
Street Journal this morning that Senator Tower promoted a federal  
judgeship for the son of a man with whom he had done business for  
his own personal benefit. And I was wondering if that's news to  
you, sir, and if -- or if it troubles you in any way?

PRESIDENT BUSH: I never heard such a report, and I'd -- you  
know, one thing after another. And, you're telling me something I  
don't know anything about.

Yes?

Q Mr. President, does this announcement by Congressman  
Grant this morning overcome the embarrassment to the Party of the  
election Saturday of David Duke, a former member of the Ku Klux  
Klan? And do you intend to -- you came out for his opponent in the  
election; so did former President Reagan. What does the party do  
next about David Duke?

PRESIDENT BUSH: Well, I'll leave that to Lee. But I strongly  
support what our National Chairman Lee Atwater has said in this  
matter. And maybe there was some feeling in Metairie, Louisiana  
that the President of the United States involving himself in a state  
legislative election was improper or overkill. I've heard -- read  
that. And I can't deny that. But what I can affirm is,  
I did what I did because of principle and Lee has done what he has  
done because of principle and this man, his record is one of racism

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and bigotry and I'm sorry, I just felt I had to speak out. But  
whether it helped or hurt, I don't know.

Q Mr. President, you said during your speech to the Joint  
Session of Congress that your support for the Strategic Defense  
Initiative was unqualified, but the Office of Management and Budget  
Director, Richard Darman, when he briefed on your budget, said that  
it was conditional on the outcome of this 90-day review that's  
coming up. Is it or is it not conditional and would you rule out  
curtailing the program to an accidental launch protection system?

PRESIDENT BUSH: I'm not ruling anything in or out. I have  
stated my support for the principle of SDI. I have not favored what  
some would call "premature deployment" but on the other hand I will  
be very interested in seeing what this overall review comes up with  
and I'm not going to close any doors or open any in regards to this  
or any other systems. We're going to have to make some tough  
choices on defense. I'm aware of that and so let's wait and see  
what the review produces. Lesley?

Q Mr. President, back on John Tower, if we could. You've  
said that the process has been unfair and I would like to ask you  
specifically about Sam Nunn, who some people say will now run  
defense policy because John Tower has been so weakened and damaged  
by this drip, drip, drip of allegations.

PRESIDENT BUSH: I think Sam Nunn would be the first to deny  
that. I think he's been fair and have so stated before. The rumors  
-- and he's not been promulgating a lot of endless rumors that have  
proved to have no basis in fact. None. So he's done -- but the  
idea that he will run defense policy, I think he'd be the first to  
say that's not true. He will be a key player in it and I hope that  
he'll be able to support Senator Tower.

Q Is Senator Tower damaged in his ability to speak out for  
the Pentagon now that --

PRESIDENT BUSH: No.

Q -- he has had such a lengthy process?

PRESIDENT BUSH: No. Anybody that's been through this  
ordeal with BO stronger or not weaker. Yes?

Q But Senator Nunn is concerned about these reports of  
Senator Tower's drinking problems and the FBI report acknowledges  
that the Senator apparently did have a drinking problem in the  
1970s. Do you think he's overly concerned and why are you so  
convinced that this won't present a problem?

PRESIDENT BUSH: Because I know Senator Tower. I have talked  
to a lot of people that have worked with Senator Tower. I've seen  
the report on Senator Tower and I see nothing in there

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that would make me, if I were a senator, vote against Senator Tower. Now, Senator Nunn, he's got to reach his own conclusions, and I think he's been fair. And I think he is approaching it in a very professional manner. But I hope he reaches the same conclusion that I have reached.

Yeah, in the back?

Q Mr. President, Washington DC and other big cities have been besieged with violence lately. Do you see any role at all that the federal government can play to help in that area?

PRESIDENT BUSH: Well, I hope so. But certainly in Washington we have a responsibility, it's a federal city, and a lot of the funds come -- obviously come from the federal government. But, there isn't any easy answer to that, and yet I, you know, campaigned strongly on enforcing existing law, on being tough on criminals, on more prison space. And I think that those things all will be caught up in our new anti-drug effort that I'm looking to Bill Bennett to lead. And so it's a complicated problem where everybody in the country has a stake in it. Everybody should be trying to do something about it. And yes, I think the federal government has a role in that.

Q If I may follow. Is there any federal money for it? Is this something that you really do not have the resources to attack?

PRESIDENT BUSH: Yes, there will be federal money and I wish we had more.

Yeah, Charles.

Q (Way in the back ?), Mr. President!

Q Mr. President --

PRESIDENT BUSH: How far do we go to be democratic, here? No that's too far -- here. (Laughter).

Q Mr. President, you said in answer to Helen's question that you wanted your first step in the Middle East to be "prudent." What do you mean by a "prudent" step? What do you have in mind?

PRESIDENT BUSH: What I have in mind is I don't want to just send somebody charging off on a mission to counter Mr. Shevardnadze's trip to see Mubarak and others. Let's do something that's going to hopefully have results. And I'm not saying we have to know that a trip by the Secretary, or a trip by -- instructions

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to an ambassador are going to result in a settled policy --  
everything's settled in the Middle East. But, I don't want to be  
stampeded by the fact that the Soviet Foreign Minister takes a trip  
to the Middle East. So it's -- in my view, that's a good thing.

Q What role do you think Mr. Shevardnadze and the Soviets  
could and should be playing?

PRESIDENT BUSH: I think it should be a limited role, and I  
think that's what it's going to be.

Q Mr. President --

PRESIDENT BUSH: And that's exactly the way it should be and I  
think the people in the Middle East feel that way. But the fact  
that he goes there really shouldn't be bad.

Yes?

Q Mr. President, if the West Germans --

PRESIDENT BUSH: Viewed with alarm.

Q -- if the West Germans refuse to modernize short-range  
weapons, will that hurt the Alliance in the long-run and perhaps  
result in the de-nuclearization of Europe --

PRESIDENT BUSH: Too hypothetical a question, Jerry, for me to  
answer.

Q Mr. President, I'll ask you a Japan question --

PRESIDENT BUSH: Shoot. (Scattered laughter.)

Q -- with the summit starting tomorrow. How do you  
reassure those  
Americans who are afraid of Japanese economic power, who think that  
they are buying and are owning too much of the United States  
economy?

PRESIDENT BUSH: I tell them that the Japanese have the -- are  
the third largest holder of investment in the United States, behind  
the UK and the Netherlands. I tell them that it is important, if we  
believe in open markets, that people be allowed to invest here, just  
as I'd like to see more openness for American investors in other  
countries. I tell them that we have to do a better job in knocking  
down barriers to American products in the various markets. I tell  
them, don't get so concerned over foreign ownership that you  
undermine the securities markets in this country. We have  
horrendous deficits, and foreign capital joins domestic capital in  
financing those deficits. So I also tell them I have a  
responsibility as President in terms of our technology, in terms of  
our national security, and I intend to exercise that responsibility.

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Gerry?

Q Yes, Mr. President, I think what concerns some people  
about Senator Tower is the fact that he has admitted that he had a  
drinking problem in the '70s, and he hasn't really had any kind of  
treatment program or been enrolled in any kind of treatment program.  
What do you say to people about the potential of a relapse?

PRESIDENT BUSH: I say that he -- that there is no evidence of  
any kind of the disease "alcoholism" -- none, none whatsoever. And  
that would be something that would be -- that your question is  
addressed to. And I'd say that I looked at the reports with this in  
mind, and I didn't listen to rumors. I didn't listen to mindless  
allegations. I was fair enough to look at the facts. And I've  
known Senator Tower, and known him professionally, and known him as  
a friend. And I do not think that these charges that are tried and  
then shot down, and then tried again and then shot down again, have  
helped the process.

And so I am not about to make a judgment on some rumor or some  
innuendo. And we've looked at the facts. And I think the report  
speaks to the fact that a lot of the charges -- most -- oh, I'd say  
all of these charges that we've read about -- have been rumor, and a  
lot of it vicious rumor. And so I am convinced that he is not only  
capable of doing this job, but will do it in an outstanding way.

Q Mr. President --

PRESIDENT BUSH: How many more have we got?

Q On the budget --

PRESIDENT BUSH: Who is that voice I hear in the back? Could  
it be Sarah McClendon?

Q No!

PRESIDENT BUSH: Well, sorry. It's a democracy.

Q I want to ask you about gun control. All over the  
country --

PRESIDENT BUSH: Who?

Q -- the parents and the people --  
Now, don't leave me! Don't leave me! (Laughter.)

PRESIDENT BUSH: Sarah --

Q All over the country the parents now are going to City  
Hall about this. In Cleveland they just had a vote, the polls are  
being taken, mothers are up in arms about this. Something is going  
to have to be done about stopping guns and you say you're for them.

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PRESIDENT BUSH: For what?

Q That's what you said the other day, that you were not  
going to stop -- be for the ban on gun control.

PRESIDENT BUSH: I'd like to find some way to do something  
about these automated weapons. I'd like to see some way to enforce  
the laws that are already in the books about automated AK-47s coming  
into this country. And I'd like to find a way to be supportive of  
the police who are out there on the line all the time, and maybe  
there is some answer to it. But I also want to have -- be the  
President that protects the rights of people to have arms. And that  
--

Q (Inaudible.)

PRESIDENT BUSH: -- so you don't go so far that the legitimate  
rights on some legislation are, you know, impinged on.

Q Sir, that's what we said last year, but now --

PRESIDENT BUSH: Sarah, look at the laws on gun control and you  
find where some of the most stringent gun control laws exist that  
weapons are procured there and weapons are used there. So, you're  
not going to get me to do anything other than to say, "Look, I'm  
very concerned about this. I'd like to find a way to do something  
about this, and we're going to take a hard look to see what we can  
do about it, if anything, that would be helpful." But whenever  
there is a crime involving a firearm, there are various groups, some  
of them quite persuasive in their logic, that think you can ban  
certain kinds of guns, and I am not in the mode. I am in the mode  
of being deeply concerned and would like to be a part of finding a  
national answer to this problem.

Now, we've got time for one more. Right in the middle. You  
can fight about it. (Laughs.)

Q Speaking of rights, I want to ask if it disturbs you at  
all the American bookshelves were forced to take Mr. Rushdie's book  
-- intimidated into taking Mr. Rushdie's book off the shelves and if  
you'd given any thought to some sort of federal protection to help  
them defend it --

PRESIDENT BUSH: The answer is yes, and federal protection  
would be to enforce the laws that exist against people doing  
violence, and of course, I'm concerned about that. Who wouldn't be?  
Owen gets the follow-up and then I'm leaving.

Q Budget question --

PRESIDENT BUSH: I know there's an overwhelming -- Owen has got  
the last question, and I get the last word. (Laughter.)

Q I'm going to ask about Iran,

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PRESS CONFERENCE BY PRESIDENT GEORGE BUSH AND ANNOUNCEMENT BY  
REPRESENTATIVE BILL GRANT (D-FLA) OF HIS INTENTION TO RE-REGISTER  
AS : EPUBLICAN/THE WHITE HOUSE/TUESDAY, FEBRUARY 21, 1989

Z-2-4-E page# 1

dest=swh,mwh,fl,islam,iran,budgus,islam,dos,credit,intrst,fedres  
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Q I'm going to ask about Iran,  
my follow-up will be on the budget. (Laughter.)

PRESIDENT BUSH: Get out of there. (Laughter.) You may ruin  
it for everybody, because what we're going to do then is stay with  
one question. I'm thinking very hard about this, and I know that  
this -- no?

(Mixed press comments.)

PRESIDENT BUSH: Go ahead.

Q Just one question. Do you plan to any unilateral action  
toward Iran because of these death threats since, as Karen  
mentioned, American book sellers have had to already, as a  
precaution, they claim, to remove books from their shelves. There  
is an American connection. And you've also been slow to speak out  
about --

PRESIDENT BUSH: My Secretary of State spoke out on my behalf  
the other day. We're speaking out here today. And I -- my view is  
that we are an open society. None of us like everything that's  
written. And -- but certainly people should have their -- have  
protection of the law if they decide to go ahead and sell a book of  
this nature. That's the answer I'd give to it.

Q Mr. President --

PRESIDENT BUSH: And I -- as to what I -- or how the Iran  
factor -- I've just laid down how I feel, in terms of the -- in this  
case, the Imam exhorting people to go out and commit murder.

Q Mr. President --

(Mixed press questions)

Q ~~Al~~ Greenspan has just testified on the Hill that he's  
going to tighten credit.

Q Mr. Bush, about the (blackout?) --

PRESIDENT BUSH: I'll have to -- (inaudible, walking away from  
podium.)

(Mixed press comments)

PRESIDENT BUSH: Thank you all.

MR. ATWATER: No, no. I'll handle anybody's questions.

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PRESS CONFERENCE BY PRESIDENT GEORGE BUSH AND ANNOUNCEMENT BY  
REPRESENTATIVE BILL GRANT (D-FLA) OF HIS INTENTION TO RE-REGISTER  
AS A REPUBLICAN/THE WHITE HOUSE/TUESDAY, FEBRUARY 21, 1989  
Z-2-4-E page# 2  
(Laughter.)

Q Alan Greenspan has testified on the Hill that --

Q Lee, get up there.

Q Where's Sununu?

Q Thank you, Mr. President.

MR. ATWATER: The President has an important meeting  
with an important element of the Washington press.

PRESIDENT BUSH (?): Washington press -- (inaudible.)  
(Laughter.)

Q In connection with the election of the Mr. Duke, many of  
the people who live in that district have been attracted to the  
Republican Party over the last quarter century by campaigns that  
many people think are racially tinged: the states' rights talk of  
President Reagan, the talk on the Willie Horton case. Isn't it a  
little hypocritical of you all to say that these voters now  
shouldn't have the man they want as a state rep and to say, "Well,  
no, not us; we have nothing to do with this"?

MR. ATWATER: Well, Carl, I have no desire to impeach him from  
office. What I have a desire to do is follow a tenet which he has  
been preaching for 20 years, which is the right of individuals and  
organizations to disassociate. And I, as Chairman of the Republican  
National Committee, am seeking and will seek, in the next few days,  
a vote that would, in effect, allow us to officially disassociate  
ourselves as a party from Mr. Duke.

Mr. Duke is a man who ran for office twice as a Democrat. He  
re-registered three days before the election as a Republican. So,  
he is not a man who, I think, stands for either party. He's an  
opportunist. He has -- if any of you don't know much about him,  
there's a 20-year career there in which he has a man of the  
swastika, vehemently anti-Semitic, vehemently racist. And I -- my  
position has been very clear on this. And I'll tell you what I'm  
going to do. I'm going to refrain  
from discussing Mr. Duke anymore for this reason: It plays right  
into his hands. What he wants to do is get into a prolonged  
argument with me on television, any other kind of media. He is a  
very effective demagogue. And I'm not going to give him an  
opportunity to do that anymore.

Now, I've been as clear as I could about this guy, and I'm not  
going to allow myself to become a dupe in his play to get more free  
media coverage, because we've been very clear from the Republican  
National Committee about this situation. I'm not going to back down  
from what I say. But, as far as I'm concerned, Duke does not  
represent our party in any shape form or fashion. But, we are not  
trying to remove him from office. We are simply going to pass a

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resolution censuring him as members of the Republican Party.

Q Why is he more of an opportunist than, say, Mr. Grant,  
who has suddenly decided he wants to be a Republican?

MR. ATWATER: Mr. Grant has a career, Carl, particularly in the  
area of civil rights, that is sterling. Mr. Grant has a record in  
the Congress. We're talking about a man in Duke who's got a record  
that, if anyone of you all read his record and read anything about  
him, I'd be ashamed of you if you didn't feel the same way I did.  
And to compare Grant with Congressman Duke (sic), I think is totally  
unfair.

Q Thank you.

MR. ATWATER: Thank you.

END

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Canada            Canada

## MESSAGE

Accession/Référence

File/Dossier

20-IRAN-13-USA

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---USA/IRAN RELATIONS

YOU MAY FIND OF INTEREST THE ATTACHED SPEECH GIVEN BY LEE  
HAMILTON CHAIRMAN OF THE HOUSE FOREIGN AFFAIRS SUBCOMMITTEE ON  
EUROPE AND THE MIDDLE EAST. HAMILTON IS ONE OF THE SOUNDEST  
MEMBERS OF CONGRESS ON MIDDLE EAST ISSUES AND HIS VIEWS ON  
USA/IRAN RELATIONS COULD HAVE CONSIDERABLE INFLUENCE HERE.

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February 4, 1989

## IRAN IN AMERICA'S FUTURE

by

THE HONORABLE LEE H. HAMILTON

It is a privilege to be here today to talk to this distinguished group on a topic of such immediate concern and challenge. The Iranian revolution and the events surrounding it have had enormous implications for the United States. It understandably, has had a particularly emotional impact on the American people.

From the taking of the American hostages to the downing of the Iran airliner, our relations have been largely tragic for both sides. All of us hope that the time has come to reverse this record and slowly plant the seeds of a new U.S.-Iranian relationship. We know that a new relationship with Iran will not be easy to forge.

This conference will provide a key summary assessment of the first 10 years of the revolution. I understand you have had several excellent panel discussions. I look forward to reading the papers and reviewing your conclusions.

Today, I will try to add a congressional perspective to your discussions. I will focus on two questions:

- Where do U.S.-Iranian relations stand today? and
- What should U.S. policy be?

### Present Situation

Now is a good moment to think about the future of our relations with Iran. The present environment provides a number of opportunities to launch a new chapter in U.S.-Iranian relations.

Several factors have created this environment:

- Recent improvements in relations between the United States and the Soviet Union have led to broad worldwide movement toward resolution of regional conflicts and reduction of tensions;
- A new U.S. administration will be taking a fresh look at U.S. policies in the Persian Gulf and South Asia, including how to manage our relations with Iran, the Bhutto government in Pakistan and the fast evolving situation in Afghanistan;
- President Bush wants to see relations improve with countries with whom ties have been strained or broken. In his Inaugural address he said that assistance shown by Iran on the hostage



issue "will be long remembered. Goodwill begets goodwill. Good faith can be a spiral that endlessly moves on." This statement was noticed in Tehran;

- After eight horrible years of fighting, the Iran-Iraq war is coming to an end — the parties are exhausted and eager to explore other alternatives to resolving their differences; and
- The Iranian revolution is at a crossroads. There is a new elite in Iran and a new leadership, but the succession to Khomeini remains uncertain. Iran's leaders appear to be rethinking their priorities and their relations with the rest of the world.

These developments have changed the framework of U.S.-Iranian relations. They create an opportunity for reassessment and movement. Where we go from here will depend on a number of factors, among them are developments inside Iran.

### Iran's Predicament

In assessing the present, we need to recall that a decade ago we were firm friends, but in recent years, staunch adversaries. The future of our relations with Iran must be based on a careful assessment of the present and on fundamental national interests of both countries.

For Iran, the present is difficult:

- While the shooting in the Iran-Iraq war has stopped, the strains of war and revolutionary fatigue are apparent.
  - much of the infrastructure in the country has been neglected and is in decay;
  - inflation is over 40 percent;
  - unemployment is widespread;
  - a loss in oil revenues, poor economic management by inexperienced clerics and a burgeoning population of over 50 million people, half of whom are under 15, have led to a shortage of goods and foreign exchange;
  - there are now food and milk shortages;
  - fiscal policies are in disarray and one-third to one-half of all tax revenue comes from excise taxes on cigarettes;
  - the share of agriculture in GDP has increased from 12 percent to 18 percent since 1979 while the share of oil and gas in GDP has decreased from 26 percent to 10 percent;
  - returnees from the war front want jobs, but can't find

them;

- civilian industries are struggling:
  - Iran has resorted increasingly to barter.
- human rights abuses are rampant:
  - political executions have increased;
  - Savak once terrorized the Shah's opponents; and
  - today religious groups terrorize those who oppose their policies.
- illiteracy has increased:
  - religious studies are more important than technical skills.
- drug use is rising;
- tuberculosis, cholera, polio and malaria are back;
- discontent has begun to show, particularly among the young.
- Economic and political problems and military defeat have sparked an intense internal debate about the future course of the revolution;
  - as the Khomeini era ends, the Iranian revolution is entering a new phase. The debate in Iran is intense over the form of economic organization, the levels of individual freedom and openness to the outside world;
- Military setbacks in the last two years of the war have left the Iranian military and the Revolutionary Guards severely weakened:
  - Iran failed in the winter of 1986-1987 to capture the Iraqi port of Basra;
  - it suffered heavy battlefield losses at Basra, Faw and in the north in 1987 and 1988;
  - more than 120 long range Iraqi missile strikes on Iranian cities caused thousands of city dwellers to flee;
  - naval confrontations with the United States crippled the Iranian navy.
- Finally, Iran's international isolation grows:

- Iranian efforts to export its version of Islamic fundamentalism have been largely unsuccessful;
- the Hizbollah Shi'ite faction in Lebanon -- perhaps the only example of exported fundamentalist success -- has fared poorly in fighting with Amal Shi'ite forces;
- with the exception of Syria, Iran has been isolated within the Arab world. Most Arab states sided with Iraq in the Gulf war;
- Saudi-Iranian ties remain cool as a result of terrorist attacks and threats of Iranian violence during the pilgrimage to Muslim holy cities;
- Iran's support of the 1987 hijacking of a Kuwaiti airliner provoked strong and unexpected Arab reaction; and
- the relatively mild international criticism of Iraq's use of chemical weapons in the war and the U.S. shootdown of the Iran airliner added to the sense of isolation in Tehran.

These vast and serious problems confronting Iran set a difficult agenda for its leaders. But there are also some positive elements for Iran:

- Despite incredible pressures, the Iranian revolution has survived these past 10 years;
- No viable internal opposition to the government has yet developed;
- With an annual production of 480 trillion cubic meters, Iran remains the world's second largest gas producer, after the Soviet Union. Iran also remains a key O.P.E.C. oil producer, producing 2.2 million barrels per day now of which 1.8 million barrels are exported;
- Iran's efforts to indoctrinate its rural people have brought television and electricity to thousands of villages;
- Iran has practically no long term external debt, and it has good standing with banks even though its balance of payments has deteriorated;
- Though the economic costs of the eight-year-old war were staggering, the Iranian government did not mortgage the country to any foreign power;
- In the past year, Iran has been able to increase economic ties with several Western countries, including Italy, West Germany, Canada, Denmark, Spain, Turkey, and Japan. France and Britain have also resumed full diplomatic relations with Iran since

this summer;

- Since Iran's August 1988 acceptance of U.N. Resolution 598, relations with the moderate Arab Gulf states have improved; and
- I suspect many developing countries retain substantial sympathy for Iran.

Information on what is taking place in Iran today is sketchy. No one outside, and perhaps no one inside, the country really knows how the Iranians plan to address the difficult problems they confront. Apparently some sort of political re-evaluation and re-alignment is taking place.

The present situation has both risks and opportunities. The risks are:

- that political tensions and economic uncertainty will prompt leaders to lash out at real or perceived enemies;
- that what we are seeing is not a change in Iran, but simply a pause in its efforts to export revolution and to undermine U.S. interests in the region; and
- that the continuing weapons buildup and the proliferation of long range missiles and chemical weapons in the region will erupt into hostilities. The costs of future conflict, in both human and financial terms, will be considerably greater than the last one.

There are also opportunities:

- to move toward a negotiated settlement of the Iran-Iraq war;
- to form an internal, broader consensus on a positive Iranian role in the international community; and
- to moderate Iranian policies in support of international terrorism and subversion.

#### Implications for the United States

The present situation in Iran cannot endure. The Iranian leadership must address the difficult social and economic problems the country faces. How Iran's leaders proceed will have important consequences for our future relations.

U.S. influence on the internal debate in Iran may be small, but our interest in the outcome is large. U.S. interests include:

- Iran's size, location and oil resources make it a central player in a key and volatile region;
- Its population is more than double that of all Arab Gulf

states together. Iran's territorial integrity and stability are important to us;

- Iran shares a long border with the Soviet Union, which has historically sought a more compliant neighbor in Tehran. Non-ideological ties with the Soviets have progressed recently. Some in Iran would like to see even closer links with the Soviets. The U.S. has an interest in limiting Soviet influence in this strategic country and preventing Soviet domination in the region;
- Iran abuts the strategic Strait of Hormuz at the entrance to the Persian Gulf; and
- Because of its strategic geography, Iran can inhibit the free flow of oil from the Gulf. U.S. interests in maintaining this flow are likely to increase as oil imports from the region climb in the 1990s.

Given recent events and uncertainties in Afghanistan and Pakistan, the regional importance of Iran has only increased.

For its part, Iran must also see risks and opportunities as it views its future with the United States. Iran needs international support and help, but it does not want to jeopardize its revolution. It must juggle the benefit from international ties against the desire to protect the revolution from external contamination, especially by the U.S. Iran will want to charge a price for better ties with the U.S. Speaker Rafsanjani has said Iran is not bound to use its influence to help Americans until the United States frees Iranian assets, shows no antagonism and helps to free four of Iran's diplomats kidnapped in Lebanon in 1982 and presumed, by Western officials, to be dead.

The path to better relations is difficult.

Both Iran and the United States would benefit from a new relationship.

The question is: how do we get there from here?

### United States Policy

Our interests in Iran and the region have remained constant during a decade of turmoil. What may be most remarkable about the next stage of the Iranian revolution is that few of our ties to Iran and in the region have been compromised or permanently damaged during years of strained relations. The foundations for improved relations exist.

The United States policy toward Iran has several components:

- First, improvements in relations will hinge on changes in Iranian policy and actions in three areas:
  - pursuing the Gulf War ceasefire negotiations and implementing U.N. Res. 598;

- helping obtain the release of American hostages in Lebanon; and
- ending support for international terrorism;
- Second, any talk or consideration of the restoration of full diplomatic relations is still premature;
- Third, the United States will meet with authoritative representatives of the Iranian Government to discuss the issues which divide the United States and Iran;
- Fourth, the United States will not bargain over hostages;
- Finally, changes in the Presidential ban on imports from Iran and on tight U.S. control of exports to Iran will require changes in Iranian behavior.

I do not expect President Bush to modify this policy, but I do believe it is flexible, and permits a step-by-step improvement in our relations -- what President Bush called in his Inaugural address "answering goodwill with goodwill."

Several additional elements could enhance our policy:

- First, we should try to develop a dialogue with Iranian officials:
  - To my knowledge, no official meetings have occurred between U.S. and Iranian officials over the last several months despite the offer for an authoritative dialogue;
  - Talking with Iran through the Swiss, the Japanese and the West Germans will continue to be important, but it is no substitute for direct, discreet contacts;
  - Reciprocity in dealings will be key; and
  - We must start talking with Iran. The U.S. says it is prepared to talk but is apparently waiting for Iran to call. Iran says it is prepared to talk but seems to be waiting for an American call. We should not be hung up on who phones whom first.
- Second, United States policy toward Iran should use a mixture of pressures and incentives:
  - pressure to get Iran to abide by certain rules of international behavior -- for example, not exporting revolution and not supporting international terrorism;
  - trade incentives could be used to generate matching actions by Iran. We could start the process by lifting some restrictions on commercial exports to Iran, and

easing the ban on imports.

- Third, we must also address Iran's central concern. We need to say:
  - We accept the fact of Iran's revolution and do not seek to overturn it, though we want Iran to be more democratic and pluralistic;
  - We are committed to maintaining the territorial integrity of all the regional countries, including Iran; and
  - We should state that we want a relationship with Iran based on mutual respect;
- Fourth, we want Iran's help in obtaining the release of American hostages in Lebanon. Iran may not have direct control over the hostages and its influence over the hostage takers may have lessened, but Tehran is still the best address we have for trying to obtain their release:
  - Iran played a key role in the release of French, British and West German hostages or jailed citizens in Lebanon or in Iran. A concerted effort by Tehran is essential to persuade the Lebanese groups holding the hostages to free them;
  - Iran must surely understand the importance of the release of the hostages to the American people. The hostages should not bar a U.S. dialogue with Tehran, but I am persuaded that the American people would not tolerate American involvement in Iran's reconstruction or reestablishment of diplomatic relations without progress on the return of the hostages;
  - United States policy toward Iran must be driven by our national interests. It should not be dominated by the memory of the arms-for-hostage scandal, the fear of losing additional hostages, or talking with the hostage takers;
- Fifth, the United States should remain neutral in Gulf conflicts and avoid overcommitment or reliance on any one leader, state or faction. Our interest is to maintain stable relations with both Iraq and Iran and avoid swings in our relations with both states;
- Sixth, the United States should support United Nations efforts to implement fully U.N. Res. 598.
  - Our interest is to keep both Iran and Iraq at the table;
  - The five-month-old ceasefire is precarious. We must support U.N. diplomacy, urging:

- an exchange of prisoners of wars;
- a clearing of the Shatt al-Arab waterway;
- a procedure for examining the origins of the war; and
- reconstruction.
- One year ago Iran was dragging its feet on accepting the U.N. diplomacy; today Iraq has been slow to move and eager to up the ante for peace. My sense is that both sides lose if they do not move on to reconstruction and accommodation;
- Seventh, we must coordinate our policy toward Iran and the Gulf with our allies:
  - The Western Europeans and Japan should be encouraged to play a greater, more direct role in Iran in coming years;
  - Our allies should also be urged to maintain a more sustained security presence in the Persian Gulf. This could enable the U.S. to lower its military profile of the recent past;
  - U.S.-European coordination on arms sales to the entire region should be strengthened. With our allies, we should take a lead in pushing multinational cooperation on preventing chemical, biological, nuclear, and ballistic missile proliferation in the area;
- Eighth, non-government groups can play an important role in the next phase of our relations with Iran.
  - Banks, oil companies, exporters, and educators can help develop confidence both in Iran and in the United States, in a new American-Iranian relationship;
  - the U.S.-Iran Claims Tribunal in The Hague, can help encourage non-government and business involvement in Iran;
- Finally, public diplomacy will be a key part of any healing process with Iran:
  - Public support remains for keeping the door open to a future relationship with Iran. Many Americans have knowledge of, and respect for, the Iranian people and Iranian history and culture. Over half a million Iranians and Iranian-Americans live in the United States. The vast majority of them, regardless of their political views, do not want permanent U.S.-Iranian enmity; and
  - Most Americans still harbor resentment over the hostage ordeal and the holding of American diplomats illegally for



444 days. But I do not believe they want retribution. They want assurances that it won't happen again. They will support a healing process with Iran if Iran is ready to reciprocate on the basis of mutual respect.

### Conclusion

We have a far journey before our relations with Iran are balanced, and businesslike, much less warm and friendly. Both sides have injuries and insults to get over. We must deal with the legacy of a decade of suspicion and bad blood, as well as deep division on our social and political views. To lay the past to rest and build a firm basis for future relations will challenge all of our diplomatic skills.

But we now have the best opportunity in a decade to start this process. The region has changed; we have a new leadership at home ready to move beyond the present stalemate. Our national interests in the region -- the necessity to guarantee free shipping in the Gulf, to maintain the territorial integrity of all states, and to contain Soviet domination -- compel us to seize this opportunity.



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Canada

Affaires extérieures  
Canada

MESSAGE

Accession/Référence

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---USA/IRAN RELATIONS

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APPROPRIATE AT THIS TIME <sup>FOR YOU</sup> TO PASS MESSAGE TO IRANIANS RE QUOTE  
ASSISTANCE ON HOSTAGES UNQUOTE, <sup>AND YOU SHOULD NOT/NOT TAKE</sup> ~~BEFORE TAKING ANY ACTION IN THIS~~  
REGARD. ~~WE WOULD WISH TO OBTAIN MINISTERIAL GUIDANCE.~~

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---USA/IRAN RELATIONS

SUMMARY:DESPITE PRESIDENTS APPEAL IN INAUGURAL ADDRESS FOR  
IRANIAN ASSISTANCE WITH AMERICAN HOSTAGES AND SUBSEQUENT FLURRY  
OF PRESS SPECULATION,STATE DEPT SAYS NO AUTHORITATIVE DIALOGUE  
WITH IRAN IS UNDERWAY.IN USA VIEW BASIC PROBLEM REMAINS THE  
SAME,KHOMEINI HAS YET TO TAKE DECISION THAT IT IS IN IRANS  
INTEREST TO IMPROVE RELATIONS WITH USA.

2.REPORT:ACCORDING TO LARRY POPE DIRECTOR OF NORTHERN GULF  
AFFAIRS IN STATE DEPT,NO BEHIND THE SCENES MOVEMENT IS TAKING  
PLACE ON ISSUE OF USA RELATIONS WITH IRAN.

3.PRESIDENT BUSH'S INAUGURAL ADDRESS HAD REQUESTED TEHRAN'S  
ASSISTANCE WITH HOSTAGES AND MATTER WAS TOUCHED UPON AGAIN IN  
SUBSEQUENT PRESIDENTIAL PRESS CONFERENCE.THERE HAVE BEEN

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NO OTHER MESSAGES FROM USA AND NOTHING HAS BEEN RECEIVED FROM TEHRAN.

4. POPE DID NOT RULE OUT POSSIBILITY THAT POSITIVE RESPONSE COULD BE IN THE OFFING BUT IN HIS VIEW PROBLEM REMAINED WHAT IT HAD ALWAYS BEEN. THERE WAS A DEBATE GOING ON IN TEHRAN ABOUT DESIRABILITY OF RESUMING RELATIONS WITH USA BUT NO ONE SEEMED YET TO HAVE PUT ISSUE TO KHOMEINI, AT LEAST IN A MANNER SUFFICIENTLY CONSTRUCTIVE TO CONVINCE HIM OF DESIRABILITY OF RESUMING RELATIONS WITH WASHINGTON. FINAL DECISION RESTED WITH IMAN AND HE HAS YET TO BE CONVINCED.

5. ONLY DIALOGUE BEING CARRIED ON NOW APPEARED TO BE THAT IN PRESS, SUCH AS WSHDC POST JAN29 INTERVIEW IN WHICH DEPUTY FOREIGN MINISTER LARIJANI CALLED FOR SYMBOLIC ACT FROM USA SUCH AS TOKEN COMPENSATION TO FAMILIES WITH RELATIVES KILLED IN AIRBUS INCIDENT OR RELEASING UNDISPUTED IRANIAN FUNDS TIED UP BY LITIGATION IN THE HAGUE.

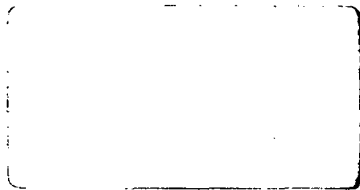
6. POST ARTICLE GAVE RISE TO CONSIDERABLE PRESS INTEREST HERE AND STATE DEPT SPOKESMAN FIELDLED A NUMBER OF QUESTIONS ON MONDAY IN WHICH INTER ALIA HE RESTATED BASIC ELEMENTS OF USA POSITION. WASHINGTON IS WILLING TO ENTER INTO AN AUTHORITATIVE DIALOGUE WITH TEHRAN IN WHICH USA WOULD LIKE TO TALK ABOUT END TO GULF WAR, CESSATION OF IRANIAN SUPPORT FOR TERRORISM AND ABOUT HOSTAGES. HE ALSO NOTED USA DOES NOT AGREE WITH LARIJANI THAT THERE ARE ANY UNDISPUTED ASSETS TIED UP BY THE HAGUE

...3

PAGE THREE UNGR1949 CONF

LITIGATION.USA IS ALSO PRESSING AHEAD WITH COMPREHENSIVE  
PACKAGE OF COMPENSATION FOR AIRBUS VICTIMS ALTHOUGH AS POPE  
NOTED THINGS ARE NOT MOVING NEARLY FAST ENOUGH TO SUIT HIM.  
7.HOSTAGE ISSUE REMAINS KEY TO BREAKING BILATERAL RELATIONS  
LOGJAM ACCORDING TO POPE.HE SUSPECTED SORT OF PEOPLE DEALT  
WITH BY EMBASSY IN TEHRAN WOULD PROBABLY NEED LITTLE CONVINCING  
BUT AMERICANS WOULD APPRECIATE IT IF EMBASSY COULD,WHERE  
APPROPRIATE,MAKE POINT THAT ASSISTANCE ON HOSTAGES WOULD DO  
GOOD DEAL TO IMPROVE IRANS IMAGE IN USA AND HELP ESTABLISH  
CLIMATE CONDUCIVE TO IMPROVEMENT IN BILATERAL RELATIONS.  
8.FORWARDING BACKGROUND MATERIAL TO TEHRAN BY AIRMAIL.

CCC/085 032126Z UNGR1949



SECRET

CDN EYES ONLY  
ENTRE CDNS SEULEMENT

S E C R E T CDN EYES ONLY

FM TERAN RPGR0133 29JAN89

TO EXTOTT GMR

DISTR GMD GMRD

REF OURTEL RPGR0082 02JAN

---LARIJANI VISIT:USA/IRAN RELATIONS

DURING 24JAN CALL ON DFM LARIJANI HE NOTED IMPROVED IRANIAN RELATIONS WITH EEC AND USSR AND SAID USA WAS THE QUOTE LAST SENSITIVE ISSUE UNQUOTE.HE SAID HE WOULD RAISE USA/IRAN RELATIONS IN QUOTE MORE DETAIL UNQUOTE WHILE IN CDA.LATER IN MTG ASKED LARIJANI ABOUT BOTH RECENT BUSH COMMENTS ON IRAN AND IMAMS MSG TO GORBACHEV.

2. HE SAID BUSH'S COMMENTS WERE QUOTE POSITIVE STATEMENT UNQUOTE BUT CONCRETE STEPS WERE STILL NEEDED.HE SAID THERE WAS LACK OF CONFIDENCE ON BOTH SIDES AND THAT QUOTE WORDS ONLY TICKLED UNQUOTE.HE SAID HE HAD IDEAS TO RAISE WITH CDA BUT IT WOULD BE PREMATURE TO PROVIDE GREATER DETAIL AT THIS POINT.HE NOTED THAT QUOTE A NUMBER OF COUNTRIES PLAY A ROLE IN EXCHANGING VIEWS BETWEEN THE USA AND IRAN UNQUOTE.

3. TURNING TO RELATIONS WITH SOVIETS,LARIJANI SAID THAT REGARDLESS OF CONTENT OF KHOMEINIS MSG TO GORBACHEV,IT WAS MEANT TO BE A BRIDGE TO THE USSR AND OPENS THE WAY FOR FURTHER DISCUSSION. LARIJANI SAID THERE WERE STILL DEEP DIFFERENCES OF OPINION BETWEEN IRAN AND THE USSR PARTICULARLY REGARDING AFGHANISTAN.LARIJANI

...2

ACTION

SUITE A DONNER

RETURN TO: POUR - ETRE  
RENOYER AU: D C

RECEIVED IN GMR

590421

JAN 30 1989

20-IRAN-1-3-USA

20-IRAN-9

SECRET

CDN EYES ONLY  
ENTRE COEILS SEULEMENT

PAGE TWO RPGR0133. SECRET CDN EYES ONLY

WELCOMED GORBACHEV INITIATIVES AND NOTED THAT GORBACHEV HAD ASKED FOR A NEW START WITH IRAN. LARIJANI OFFERED THAT IRAN WAS QUITE WILLING TO COOPERATE WITH THE SOVIET UNION AND AS WELL WITH THE USA, AS LONG AS THERE WAS MUTUAL RESPECT FOR EACH OTHER. ANY RELATIONSHIP WITH IRAN WOULD HAVE TO BE BASED ON A POLICY OF NON-INTERFERENCE.

3. RELATIONS WITH USA ISSUE IS HARDLY RESOLVED HERE. LARIJANI'S COMMENTS CONTRAST WITH 26 JAN STATEMENT BY INTERIOR MOHTASHAMI WHO IN REPLY TO QUESTION ABOUT BUSH'S STATEMENT SAID A WOLF, EVEN IN SHEEP'S CLOTHING IS STILL A WOLF UNQUOTE. IN FRI PRAYERS OF 27 JAN PRES KHAMEINI, ACCORDING TO OFFICIAL NEWS AGENCY IRNA, QUOTE TURNED DOWN UNQUOTE A USA OFFER TO RESUME TIES ON CONDITION IRAN HELPED WIN FREEDOM OF USA HOSTAGES IN LEBANON. IN WHAT COULD BE DESCRIBED AS UNOFFICIAL MFA REACTION TO PRESIDENT'S REMARKS TERAN TIMES RAN EDITORIAL 29 JAN WHICH READ IN PART QUOTE EVEN MAKING ALLOWANCE FOR THE OVER-SPIRITED TONE OF THE IRANIAN PRESIDENT'S REMARKS, WE ARE CERTAIN HE MORE THAN ANYONE ELSE APPRECIATES THAT IT HAS ALWAYS BEEN IRAN'S CONSISTENT POLICY TO HAVE FRIENDLY RELATIONS WITH ANY GOVT THAT SHOWS AN EQUALLY RECIPROCAL DESIRE FOR FRIENDSHIP UNQUOTE.

4. AMONG POSSIBILITIES YOU MIGHT WANT TO CONSIDER IF LARIJANI ASKS FOR MSG TO BE PASSED TO USA IS HAVING MECHANISM IN PLACE FOR AMERICANS TO RESPOND, EVEN IF ONLY IN FORM OF ACKNOWLEDGEMENT,

...3

**SECRET**

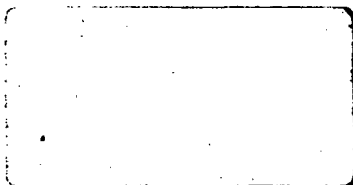
**CDN EYES ONLY  
ENTRE CDNS SEULEMENT**

PAGE THREE RPGR0133 SECRET CDN EYES ONLY

DURING VISIT. WORTH NOTING THAT LARIJANIS COMMENTS WERE MADE IN FRONT OF MFA CDA DESK OFFICER AND ANOTHER NOTE-TAKER. WOULD STILL RECOMMEND, HOWEVER, THAT NO/NO DISCUSSION ON SUBJECT BE INITIATED WITH IRANIAN EMBASSY IN OTT.

5. LEAVE ANY FUTURE DISTR TO YOU. AS INDICATED IN REFTEL, SUBJ HAS NOT/NOT BEEN DISCUSSED WITH COLLEAGUES OR OTHERS HERE.

CCC/162 291255Z RPGR0133





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# IRAN—UNITED STATES CLAIMS TRIBUNAL REPORTS

Volume  
18

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98 INT'L ORE & FERTILIZER CORP. v. RAZI CHEMICAL CO.

INTERNATIONAL ORE & FERTILIZER CORPORATION,  
INTERORE CORPORATION OF SAUDI ARABIA and  
INTERORE TRADING LTD., *Claimants*

v.

RAZI CHEMICAL COMPANY LTD.  
(formerly known as SHAHPUR CHEMICAL COMPANY LTD.),  
GOVERNMENT TRADING CORPORATION,  
NATIONAL PETROCHEMICAL COMPANY,  
and FERTILIZER DISTRIBUTION COMPANY, *Respondents*

(Case No. 486)

*Chamber Three: Virally, Chairman; Brower,<sup>[1]</sup> Ansari, Members*

Signed 25 February 1988<sup>[2]</sup>

AWARD NO. 351-486-3

The following is the text as issued by the Tribunal:

#### AWARD

##### I. PROCEEDINGS

1. On 18 January 1982 the Claimants International Ore & Fertilizer Corporation ("IOFC"), Interore Corporation of Saudi Arabia ("Interore SA") and Interore Trading Ltd. ("Interore Trading") (collectively the "Claimants") filed a Statement of Claim requesting an award in the amount of U.S. \$1,081,604.46, allegedly owing to the Claimants pursuant to four contracts entered into with Razi Chemical Company Ltd. (formerly known as Shahpur Chemical Company Ltd.) ("Razi"), Government Trading Corporation ("GTC"), National Petrochemical Company ("NPC") and Fertilizer Distribution Company ("FDC") (collectively the "Respondents"). On 10 January 1983 Razi, GTC and FDC filed Statements of Defense. Razi's Statement of Defense included a Statement of Counterclaim in the amount of

INT'L ORE & FERTILIZER CORP. v. RAZI CHEMICAL CO. 99

\$1,098,013.15 against IOFC. Respondent NPC filed no Statement of Defense. However, the Statement of Defense of Razi addresses the claims brought against NPC.

2. On 21 February 1983 the Claimants filed a Reply. GTC's Rejoinder was submitted on 22 August 1984, that of Razi and NPC on 12 September 1984, and that of FDC on 13 September 1984.

3. In its Rejoinder, GTC requested the Tribunal "to reach a decision with respect to separating the jurisdiction question from merits of the case". On 27 September 1984 the Tribunal requested the Claimants to comment on GTC's request. The Claimants replied on 30 October 1984 that they had no objection to deciding the jurisdictional issues first. Accordingly, on 1 November 1984 the Tribunal ordered the Parties to submit Memorials on "all jurisdictional aspects related to this case". The Claimants' Memorial on jurisdictional issues was filed on 7 January 1985. Memorials by FDC and GTC were submitted on 2 May 1985 and 31 July 1985, respectively. On 2 September 1985 Razi and NPC stated that "they have no need to file a separate memorandum on jurisdiction issues".

4. On 16 September 1985 the Tribunal informed the Parties that it intended "to decide the jurisdictional issues of this case on the basis of the documents already submitted by the Parties" and invited the Parties to submit final briefs relating to the Tribunal's jurisdiction over this claim. The Claimants filed such a memorandum on 31 October 1985 and GTC did so on 7 February 1986.

##### II. JURISDICTION

5. In the Statement of Claim IOFC, Interore SA and Interore Trading were all described as Claimants in this Case. Issues relating to their status are discussed below.

##### 1. IOFC

6. The Claimants state that IOFC is a national of the United States as defined by Article VII of the Claims Settlement Declaration, alleging specifically that it is a United States corporation owned by natural persons who are citizens of the United States. In support thereof, the Claimants submitted a "certificate of good standing" issued by the Secretary of State of Delaware certifying that IOFC was incorporated under the laws of Delaware and as of 20 November 1984 remained in existence and in good standing. IOFC stated that it is wholly owned by Occidental Petroleum Corporation ("Occidental") through several

[<sup>1</sup> Dissenting Opinion, see p. 102 below.]

[<sup>2</sup> Filed 29 February 1988.]

intervening wholly owned subsidiary corporations also incorporated in the United States.<sup>3</sup> The Claimants submitted certification from the Secretary of State of California that on 20 May 1920 Occidental was incorporated under the laws of California and that it remained in good standing as of 20 November 1984. In addition, the Claimants submitted an affidavit of P.C. Hebner, the Executive Vice President and Secretary of Occidental, stating that 98.9 percent of the voting stock of Occidental was held by shareholders of record with addresses in the United States as shown on the shareholder lists of 27 December 1976 and 21 May 1981.

7. In response thereto GTC argued that the certificate produced by the Claimants does not sufficiently establish the United States nationality of the majority of IOFC's shareholders and that IOFC's relationship with Occidental has not been evidenced.

8. The Tribunal finds that even if Occidental's United States nationality is properly evidenced, the documentation submitted by the Claimants does not establish Occidental's ownership of IOFC through the alleged chain of subsidiaries listed in this documentation and therefore IOFC's United States nationality as defined in Article VII, paragraph 1 of the Claims Settlement Declaration is not established.

9. In arriving at such a conclusion, the Tribunal does not lose sight of the fact that, due to the specific problems raised by the issue of evidencing the nationality of a corporation the shares of which are widely disseminated in public, the Tribunal has adopted a flexible approach regarding the required proof of nationality. In relation to the evidentiary requirements for proving the United States nationality of publicly held corporations the Tribunal has issued a few guidelines, of a purely indicative value, in order to help the parties practically to solve this problem (see *Flexi Van Leasing, Inc. v. The Islamic Republic of Iran*, Case No. 36, Order filed 20 December 1982, reprinted in 1 IRAN-U.S. C.T.R. 455, and *General Motor Corporation v. The Islamic Republic of Iran*, Case No. 94, Order filed 21 January 1983, reprinted in 3 IRAN-U.S. C.T.R. 1). Actually, the Claimants followed these guidelines when establishing, to the Tribunal's satisfaction, Occidental's nationality.

10. The proof required to establish whether or not a corporation is wholly owned by another corporation, however, is quite a different issue. In such cases the Claimants have at their disposal documents

<sup>3</sup> These companies include: Oxy Ch Corporation, Oxy Chemical Corporation, Occidental Chemical Holding Corporation, Occidental Petroleum Investments Co. and Occidental Petroleum Corporation, all of which are California corporations.

officially filed with governmental agencies or emanating from independent certified public accountants which may be conclusive evidence. Furthermore, other publicly available documents and reference sources recording such ownership are also accessible, at least for U.S. corporate affiliates. It is therefore not justifiable to apply as flexible a standard of evidence as for the nationality of publicly held companies. Indirect and uncertain indications like the fact that persons with the same name and address appear in documents relating to several corporations do not suffice to establish that some of these corporations are wholly owned by others. In the absence of any evidence relating to the ownership of the corporate stock of certain of the corporations listed in the alleged chain of sole ownership running from Occidental down to IOFC the Tribunal cannot conclude that IOFC's nationality, which, according to the Claimants, depends on this chain, is proved. Furthermore, to the extent that IOFC's claim is an indirect claim of Interore SA and Interore Trading, the Claimants have also failed to establish to the satisfaction of the Tribunal that these entities were wholly owned by IOFC. On these two critical issues the mere fact that the Respondents have not offered any evidence in support of their denial of the Claimants' allegations does not suffice to shift the burden of proof and to relieve the Claimants from their duty to evidence their own contentions. Consequently, on the basis of the record before it and pursuant to Article II, paragraph 1 of the Claims Settlement Declaration the Tribunal lacks jurisdiction over the claim of IOFC.

## 2. Interore SA and Interore Trading

11. Interore SA and Interore Trading are introduced as Claimants in the Statement of Claim. They state, however, that if the Tribunal finds that it does not have jurisdiction over the claims asserted by them, IOFC would be entitled indirectly to assert the same claims on behalf of Interore SA and Interore Trading pursuant to Article VII, paragraph 2 of the Claims Settlement Declaration.

12. The evidence submitted by the Claimants establishes that Interore SA and Interore Trading are Liberian corporations. It is thus clear that Interore SA and Interore Trading are not proper Claimants before the Tribunal. For the reasons expressed in paragraph 10 above, IOFC has no standing to assert indirectly the claims that they submitted to the Tribunal.

13. In light of these holdings, the Tribunal need not reac000113

3. Counterclaim

14. In view of the fact that the Tribunal lacks jurisdiction over the Claims in this Case, it necessarily has no jurisdiction over the Counterclaim.

III. AWARD

15. For the foregoing reasons,

THE TRIBUNAL AWARDS AS FOLLOWS:

a) The Claims of International Ore & Fertilizer Corporation, Interore Corporation of Saudi Arabia and Interore Trading Ltd. are hereby dismissed for lack of jurisdiction.

b) Consequently, the Counterclaim of Razi Chemical Company Ltd. is dismissed.

c) Each Party shall bear its own costs of arbitration.

DISSENTING OPINION OF JUDGE BROWER<sup>(1)</sup>

1. The brevity of this Award obscures the fact that it constitutes the first Tribunal ruling that a publicly held corporation has failed to establish the nationality of its claims notwithstanding that (1) the credibility of the evidence submitted by Claimants is not in dispute; (2) in fact no rebutting evidence whatsoever has been introduced even though (3) contrary evidence, if any, is available in public records readily accessible to Respondents; (4) the Tribunal itself has never expressed any doubts as to the truth of the allegations of nationality; and (5) the Tribunal has never held a Hearing in this Case. Such failure of the Tribunal either to exercise undoubted jurisdiction which, as I see it, has been established *prima facie*,<sup>2</sup> or, should there be latent doubt, to call for an airing of the facts that would allow us to make an informed decision as to our jurisdiction, is incompatible with the Claims Settlement Declaration, which committed, absolutely, defined categories of disputes to our resolution. It compels vigorous dissent.

[given 25 February 1988; filed 29 February 1988.]

*prima facie* evidence is evidence which is sufficient to establish a fact in the absence of any evidence to the contrary, but is not conclusive." A "*prima facie* case" is "a case sufficient to call for an answer". D.M. Walker, *The Oxford Companion to Law*, at 987 (1980).

I.

2. It is critical to recall exactly what it is that these Claimants are required to demonstrate in support of our jurisdiction. They allege that at all relevant times Claimant International Ore & Fertilizer Corporation ("IOFC")<sup>3</sup> was incorporated in the State of Delaware in the United States and was wholly owned, through a chain of other wholly owned subsidiaries,<sup>4</sup> by Occidental Petroleum Corporation ("Occidental Petroleum"), a publicly held California corporation more than fifty percent of the capital stock of which in turn was owned by United States citizens. IOFC claims on two contracts to which it was itself a party, *i.e.*, one with Respondent Razi Chemical Company Ltd. ("Razi") and one with Respondent Government Trading Corporation ("GTC"). IOFC also claims, however, on two other contracts, one between Claimant Interore Corporation of Saudi Arabia ("Interore SA") and Respondent Fertilizer Distribution Company ("FDC") and the other between Interore Trading Ltd. ("Interore Trading") and Respondent National Petrochemical Company ("NPC"), alleging that the two Interore entities, both of them Liberian corporations, have been wholly owned by IOFC since October 1977<sup>5</sup> and hence that IOFC may assert their rights as "indirect claims" pursuant to Article VII(2) of the Claims Settlement Declaration.

<sup>3</sup> In the Statement of Claim Claimants state that IOFC is the successor in interest to a corporation formerly known as Interore Corporation, Inc. ("ICI"). ICI was the original party to two of the contracts at issue in this Case. Respondents have questioned the relationship between IOFC and ICI but have raised no grounds to discredit Claimants' statement that IOFC is the legal successor to ICI and therefore the owner of the claims in this Case. Thus while Claimants did not specify whether the succession was by name change, reincorporation, or acquisition of assets, the Tribunal should have been satisfied that IOFC owns the claims at issue within the meaning of Article VII(2) of the Claims Settlement Declaration. The Award in any event makes no mention of this issue.

<sup>4</sup> Claimants explain that IOFC is wholly owned by Occidental Chemical Corporation, a New York corporation which is wholly owned by Oxy CH Corporation, which is wholly owned by Oxy Chemical Corporation, which is wholly owned by Occidental Chemical Holding Corporation, which is wholly owned by Occidental Petroleum Investment Co., which is wholly owned by Occidental Petroleum Corporation, all of which are California corporations.

<sup>5</sup> The dispute involving Interore Trading clearly arose after 1 October 1977, as the contract at issue was dated 16 February 1978. The date on which the dispute involving Interore SA arose is not as clear, as the contract was dated 7 January 1977, and conceivably some of the charges at issue could have arisen prior to 1 October 1977. No Respondent has objected to the claim on this basis, however, and it appears in any case that prior to 1 October 1977 Interore SA was wholly owned by another wholly owned subsidiary of Occidental, Oxy Chemical Corporation. Thus whether the claim arose before or after 1 October 1977 it appears that Interore SA was at all times owned and controlled by Occidental Petroleum.

3. Thus to invoke our jurisdiction as pleaded Claimants are required to demonstrate that at the relevant times

- (a) Occidental Petroleum was incorporated in the United States;
- (b) At least fifty percent of the capital stock of Occidental Petroleum was owned by United States citizens;
- (c) IOFC was incorporated in the United States;
- (d) Occidental Petroleum wholly owned IOFC;
- (e) The Interore entities were not incorporated in the United States; and
- (f) IOFC wholly owned both Interore entities.

4. Given that the Tribunal's landmark Order of 20 December 1982 in *Flexi-Van Leasing, Inc. v. The Islamic Republic of Iran*, Case No. 36, Chamber One, *reprinted in* 1 IRAN-U.S. C.T.R. 455, and its amplifying Order of 21 January 1983 in *General Motors Corporation v. The Islamic Republic of Iran*, Case No. 94, Chamber One, *reprinted in* 3 IRAN-U.S. C.T.R. 1, were both issued before any of Claimants' pleadings (except their Statement of Claim) were filed, it would have been natural for Claimants to have satisfied their carefully delineated guidelines regarding the evidence to be offered in support of any claim of a publicly held company to United States nationality. As the Full Tribunal stated in *Islamic Republic of Iran v. United States of America*, Decision No. DEC 45-A20-FT at para. 13<sup>[6]</sup> (10 July 1986):

Chambers Two and Three have not adopted the practice of [Chamber One of] requiring publicly-held corporate Claimants to file evidence in accordance with the *Flexi-Van* and *General Motors* Orders. Even without such orders, however, many such claimants have submitted such evidence, and the Tribunal has accepted it as the basis for determining jurisdiction.

5. On the other hand, as the Full Tribunal also stated in the same case:

The type of evidence that has been found to be acceptable, however, has varied from case to case. *See, e.g., American International Group, Inc. v. Islamic Republic of Iran*, Award No. 93-2-3, p. 7 (19 December 1983), *reprinted in* 4 IRAN-U.S. C.T.R. 96, 100.

...  
in this Case, as in the unanimous decision on the settlement issue in *Case*

*No. A1*, "it would be neither appropriate nor feasible to establish, *in abstracto*, without reference to the situation in any particular case, a general rule concerning the extent of the examination as to jurisdiction that may be needed, given the large variety of situations in which matters of jurisdiction may arise and the detailed nature and complexity of the provisions on jurisdiction in the Algiers Declaration". *Case No. A1* (Issue II), Decision No. DEC 8-A1-FT, p. 12 (17 May 1982), *reprinted in* 1 IRAN-U.S. C.T.R. 144, 152.

*Id.* at paras. 13, 15. Hence, as the Award acknowledges (Paras. 9 and 10), neither Claimants nor the Tribunal were bound to follow specific guidelines for proof in the instant case.

6. Ultimately the rule to guide us is inherited from comparable predecessor tribunals, as noted in *Flexi-Van* itself. There the Tribunal quoted what the Mexican-United States General Claims Commission held in the *Parker Case*, 4 R. Int'l Arb. Awards 39 (1926):

[W]hen the claimant has established a *prima facie* case and the Respondent has offered no evidence in rebuttal the latter may not insist that the former pile up evidence to establish its allegations beyond a reasonable doubt without pointing out some reason for doubting.

*Flexi-Van, supra*, at 6 (quoting *Parker Case*), *reprinted in* 1 IRAN-U.S. C.T.R. at 457. The Tribunal went on:

The same principle was followed by the French-Mexican Claims Commission which determined that an international arbitral tribunal in determining nationality may apply "less strict requirements where it does not appear to be reasonably necessary to set in motion the entire process of formal proofs". *Pinson Case*, 5 R. Int'l Arb. Awards 327 (1928).

*Id.*, *reprinted in* 1 IRAN-U.S. C.T.R. at 457.

7. Thus even though under Article 24(1) of the Tribunal Rules the Claimant has "the burden of proving the facts relied on to support his claim", including the claim that we have jurisdiction, we must not too readily consider that a claimant has failed to meet the burden of proving its nationality. We are duty bound as much to assert our jurisdiction when it is objectively present as to reject a claim where it is not. The States Parties declared their mutual purpose, in establishing this Tribunal, "to bring about the settlement and termination of all such claims [between the government of each party and the nationals

[<sup>6</sup> 11 IRAN-U.S. C.T.R. 271 at 275.]

of the other'] through binding arbitration", General Declaration, General Principle B, and in the Claims Settlement Declaration further defined such claims. We exist to ensure that this goal of the States Parties is met.

8. Referring to points (a)-(f) above (para. 3), it appears that Claimants have satisfied the Tribunal as to (a), (b), (c) and (e), *i.e.*, the United States nationality of Occidental Petroleum, the incorporation of IOFC in the State of Delaware and the incorporation of the two Interore entities in Liberia. *See, e.g.*, Award, paras. 6-8, 11.<sup>7</sup> Where the Award finds Claimants' proof lacking is in (d) and (f), *i.e.*, substantiating the alleged chain of sole ownership running from Occidental Petroleum down to IOFC and through it to the two Liberian Interore entities.<sup>8</sup> It is thus necessary to scrutinize the record on that point.

9. A careful gleaning of the record reveals sparse but internally consistent evidence of the alleged chain of ownership. The Statement of Claim contains a Power of Attorney to counsel in this case signed on 7 January 1982 on behalf of IOFC by Marc J. Kennedy as IOFC's Vice President and Assistant Secretary and by Herbert Tesser as its Vice-President-Finance. Certificates in the record of the two Liberian entities dated 11 December 1984 are executed in each case by Marc J.

<sup>7</sup> The Award is mistaken in stating (para. 9) that "the Claimants followed these guidelines [of *Flexi-Van* and *General Motors*] when establishing to the Tribunal's satisfaction Occidental's nationality". For example, as to IOFC a certificate of good standing as of 20 November 1984 was submitted but no certificate attesting to its corporate existence as of the time the claims arose (*see Flexi-Van, supra*, at 8-9, 15-16, *reprinted in* 1 IRAN-U.S. C.T.R. at 458-59, 462), notwithstanding Claimants' undertaking in their Reply filed 21 February 1983 to do so (item 1.(a)). The fuller certificate was provided in respect of Occidental Petroleum, however, as was an affidavit of a corporate officer stating that 98.9 percent of its stock as of the company's annual meeting of 21 May 1981 was held by shareholders having addresses in the United States (*see General Motors, supra*, at 1, *reprinted in* 3 IRAN-U.S. C.T.R. at 1). (The same percentage was given also as of 27 December 1976.) Also no proxy statement materials whatsoever were submitted pertaining to block shareholdings. (Although *General Motors* continued this requirement of *Flexi-Van*, the utility of such submissions in assessing the likelihood of large non-American shareholdings is questionable considering the aforementioned affidavit, the requirement for which was first introduced by *General Motors*.)

In one respect Claimants did more, however, than either *Flexi-Van* or *General Motors* required. They produced certificates of good standing (which also confirm the original dates of incorporation, one in 1966 and the other in 1974) for both of the Liberian Interore entities even though *General Motors*, which also involved non-American corporations in the chain joining an indirect claim to the corporate parent ("General Motors of Canada, Ltd." and "General Motors Continental, N.V."), required no certificate at all regarding foreign subsidiaries.

<sup>8</sup> In their Reply Claimants had undertaken at "the appropriate time during the proceeding" to "submit proof" of this chain (items 1.(a) and (b)).

Kennedy as Secretary. Powers of Attorney of the same two entities in the record dated 7 January 1982 empowering counsel in this case are each signed by Marc J. Kennedy as Secretary and by Herbert Tesser as Treasurer. The record further contains two letters by Liberian Corporation Services, Inc., dated 29 November and 6 December 1984, respectively, concerning the status of those Liberian entities, the first of which is directed to Mr. Kennedy at Occidental Petroleum and the other of which is directed to him at "Occidental Chemical Agricultural Products".<sup>9</sup> The Statement of Defense of FDC annexes as Exhibit C what appears to be the executed contract it is claimed to have had with Interore SA dated 7 January 1977; it recites the latter's address as

HAMILTON, BERMUDA  
C/O INTERNATIONAL ORE  
AND FERTILIZER CORPORATION  
1320 AVE. OF THE AMERICAS  
NEW YORK, N.Y.  
U.S.A.

It further records a New York City telephone number as being that of Interore SA.<sup>10</sup>

10. The Award acknowledges (para. 10) that "the Respondents have not offered any evidence" to rebut Claimant's allegations of United States nationality.

11. Although the evidence thus presented by Claimants regarding the chain of ownership is sparse, I believe that in the Tribunal context all the relevant evidence taken together suffices to establish the American nationality of Claimant's claims *prima facie*, *i.e.*, "sufficient[ly] to call for an answer".

12. I believe that an international tribunal such as this one must exercise jurisdiction where, as here, (1) such jurisdiction is established *prima facie*; (2) the credibility of Claimants' evidence of jurisdiction is not in issue; (3) Respondents, while formally denying Claimants' allegation of jurisdiction, have not offered even one scintilla of rebutting evidence; and (4) such tribunal does not otherwise entertain

<sup>9</sup> Various "Occidental Chemical" companies are alleged to be in the chain of ownership between Occidental Petroleum and IOFC. *See n.4, supra*.

<sup>10</sup> Under *Flexi-Van, supra*, at 17, *reprinted in* 1 IRAN-U.S. C.T.R. at 463, and *General Motors, supra*, at 2-3, *reprinted in* 3 IRAN-U.S. C.T.R. at 2, the corporate chain of ownership at about the time the claim arose should be evidenced by a certificate by a firm of certified public accountants.

any doubts regarding the Claimants' evidence. Under the precedents previously cited (para. 6, *supra*) once a proposition is established *prima facie* it "call[s] for an answer" and to be rejected requires "evidence to the contrary". See n.2, *supra*. At that point it is the Respondents who have the burden of coming forward with something. In the total absence of any substantive response from them, and if no question of credibility or other reason to doubt Claimants' evidence has arisen, Claimants are not required to "pile up evidence" and further "formal proofs". See para. 6, *supra*. A tribunal is required then to accept the Claimants' proof as conclusive.

## II.

13. In justification of its dismissal the Award concludes (para. 9) that "[t]he proof required to establish whether or not a corporation is wholly owned by another corporation . . . is quite a different issue" than that of proving the nationality of a publicly held corporation. It is asserted (para. 10) that as to the former issue "documents officially filed with governmental agencies or emanating from independent certified public accountants" and "other publicly available documents and reference sources recording such ownership are . . . accessible". The Award implies that the same are not available as to the latter issue, and concludes that it is "not justifiable to apply as flexible a standard of evidence" where information is publicly available.

14. In so arguing, however, the Award first misapprehends the facts and then reasons wrongly from them. Much of the information bearing on the nationality of a publicly held corporation, and required by *Flexi-Van* and *General Motors*, is by definition publicly recorded, e.g., certificates of incorporation and proxy statements "in the form filed with the [United States Securities and Exchange Commission]". Thus the comparative accessibility of evidence alleged to distinguish the two issues does not exist. In fact, by their terms *Flexi-Van* and *General Motors* apply to both issues. See n.10 *supra*. In any event, the fact that relevant information is equally accessible to Claimants and Respondents alike should encourage greater flexibility in evidentiary standards, rather than less, for the chance that a Claimant could successfully mislead us is then at a minimum.

15. The error committed in the instant case is revealed by just such public documents and works. The publicly available 1979 Form 10-K of Occidental Petroleum on file pursuant to United States legal

regulatory requirements at the Securities and Exchange Commission<sup>11</sup> in Washington, D.C. lists (at page 48) IOFC as a wholly owned subsidiary.<sup>12</sup> This is confirmed by two standard reference works:

1982 *Directory of Corporate Affiliations* ("Who Owns Whom"), published by National Register Publishing Co., Inc. (A Macmillan, Inc. Company), 5201 Old Orchard Rd., Skokie Ill. 60077, at page 649

1986 *Who Owns Whom* (North America), published by Dun & Bradstreet Limited, 26-32 Clifton Street, London EC2P 2LY, at page 289 (confirming the identical chain asserted by Claimants)

In addition, IOFC's sole ownership of Interore Trading is confirmed by both the aforementioned 1979 Form 10-K entry and the cited 1986 *Who Owns Whom*.<sup>13</sup>

16. This public evidence supporting Claimants' allegations suggests the Tribunal has erred in declining to exercise its jurisdiction.<sup>14</sup> I wish to make it clear that in citing from these records I do not suggest that the Tribunal must be required to do a Claimant's work for it. I have proceeded as I have only to demonstrate the reasonableness of concluding that where a claimant has supplied minimum but credible evidence of its alleged nationality, and the further evidence regarding any contested point is equally available to both parties, the failure of a respondent to introduce any rebutting evidence whatsoever should lead us to rest secure in exercising our jurisdiction.<sup>15</sup>

<sup>11</sup> In at least one Tribunal case Iranian parties have made extensive filings with the Tribunal of materials obtained from the public records of this Commission and thus have demonstrated their familiarity with it. See *International Systems and Controls Corporation v. Industrial Development and Renovation Organization of Iran*, Award No. 256-439-2 at paras. 32, 33, 37 (26 September 1986) [12 IRAN-U.S. C.T.R. 239 at 247]; see also Dissenting Opinion of Judge Brower at paras. 3 n.3, 6 [*id.* at 266 n.4, 268].

<sup>12</sup> This holding is traced through four intervening corporations, which, however, are somewhat different from those alleged by Claimants in their submission to us in 1985. Occidental Petroleum's Form 10-K for the years 1981, 1982, 1983, 1984 and 1985 also show IOFC as a wholly owned subsidiary. The 1983 and 1984 Forms 10-K trace the ownership of IOFC as alleged by Claimants. In 1985 IOFC's name was changed to Interore Corporation.

<sup>13</sup> The 1982 *Directory of Corporate Affiliations* is generally less detailed and extensive in its listing of subsidiaries. This ownership is confirmed further by the 1981, 1982, 1983, 1984 and 1985 Forms 10-K of Occidental Petroleum.

<sup>14</sup> None of these sources refers to Interore SA. I therefore am less disturbed by the Tribunal's failure to exercise jurisdiction in respect of the one claim for \$26,854.60 based on that entity's contract with Respondent FDC. The other three contract claims here total \$1,055,237.78.

<sup>15</sup> Respondents raised one other issue. They alleged that certain portions of the claims, which themselves are for less than \$250,000, should have been brought

(Footnote continued on p. 110)

**Pages 118 to / à 123  
are withheld pursuant to section  
sont retenues en vertu de l'article**

**13(1)(a)**

**of the Access to Information Act  
de la Loi sur l'accès à l'information**



# United States Senate

WASHINGTON, D.C. 20510

October 24, 1988

His Excellency Javier Perez de Cuellar  
Secretary General  
The United Nations  
New York, NY 10017

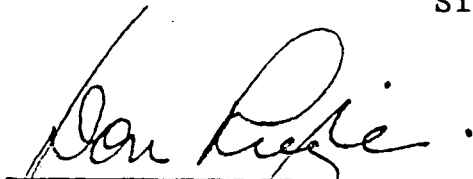
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45-MID-EAST-13	

Dear Mr. Secretary General:


As members of the United States Senate, we are deeply concerned by recent reports from Iran that dozens and perhaps hundreds of political prisoners have been executed. It is our understanding that in the past two months large numbers of alleged supporters of political opposition groups have been arrested and then executed without trial. It appears that in violation of internationally recognized norms, the Iranian government has not afforded these individuals the right to a fair trial or the right to appeal against their conviction or sentence.

We urge you to investigate these reports of mass executions of political prisoners in Iran, and hope that you will use the influence of the United Nations to bring an end to any human rights abuses in that country.

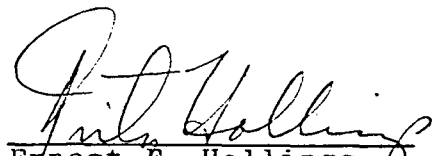
Sincerely,

  
Donald W. Riegle, Jr.

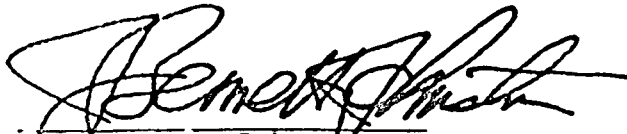
  
Carl Levin

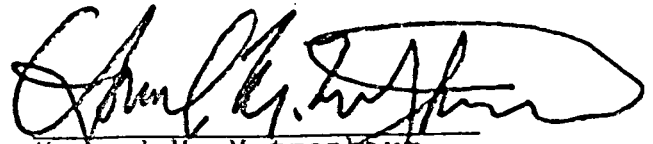
  
Paul Simon

  
Frank Lautenberg

  
Ernest F. Hollings

  
Barbara A. Mikulski

  
J. Bennett Johnston

  
Howard M. Metzenbaum

  
William L. Armstrong

  
John H. Glenn, Jr.

  
John Breaux

12 July 1988

IRAN AIR INCIDENT: PRESIDENTIAL ANNOUNCEMENT ON  
EX GRATIA COMPENSATION

THE PRESIDENT HAS REVIEWED U.S. POLICY IN THE PERSIAN GULF WHERE OUR MILITARY FORCES ARE PROTECTING VITAL INTERESTS OF THE FREE WORLD. HE HAS EXPRESSED COMPLETE SATISFACTION WITH THE POLICY AND REITERATED HIS BELIEF THAT THE ACTIONS OF THE USS VINCENT ON JULY 3 IN THE CASE OF THE IRANIAN AIRLINER WERE JUSTIFIABLE DEFENSIVE ACTIONS. AT THE SAME TIME, HE REMAINS PERSONALLY SADDENED AT THE TRAGIC DEATH OF THE INNOCENT VICTIMS OF THIS ACCIDENT AND HAS ALREADY EXPRESSED HIS DEEP REGRET TO THEIR FAMILIES.

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20-1 ram-1-3-USA

PROMPTED BY THE HUMANITARIAN TRADITIONS OF OUR NATION, THE PRESIDENT HAS DECIDED THAT THE UNITED STATES WILL OFFER COMPENSATION, ON AN EX GRATIA BASIS, TO THE FAMILIES OF THE VICTIMS WHO DIED IN THE IRANIAN AIRLINER INCIDENT. DETAILS CONCERNING AMOUNTS, TIMING AND OTHER MATTERS REMAIN TO BE WORKED OUT. IT SHOULD BE CLEARLY UNDERSTOOD THAT PAYMENT WILL GO TO THE FAMILIES, NOT GOVERNMENTS, AND WILL BE SUBJECT TO THE NORMAL U.S. LEGAL REQUIREMENTS, INCLUDING, IF NECESSARY, APPROPRIATE ACTION BY CONGRESS. IN THE CASE OF IRAN, ARRANGEMENTS WILL BE MADE THROUGH APPROPRIATE THIRD PARTIES. THIS OFFER OF EX GRATIA COMPENSATION IS CONSISTENT WITH INTERNATIONAL PRACTICE AND IS A HUMANITARIAN EFFORT TO EASE THE HARDSHIP OF THE FAMILIES. IT IS OFFERED ON A VOLUNTARY BASIS, NOT ON THE BASIS OF ANY LEGAL LIABILITY OR OBLIGATION.

THE RESPONSIBILITY FOR THIS TRAGIC INCIDENT, AND FOR THE DEATHS OF HUNDREDS OF THOUSANDS OF OTHER INNOCENT VICTIMS AS A RESULT OF THE IRAN-IRAQ WAR, LIES WITH THOSE WHO REFUSE TO END THE CONFLICT. A PARTICULARLY HEAVY BURDEN OF RESPONSIBILITY RESTS WITH THE GOVERNMENT OF IRAN WHICH HAS REFUSED FOR ALMOST A YEAR TO ACCEPT AND IMPLEMENT SECURITY COUNCIL RESOLUTION 598, WHILE IT CONTINUES UNPROVOKED ATTACKS ON INNOCENT NEUTRAL SHIPPING AND CREWS IN THE INTERNATIONAL WATERS OF THE GULF. IN FACT, AT THE TIME OF THE IRAN AIR INCIDENT, U.S. FORCES WERE MILITARILY ENGAGED WITH IRANIAN FORCES AS A RESULT OF THE LATTER'S UNPROVOKED ATTACKS UPON NEUTRAL SHIPS AND A U.S. NAVY HELICOPTER. THE URGENT NECESSITY TO END THIS CONFLICT IS REINFORCED BY THE DANGERS IT POSES TO NEIGHBORING COUNTRIES AND THE DEPLORABLE PRECEDENT OF THE INCREASINGLY FREQUENT USE OF CHEMICAL WEAPONS BY BOTH SIDES, CAUSING STILL MORE CASUALTIES.

ONLY AN END TO THE WAR, AN OBJECTIVE WE DESIRE, CAN HALT THE IMMENSE SUFFERING IN THE REGION AND PUT AN END TO INNOCENT LOSS OF LIFE. OUR GOAL IS PEACE IN THE GULF AND ON LAND. WE URGE IRAN AND IRAQ TO WORK WITH THE SECURITY COUNCIL FOR AN URGENT COMPREHENSIVE SETTLEMENT OF THE WAR PURSUANT TO RESOLUTION 598. MEANWHILE, UNITED STATES FORCES WILL CONTINUE THEIR MISSION IN THE AREA, KEENLY AWARE OF THE RISKS INVOLVED AND READY TO FACE THEM.

*Embassy of the United States of America*

July 12, 1988

CONFIDENTIAL

BY HAND

Donald W. Campbell  
Assistant Deputy Minister  
United States Branch  
Pearson A 6  
External Affairs

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20 - Iran - 1 - 3 - USA					

Dear Don:

Further to Ambassador Niles' discussion with Associate Under Secretary Stanford last Friday concerning the unfortunate downing of Iran Air flight 655, I wish to convey herewith the U.S. objectives with respect to the Extraordinary Session of the ICAO Council which is to deal with this matter on July 13.

The United States will express profound regret over this incident.

We will state our legitimate reasons for being in the Gulf and describe the circumstances under which the incident occurred.

We intend to reaffirm our commitment to the safety of international civil aviation and to promote any further improvements that may be needed toward this end in relevant provisions of the Chicago Convention Annexes and other documents and in international operating practices, consistent with our national security requirements.

We must assure that any inquiry is consistent with our national security requirements.

In order to achieve these objectives, the U.S. delegation to the Extraordinary Session will:

--Support what we understand is Council President Assad Kortaite's preferred result, i.e. to launch a carefully

-2-

mandated fact-finding investigation through a "President's Consensus Statement," and to avoid confrontational language which could be included in the resolution;

--Seek to assure that any ICAO investigation is a fact-finding exercise with the goal of improving the safety of international civil aviation;

--Assure the Council of the U.S. intention to cooperate in all appropriate respects with ICAO, consistent with national security requirements;

--Attempt to keep the ICAO Council focused on the technical aspects of the incident since the UN Security Council will be addressing political aspects in a meeting scheduled for July 12;

--Assure the ICAO Council of our intent to participate actively in any technical reviews.

The foregoing measures will be reflected in a U.S. statement at the session. We believe that should there be a need for an ICAO investigation into this incident, it can be initiated by a decision of the ICAO Council, or by Council support of a statement by the Council President. As noted above, the United States Government is prepared to cooperate in all appropriate respects with an investigation by ICAO.

We trust that ICAO Council Representatives will choose the prudent course of waiting until all of the facts are in hand before making a judgment on the issue.

The United States reaffirms its commitment to the safety of international civil aviation and its willingness to work with other nations on further appropriate improvements that may be needed.

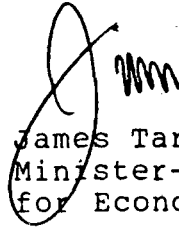
The United States would appreciate the support of the Government of Canada to ensure that the focus of the ICAO meeting on July 13 is technical and non-confrontational.

I believe we share a common goal in working together at the ICAO Council to ensure a result which avoids

-3-

sterile political confrontation and improves the safety of civil aviation in the Gulf. Please let me know if you have any questions concerning the U.S. position or any suggestions on how we might best achieve this result.

Sincerely,

A handwritten signature in dark ink, consisting of a large, stylized 'J' followed by a series of loops and a final flourish.

James Tarrant  
Minister-Counselor  
for Economic Affairs

AP

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TO EXTOTT GMR DELIVER BY 121400

INFO CAIRO TAVIV DMCUS BGHDD RYADH AMMAN KWAIT TUNIS RABAT

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---USA COMPENSATION IRANIAN JETLINER

USA DECISION TO OFFER COMPENSATION FOR VICTIMS OF AIRBUS  
DISASTER HAD CLEARLY BEEN IN CARDS. TIMING OF DECISION  
YESTERDAY WAS OBVIOUSLY INTENDED TO IMPACT FAVOURABLY OR  
CONSIDERATION OF ISSUE IN SECURITY COUNCIL AND IN ICAO. BEYOND  
THAT THERE WAS WIDESPREAD BELIEF WITHIN ADMIN THAT OFFER OF  
COMPENSATION WAS HUMANE AND MORALLY CORRECT DECISION.

2. WE DO NOT/NOT BELIEVE THAT WIDESPREAD OPPOSITION TO  
COMPENSATION AMONG PUBLIC - EARLY OPINION POLLS HAD  
OVERWHELMINGLY OPPOSED COMPENSATION - OR AMONG SOME MEMBERS OF  
CONGRESS WILL BE A SIGNIFICANT FACTOR. THIS IS SORT OF ISSUE  
ON WHICH PRESIDENTIAL LEAD HAS SUBSTANTIAL IMPACT ON  
CONGRESSIONAL AND PUBLIC OPINION. WE JUDGE THAT THIS WILL

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PAGE TWO UNGR1051 CONF

PREVAIL OVER ANTIPATHY TO IRAN AMONG AMERICAN PUBLIC GOING BACK TO EVENTS OF LATE 70S AND REINFORCED BY FACTORS SUCH AS TERRORIST ATTACKS ON USA EMB AND MARINE BARRACKS IN BEIRUT.

3. ACCORDING TO STATE DEPT IT IS NOT CLEAR CONGRESS WOULD HAVE TO AUTHORIZE COMPENSATION OR APPROPRIATE FUNDS BUT THAT REMAINS A DISTINCT POSSIBILITY. CONTACTS ON HILL ARE FAIRLY CONFIDENT THAT OPPOSITION ON HILL TO COMPENSATION WILL TO LARGE EXTENT BE STIFLED BY PRESIDENTIAL ANNOUNCEMENT. SOME INFLUENTIAL FIGURES SUCH AS HOUSE SPEAKER WRIGHT AND MAJORITY LEADER FOLEY HAD SPOKEN IN FAVOUR OF COMPENSATION EVEN BEFORE ANNOUNCEMENT OF ADMIN DECISION.

4. GATHER FROM STATE DETP THAT QUESTION OF FUTURE USA RELATIONSHIP WITH IRAN DID NOT WEIGH HEAVILY IN DECISION TO OFFER COMPENSATION ALTHOUGH IT MAY HAVE BEEN IN BACK OF MINDS OF A NUMBER OF DECISION MAKERS. DESTRUCTION OF AIRBUS WAS TREATED AS DISTINCT PROBLEM AND DECISION TO OFFER COMPENSATION WAS BASED ON IMMEDIATELY RELEVANT MORAL AND POLITICAL CONSIDERATIONS. IN ADDITION TO THOSE MENTIONED ABOVE POSITIVE IMPACT DECISION WOULD HAVE ON EUROPEAN ALLIES WHOSE NAVAL FORCES HAVE BEEN COOPERATING WITH THOSE OF USA IN GULF NO DOUBT WAS SIGNIFICANT FACTOR.

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REF JLO MEMO1491 06JUL

---LEGALITY OF USA ATTACK ON IRAN AIR FLT 655 03JUL

SUMMARY: IN USA VIEW, DOWNING OF IA-655 BY USA WARSHIP VINCENNES WAS JUSTIFIABLE DEFENSIVE ACTION AND THERE IS NO/NO INTL LEGAL OBLIGATION FOR USA TO PAY COMPENSATION. HOWEVER, IN CASE OF DAMAGE CAUSED BY ITS ARMED FORCES, USA POLICY, AS SET OUT IN USA FOREIGN CLAIMS ACT, IS TO PAY COMPENSATION FOR HUMANITARIAN REASONS AND TO HELP MAINTAIN FRIENDLY RELNS.

2. FOR THESE REASONS USA 11JUL ANNOUNCED THAT IT HAD DECIDED TO PAY COMPENSATION ON EX GRATIA BASIS TO FAMILIES OF VICTIMS ABROAD FLT IA-655. IN ADMINS VIEW, RESPONSIBILITY FOR INCIDENT LIES WITH THOSE WHO HAVE REFUSED TO END IRAN/IRAQ CONFLICT, WITH QUOTE PARTICULARLY HEAVY BURDEN UNQUOTE RESTING ON IRAN FOR REFUSING TO ACCEPT AND IMPLEMENT SECURITY COUNCIL RESLN 598.

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PAGE TWO UNGR1492 CONFD

3. REPORT: WHITE HOUSE BRIEFER, IN COMMENTING ON PRESIDENTS DECISION TO OFFER COMPENSATION EX GRATIA TO FAMILIES OF VICTIMS, REITERATED THAT USA REGARDED ACTION OF USS VINCENNES AS JUSTIFIABLE DEFENSIVE ACTION. IN LEGAL TERMS STATE DEPT LEGAL STAFF, WITH WHOM WE DISCUSSED ISSUE, TOLD US USA VIEW IS THAT SINCE ACTION WAS LAWFUL AND DAMAGE SUSTAINED WAS INCIDENTAL TO THAT LAWFUL ACTION, THERE IS NO/NO INNATL LEGAL OBLIGATION TO PAY COMPENSATION FOR DAMAGES CAUSED BY WARSHIP (OR ARMED FORCES GENERALLY). ONLY IF ARMED FORCES COMMIT WAR CRIMES OR ARE GROSSLY NEGLIGENT WOULD THERE BE OBLIGATION TO PAY REPARATIONS.

4. IN USA VIEW, PRACTICE OF STATES SINCE SECOND WORLD WAR HAS BEEN TO MAKE EX GRATIA PAYMENTS TO INNOCENT VICTIMS OF HOSTILITIES OR MILITARY ACTIONS, EVEN THOUGH THERE MAY BE NO/NO OBLIGATION TO PROVIDE COMPENSATION. EG, NATO STATUS OF FORCES AGMTS ENCOURAGE SUCH PAYMENTS. (AS YOU MAY KNOW, USA HAS A DECLARED POLICY OF COMPENSATING FOR DAMAGE OR INJURY CAUSED BY NUCLEAR PROPULSION SYSTEMS OF ITS WARSHIPS).

5. HOWEVER THERE HAVE, IN FACT, BEEN NUMEROUS CASES OF DAMAGE CAUSED BY WARSHIPS AND AIRCRAFT IN WHICH EX GRATIA PAYMENTS WERE MADE. SOME OF THESE WERE CITED IN JLOS MEMO IN SUPPORT OF VIEW THAT THERE IS AN OBLIGATION TO COMPENSATE INNOCENT VICTIMS OF MILITARY ACTIVITY. BUT USA POSITION IS THAT ALL THE ONES CITED BELOW ARE CASES OF EX GRATIA PAYMENTS. FOR EXAMPLE:

1954-PRC FIRED ON COMMERCIAL AIRLINER-EX GRATIA PAYMENTS WERE MADE

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PAGE THREE UNGR1492 CONF

TO AIRLINE AND VICTIMS.

1967-ISRAEL ATTACKED USS LIBERTY-EX GRATIA PAYMENT WERE MADE TO USA.

1973-LIBYAN COMMERCIAL JET OVERFLEW ISRAEL AND WAS SHOT DOWN AS

SUSPECTED BOMBER-EX GRATIA PAYMENTS WERE MADE TO VICTIMS FAMILIES.

1987-IRAQ ATTACKED USS STARK-IRAQ HAS UNDERTAKEN TO PAY EX GRATIA  
COMPENSATION.

FEB 1988-USA DESTROYED INDIAN FISHING BOAT IN GULF MISTAKING IT FOR  
ATTACKING VESSEL-CLAIM FOR VESSEL DAMAGE CURRENTLY BEING PROCESSED  
BY USA ON EX GRATIA BASIS.

APRIL 1988-IRAN ATTACKED UAE OIL PLATFORM THINKING THEY WERE  
MILITARY TARGETS-IRAN HAS UNDERTAKEN TO PAY EX GRATIA COMPENSATION  
TO UAE.

6.STATE DEPT EMPHASIZES THAT PAYMENT OF EX GRATIA COMPENSATION IS  
UNDERTAKEN ON DISCRETIONARY BASIS.UNDER USA DOMESTIC LAW A SERIES  
OF CRITERIA ARE SET OUT,GENERALLY HUMANITARIAN IN NATURE AND  
INTENDED TO FACILITATE FRIENDLY INNATL RELNS.FOR EXAMPLE,USA DID  
NOT/NOT CONSIDER COMPENSATING CIVILIANS INJURED DURING ITS ATTACK  
ON TRIPOLI,EVEN THOUGH IT DID ENDEAVOUR TO MINIMIZE CIVILIAN DAMAGE.  
IN CURRENT CASE,USA HAS EMPHASIZED IT WILL NOT/NOT COMPENSATE IRAN  
BECAUSE IRAN BEARS RESPONSIBILITY FOR REFUSING TO ACCEPT AND  
IMPLEMENT SECURITY RESOLUTION 598.IN USA VIEW,IT IS BECAUSE IRAN HAD  
THREATENED NEUTRAL SHIPPING IN THE GULF THAT USA MILITARY PRESENCE  
WAS ESTABLISHED THERE,WHICH IN TURN CAUSED OUTBREAK OF HOSTILITIES

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PAGE FOUR UNGR1492 CONF D

IN WHICH USS VINCENNES SHOT DOWN IA-655.

7. THE 1949 GENEVA CONVENTION PROVIDES THAT LAW OF WAR APPLIES NOT/NOT ONLY DURING A DECLARED WAR BUT AT ANY TIME WHEN THERE ARE ACTIVE HOSTILITIES BETWEEN TWO ARMED STATES. IN CASE OF USA OPERATIONS IN GULF, THERE HAVE BEEN SEVERAL OUTBREAKS OF ACTIVE HOSTILITIES IN RECENT MONTHS. ON ONE OCCASION, THE USA CAPTURED SEVERAL HUNDRED IRANIANS, THEN RETURNED THEM, WITH COOPERATION OF ICRC, ONCE HOSTILITIES CEASED. IN CURRENT CASE, THE FIVE-MINUTE LULL BETWEEN THE EXCHANGE WITH THE GUNBOATS AND THE APPEARANCE OF THE PLANE DID NOT/NOT CONSTITUTE AN END TO HOSTILITIES.

8. WHEN USA ANNOUNCED YESTERDAY THAT IT WILL BE MAKING PAYMENTS TO FAMILIES OF VICTIMS ABOARD IRAN IR-655, IT SPECIFIED THAT COMPENSATION WILL BE PAID TO FAMILIES, NOT/NOT TO IRAN. BUT ADMIN STILL NEEDS TO DECIDE IF, HOW AND WHEN TO SEEK CONGRESSIONAL APPROPRIATION. IN ADDITION, NO/NO DECISION HAS BEEN TAKEN ON WHETHER TO COMPENSATE IRAN AIR FOR LOSS OF AIRCRAFT. THIS DECISION WILL ONLY BE MADE AFTER NAVY INVESTIGATION HAS BEEN COMPLETED. HOWEVER, PRESIDENT DID RULE OUT PAYMENTS TO IRANIAN GOVT, AND USA OFFICIALS NOTED THAT IRAN AIR IS OWNED BY IRAN.

#### 9. ASSESSMENT:

USA POSN IN PRINCIPLE GIVES AIRCRAFT AND AIRCRAFT PASSENGERS NO/NO GREATER RIGHT OF COMPENSATION THAN OTHER INNOCENT VICTIMS OF ARMED CONFLICT. AN ARGUMENT CAN PERHAPS BE MADE THAT, BECAUSE OF ITS INTL IMPORTANCE, DIFFERENT LEGAL PRINCIPLES OUGHT TO APPLY TO AN ACTIVITY

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SUCH AS CIVIL AVIATION AS OPPOSED TO FISHING BOATS OR OTHER INNOCENT CIVILIAN ACTIVITIES. ON THE OTHER HAND, DEGREE OF INTL HORROR OVER DOWNING OF CIVILIAN AIRCRAFT AND THE ABILITY IN MOST CASES TO DOCUMENT THE INCIDENT BY MEANS OF QUOTE BLACK BOX UNQUOTE ALREADY PUTS IMMEDIATE PRESSURE ON GOVT TO MAKE EX GRATIA COMPENSATION.

10. THERE ARE SOME GROUNDS TO SUPPORT USA ADMIN IN ITS VIEW THAT THIS INCIDENT, HAVING OCCURRED DURING A PERIOD OF ACTIVE HOSTILITIES, IS THEREFORE GOVERNED BY LAW OF WAR, ALTHO IT IS NOT/NOT CLEAR THAT USA DECISION THAT IT HAS NO/NO LEGAL OBLIGATION TO PAY FOR DAMAGES CAUSED BY ITS MILITARY VESSELS WOULD HAVE BEEN ANY DIFFERENT IF EVENT HAD NOT/NOT OCCURRED DURING ACTIVE HOSTILITIES. USA DECISION TO RULE OUT ANY COMPENSATION FOR IRAN GOVT (FOR AIRCRAFT) IS ALSO, WE BELIEVE, CORRECT, SINCE USA PRESENCE IN GULF WAS CAUSED BY IRANIAN ATTACKS ON NEUTRAL SHIPPING, THE ACTIVE HOSTILITIES AROSE BECAUSE OF AN INCIDENT PRECIPITATED BY IRAN, AND USA WARSHIPS WERE ON A HAIRTRIGGER BECAUSE OF IRAN'S THREATS TO LAUNCH A 4 JUL SPECTACULAR AGAINST USA PRESENCE IN GULF.

11. IT IS PROBABLE THAT USA POSN ON THIS MATTER SOMEWHAT WEAKENS CLAIM THAT SOVIETS HAVE A LEGAL OBLIGATION TO COMPENSATE FAMILIES OF KAL VICTIMS. USA WAS NO/NO DOUBT MINDFUL OF THIS, SINCE THEY HAVE USA CLAIMANTS AS WELL. ON OTHER HAND, ACTION OF USA IN PROMPTLY OFFERING EX GRATIA PAYMENTS DOES PROVIDE SOVIETS WITH A USEFUL AND FACE-SAVING ALTERNATIVE BASIS FOR MAKING PAYMENTS TO KAL VICTIMS.

11. IN VIEW OF ABOVE, AND FOR OTHER REASONS, WE RECOMMEND THAT CDA AVOID ANY PUBLIC, LEGAL CRITICISM OF USA ACTIONS, EITHER AT ICAO OR ELSEWHERE.

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UNCLASSIFIED

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TO EXTOTT GMR

INFO KWAIT RYADH CAIRO DMCUS BGHDD

FAX ICAC/MTL 514-288-4772 DE WDC

DISTR DMC GGB GMD GMRD JLO IMU URR

---STMT OF WHITE HOUSE OFFICIAL SPOKESMAN ON COMPENSATION FOR

VICTIMS OF IRAN AIR TRAGEDY

QUOTE.THE PRESIDENT HAS REVIEWED UNITED STATES POLICY IN THE PERSIAN GULF,WHERE OUR MILITARY FORCES ARE PROTECTING VITAL INTERESTS OF THE FREE WORLD.HE HAS EXPRESSED HIS SATISFACTION WITH THE POLICY AND REITERATED HIS BELIEF THAT THE ACTIONS OF THE USS VINCENNES ON 03JUL IN THE CASE OF THE IRANIAN AIRLINER WERE JUSTIFIABLE,DEFENSIVE ACTIONS.AT THE SAME TIME,THE PRESIDENT REMAINS PERSONNALLY SADDENED AT THE TRAGIC DEATH OF THE INNOCENT VICTIMS OF THIS ACCIDENT AND HAS ALREADY EXPRESSED HIS DEEP REGRET TO THEIR FAMILIES.

PROMPTED BY THE HUMANITARIAN TRADITIONS OF OUR NATION,THE PRESIDENT HAS DECIDED THAT THE UNITED STATES WILL OFFER COMPENSATION ON A EN GRATIA BASIS TO THE FAMILIES OF THE VICTIMS WHO DIED IN THE IRANIAN AIRLINE INCIDENT.DETAILS CONCERNING AMOUNTS,TIMING,AND OTHER MATTERS REMAIN TO BE WORKED OUT.PUT IT SHOULD BE CLEARLY UNDERSTOOD THAT PAYMENT WILL GO TO THE FAMILIES,NOT THE GOVERNMENTS,AND WILL BE SUBJECT TO THE NORMAL

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UNITED STATES LEGAL REQUIREMENTS, INCLUDING, IF NECESSARY, APPROPRIATE ACTION BY CONGRESS. IN THE CASE OF IRAN, ARRANGEMENTS WILL BE MADE THROUGH APPROPRIATE THIRD PARTIES. THIS OFFER OF EX GRATIA COMPENSATION IS CONSISTENT WITH INTERNATIONAL PRACTICE AND IS A HUMANITARIAN EFFORT TO EASE THE HARDSHIP OF THE FAMILIES. IT IS OFFERED ON A VOLUNTARY BASIS, NOT ON THE BASIS OF ANY LEGAL LIABILITY OR OBLIGATION.

RESPONSIBILITY FOR THIS TRAGIC INCIDENT AND FOR THE DEATHS OF HUNDREDS OF THOUSANDS OF OTHER INNOCENT VICTIMS AS A RESULT OF THE IRAN-IRAQ WAR LIES WITH THOSE WHO REFUSE TO END THE CONFLICT. A PARTICULARLY HEAVY BURDEN OF RESPONSIBILITY RESTS WITH THE GOVERNMENT OF IRAN, WHICH HAS REFUSED FOR ALMOST A YEAR TO ACCEPT AND IMPLEMENT RESOLUTION 598. AND IT CONTINUES UNPROVOKED ATTACKS ON INNOCENT NEUTRAL SHIPPING AND CREWS IN THE INTERNATIONAL WATERS OF THE PERSIAN GULF. IN FACT, AT THE TIME OF THE IRAN AIR INCIDENT, US FORCES WERE MILITARILY ENGAGED WITH IRANIAN FORCES, AS A RESULT OF THE LATTERS UNPROVOKED ATTACKS UPON NEUTRAL SHIPS AND UPON A US NAVY HELICOPTER. THE URGENT NECESSITY TO END THIS CONFLICT IS REINFORCED BY THE DANGERS IT POSES TO NEIGHBORING COUNTRIES, AND THE DEPLORABLE PRECEDENT OF THE INCREASINGLY FREQUENT USE OF CHEMICAL WEAPONS BY BOTH SIDES, CAUSING STILL MORE CASUALTIES. ONLY AN END TO THE WAR--AN OBJECTIVE WE DESIRE--CAN HALT

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THE IMMENSE SUFFERING IN THE REGION AND PUT AN END TO INNOCENT  
LOSS OF LIFE.OUR GOAL IS PEACE IN THE GULF AND ON LAND.WE URGE  
IRAN AND IRAQ TO WORK WITH THE SECURITY COUNCIL FOR AN URGENT  
COMPREHENSIVE SETTLEMENT OF THE WAR,PURSUANT TO RESOLUTION 598.  
MEANWHILE,UNITED STATES FORCES WILL CONTINUE THEIR MISSION IN THE  
AREA,KEENLY AWARE OF THE RISK INVOLVED AND READY TO FACE THEM.

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BC-GULF-OPINION (NEWS ANALYSIS, SCHEDULED)

YEARS OF ENMITY DAMPEN PUBLIC SYMPATHY FOR IRAN AIR VICTIMS

By Sue Baker

WASHINGTON, July 8, REUTER - AMERICANS ARE SHOWING LITTLE SYMPATHY FOR THE 290 VICTIMS OF THE IRAN AIR JET DOWNED BY A U.S. WARSHIP IN THE PERSIAN GULF; A RESULT OF YEARS OF ENMITY STEMMING FROM THE IRANIAN HOSTAGE CRISIS IN 1979.

"I THINK THE IRANIAN PEOPLE ARE MISGUIDED; HOSTILE AND VINDICTIVE," TOURIST WILLIAM HAYNES OF SHARPSBURG, GA., SAID OUTSIDE THE WHITE HOUSE.

"I'M SURE THERE ARE SOME GOOD PEOPLE IN IRAN BUT UNTIL THEY GET NEW LEADERSHIP WE'RE GOING TO CONTINUE TO HAVE TROUBLE WITH THEM," HE SAID.

POLITICAL ANALYST NORMAN ORNSTEIN SAID THE WIDESPREAD U.S. PUBLIC ANIMOSITY -- REFLECTED IN A POLL SHOWING 61 PERCENT OF AMERICANS OPPOSED COMPENSATION FOR THE VICTIMS OF THE DISASTER -- WAS EASILY EXPLAINED.

"I THINK IF YOU HAD TO PUT A SINGLE REASON IT IS OUR FEELING THAT IRAN HAS DONE LOTS OF VIOLENCE TO AMERICANS AND IS RESPONSIBLE FOR HOSTAGES THAT ARE HELD EVEN NOW," ORNSTEIN, OF THE PRIVATE AMERICAN ENTERPRISE INSTITUTE THINK TANK, TOLD REUTERS.

ORNSTEIN REFERRED TO NEARLY A DECADE OF MUTUAL HOSTILITY THAT BEGAN WITH THE SEIZURE OF MORE THAN 50 U.S. DIPLOMATS BY RADICAL IRANIANS IN NOVEMBER 1979. THEY WERE FREED AFTER 444 DAYS IN CAPTIVITY BUT 10 AMERICANS TAKEN HOSTAGE IN RECENT YEARS ARE BEING HELD BY PRO-IRANIAN FORCES IN LEBANON.

WASHINGTON, WHICH OFFICIALLY LISTS IRAN AS A TERRORIST STATE; ALSO BLAMES TEHRAN FOR THE 1983 DEATHS OF 241 U.S. SERVICEMEN AT A MARINE BARRACKS IN BEIRUT AND FOR HIJACKINGS IN WHICH AMERICANS WERE KILLED.

PRESIDENT REAGAN CAPITALIZED ON PUBLIC ANTAGONISM TOWARD IRAN IN HIS 1980 DEFEAT OF PRESIDENT JIMMY CARTER, WHO FAILED TO RESOLVE THE HOSTAGE CRISIS DURING HIS PRESIDENCY.

REAGAN'S POPULARITY -- UNPRECEDENTED FOR A MODERN PRESIDENT -- PLUMMETED SIX YEARS LATER WHEN HE SENT ARMS TO IRAN IN A BID TO FREE THE LEBANON HOSTAGES.

UNDER REAGAN'S LEADERSHIP, THE UNITED STATES HAS LEANED TOWARD IRAQ IN ITS BLOODY GULF WAR WITH IRAN; ALTHOUGH ESPOUSING AN OFFICIAL POLICY OF NEUTRALITY.

IN IRANIAN EYES WASHINGTON BECAME A VIRTUAL ALLY OF IRAQ WHEN IT SENT A FLEET TO THE GULF TO PROTECT SHIPPING BELONGING TO KUWAIT, A KEY SUPPORTER OF IRAQ.

THE AMERICAN PUBLIC BROADLY SUPPORTS ADMINISTRATION POLICY IN THE GULF. EVEN AN ACCIDENTAL IRAQI ATTACK ON THE U.S. FRIGATE STARK WHICH KILLED 37 AMERICAN SAILORS LAST YEAR FAILED TO CHANGE THE AMERICAN TILT TOWARD IRAQ.

AGAINST THIS BACKGROUND, ANALYSTS SAY THEY ARE UNSURPRISED BY POLLS TAKEN SINCE THE U.S. CRUISER VINCENNES SHOT DOWN THE IRAN AIR A-300 AIRBUS ON SUNDAY.

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THE PENTAGON SAID THE VINCENTES MISTOOK THE JET FOR A HOSTILE F-14 FIGHTER. IRAN SAID THE UNITED STATES; DUBBED THE "GREAT SATAN" BY AYATOLLAH RUHOLLAH KHOMEINI AT THE OUTSET OF THE IRANIAN REVOLUTION IN 1979; DELIBERATELY DOWNED THE PLANE.

IN A POLL THIS WEEK BY ABC TELEVISION NEWS AND THE WASHINGTON POST; 61 PERCENT BLAMED IRAN FOR THE PLANE'S LOSS AND SAID AMERICAN SHOULD NOT PAY COMPENSATIONS.

A RANDOM SAMPLING OF OPINION AMONG TOURISTS MILLING AROUND THE WHITE HOUSE EXPLAINED WHY.

"I FEEL LIKE THEY (THE IRANIANS) ARE IRRATIONAL. DON'T GIVE THEM ANYTHING;" SAID JOAN JACKSON OF ATLANTA.

"BASED ON WHAT I'VE HEARD; IT SEEMS TO ME WE HAD TO PROTECT THOSE PEOPLE WHO DEFEND US;" SAID AL WAYER OF SAGINAC; MICHIGAN.

THE ABC-POST SURVEY SHOWED 71 PERCENT OF AMERICANS BELIEVED THE U.S. ATTACK WAS JUSTIFIED AND 80 PERCENT SAID THE SHIP'S COMMANDER; CAPT. WILL ROGERS; ACTED PROPERLY.

A MAJORITY IN THAT POLL; AND IN AN EARLIER ONE BY USA TODAY AND THE CABLE NEWS NETWORK (CNN); OPPOSED COMPENSATION.

THE ABC)WASHINGTON POST POLL FOUND TWO AMERICANS OUT OF THREE WERE AGAINST COMPENSATION; ALTHOUGH 63 PERCENT OF RESPONDENTS FAVORED A U.S. APOLOGY TO IRAN.

THE USA TODAY)CNN SURVEY SAID ABOUT HALF OF THOSE POLLED WERE AGAINST COMPENSATION AND 58 PERCENT SAID WASHINGTON HAD APOLOGIZED SUFFICIENTLY.

ORNSTEIN SAID THE ATTITUDE OF MANY AMERICANS WAS THAT TEHRAN HAS NOT PAID COMPENSATION TO AMERICA; "SO WHY SHOULD WE? IT GOES RIGHT BACK TO 1979."

BUT THE ANTIPATHY TOWARD COMPENSATING FAMILIES FOR THE LOSS OF THEIR LOVED ONES DISTURBED SOME AMERICANS.

REPORTING THE RESULTS OF ITS POLL; THE WASHINGTON POST QUOTED AN UNIDENTIFIED WHITE HOUSE OFFICIAL AS SAYING HE WAS SOMEWHAT DISAPPOINTED AT SUCH A STRONG ANTIPATHY BECAUSE, "IT DEFILES THE TRADITIONAL HUMANE SPIRIT OF AMERICANS."

THE POST QUOTED WHAT IT SAID WAS A REPUBLICAN SOURCE CLOSE TO THE ADMINISTRATION AS SAYING: "IF IT WAS A BRITISH AIRPLANE WE WOULD HAVE A DIFFERENT RESPONSE."

REAGAN; WHO APOLOGIZED TO TEHRAN IN A MESSAGE EXPRESSING "DEEP REGRET" BUT CALLED THE DISASTER AN "UNDERSTANDABLE ACCIDENT;" IS WEIGHING AN OFFER OF COMPENSATION.

THE POLLS SHOWED AMERICANS BACK THE PRESIDENT'S HANDLING OF GULF POLICY BY 63 TO 31 PERCENT -- THE HIGHEST RATING SINCE THE SAME QUESTION WAS ASKED IN JUNE 1987; SHORTLY AFTER U.S. WARSHIPS BEGAN PROTECTING REFLAGGED KUWAITI TANKERS.

THE ABC)POST POLL ALSO SAID 72 PERCENT OF THE 524 PEOPLE QUESTIONED SAID U.S. FORCES SHOULD STAY IN THE GULF.

REAGAN HAS ALSO RECEIVED EDITORIAL SUPPORT FROM SUCH INFLUENTIAL NEWSPAPERS AS THE NEW YORK TIMES.

"AMERICAN FORCES AND DIPLOMACY HAVE SUCCESSFULLY RESTRAINED AND ISOLATED IRAN. THE AIRBUS TRAGEDY DOES NOT ALTER THE VALIDITY OF THAT STRATEGY;" THE TIMES SAID ON WEDNESDAY.

THE NEWSPAPER ADDED THAT AN IRANIAN VICTORY IN ITS NEARLY EIGHT-YEAR WAR WITH IRAQ WOULD "GIVE RENEWED MOMENTUM TO TEHRAN'S UNSETTLING ISLAMIC FUNDAMENTALISM;" ENABLING ITS RELIGIOUS LEADERS TO DOMINATE THE STRATEGIC WATERWAY AND CONTROL THE FLOW OF OIL ON WHICH MUCH OF THE WORLD DEPENDS.

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PRECEDE UNDATED-499 (UPDATES THROUGHOUT WITH RAFSANJANI SAYING GOVERNMENT WON'T SEEK REVENGE; AIR FORCE COMMENTS; GENERAL COMMAND CALLING FOR MORE TROOPS; NO PICKUP)

By HANNS NEUERBOURG

TEHRAN (AP) - Iran's acting commander-in-chief, Hashemi Rafsanjani, said today his country will not seek revenge against the United States for shooting down an Iranian civilian jetliner in the Persian Gulf and killing all 290 people aboard.

Iran's air force chief said U.S. systems must have been able to monitor 21 minutes of conversation in English between the Iran Air jetliner and the airport control tower. Brig.-Gen. Mansour Satari said the missile attack showed that the U.S. military was "unable . . . to control its sophisticated systems."

The U.S. missile-firing cruiser Vincennes shot down the jetliner Sunday. American officials said the West European-built Airbus was mistaken for an attacking Iranian F-14 jet fighter plane.

Satari told foreign reporters Thursday that the destruction of the plane was an "intentional and unprovoked attack."

But he later qualified this by saying the U.S. military "accepted on purpose" the risk of shooting down civilian planes because they were unable to control their sophisticated systems.

Satari said Iran has "all the tapes needed" to prove that normal conversation was going on from the time the Airbus engines were started up on the ground in Iran until the plane was shot down.

He also said the plane was travelling in "the centre of the international air corridor" between Bandar Abbas, Iran, and Dubai and could have deviated some 16 kilometres on either side and still have been within the corridor.

Rafsanjani told a Friday Muslim prayers congregation in Tehran: "The United States is trying to push us to commit the same crime . . . but if we did that, the world would turn against us. That is why we do not push to take revenge. Wise peoples understand why we do not take revenge."

## CALL TO ARMS

He spoke after the newly formed Iranian General Command issued a statement calling on "all people who can carry a gun" to report for duty on the war front against Iraq.

The remarks by Rafsanjani, who is also parliamentary speaker, signalled that Iran's rulers may have decided on restraint in the wake of the airliner tragedy, western diplomatic sources said. They spoke on condition of anonymity.

THE MUSLIM PRAYERS CROWD CHANTED "DEATH TO AMERICA!" AND "WAR, WAR UNTIL VICTORY!" THE AUDIENCE INCLUDED YOUNG BASIJ, OR VOLUNTEERS, IN RED HEADBANDS, AND A FEW WOUNDED WAR VETERANS.

IN THE UNITED ARAB EMIRATES, A NEWSPAPER REPORTED TODAY THAT IRAN AIR WILL TAKE A CIRCUITOUS ROUTE FROM THE SOUTHERN IRANIAN CITY OF BANDAR ABBAS TO DUBAI UNTIL THE DIRECT ONE BECOMES SAFE FOR CIVILIAN AIR TRAFFIC.

THE NEW ROUTE IS AIMED AT AVOIDING THE CORRIDOR USED BY THE AIRBUS ON SUNDAY, SAID THE REPORT PUBLISHED IN THE DUBAI-BASED ENGLISH-LANGUAGE NEWSPAPER KHALEEJ TIMES.

THE PAPER QUOTED UNIDENTIFIED IRANIAN SOURCES IN BANDAR ABBAS AS SAYING THE NEW ROUTE TAKES THE AIRCRAFT TO SHIRAZ, ABOUT 500 KILOMETRES TO THE EAST. IT THEN DOUBLES BACK TO DUBAI, ADDING 32 MINUTES TO THE PREVIOUSLY 28-MINUTE FLIGHT.

IRAN AIR OFFICIALS IN ABU DHABI AND IN THE NEIGHBORING PORT OF DUBAI REFUSED COMMENT ON THE REPORT.

THE IRANIAN GENERAL COMMAND, IN A STATEMENT CARRIED BY TEHRAN RADIO AND IRAN'S OFFICIAL IRNA NEWS AGENCY, SAID IT "SINCERELY DEMANDS THAT THE NATION SHOULD FILL THE (WAR) FRONTS WITH FRESH AND TRAINED FORCES."

### BIG BATTLEFIELD LOSSES

IT WAS NOT THE FIRST GENERAL MOBILIZATION CALL, BUT IT WAS THE MOST SWEEPING TO BE ISSUED IN RECENT MONTHS AND IT FOLLOWED SEVERAL MAJOR BATTLEFIELD DEFEATS FOR IRAN.

ALTHOUGH THE AIRBUS JET WAS DOWNED BY U.S., NOT IRAQI FORCES, IRANIAN LEADERS HAVE CONSTANTLY ACCUSED WASHINGTON OF BACKING BAGHDAD IN THE NEARLY EIGHT-YEAR-OLD IRAN-IRAQ WAR. THE PHRASING OF THE MOBILIZATION CALL IMPLIED IT WAS AIMED AT DEFENDING IRAN AGAINST BOTH U.S. AND IRAQI ATTACK.

ON THURSDAY, DEPUTY FOREIGN MINISTER HUSSEIN SHEIKHOLESAM HAD REITERATED IRANIAN THREATS OF A "BLOW" IN RESPONSE TO THE DOWNING OF THE PASSENGER PLANE, TEHRAN RADIO REPORTED.

IN WASHINGTON, WHITE HOUSE SPOKESMAN MARLIN FITZWATER SAID THURSDAY THAT "HUMANE AND MORAL" CONSIDERATIONS WILL FIGURE HEAVILY IN ANY DECISION ON U.S. COMPENSATION FOR SHOOTING DOWN THE AIRLINER.

SHEIKHOLESAM WAS QUOTED AS SAYING THAT IRAN HAD CONTACTED THE MONTREAL-BASED INTERNATIONAL CIVIL AVIATION ORGANIZATION AND REQUESTED THAT AN EXPERT DELEGATION BE SENT TO THE GULF TO STUDY THE INCIDENT. THE ICAO HAS SCHEDULED A MONTREAL MEETING NEXT WEDNESDAY.

IN THE SAME RADIO BROADCAST, IRAN AIR MANAGING DIRECTOR MOHAMMAD REZA MAJIDI SAID LESS THAN 200 BODIES HAD BEEN RECOVERED AND 150 IDENTIFIED.

HE SAID THE PLANE'S DATA RECORDER HAD NOT BEEN RECOVERED, NOR HAD ANY PORTIONS OF THE PLANE THAT WERE "BIG ENOUGH FOR STUDIES TO REALLY BE CARRIED OUT."

OF THE 290 PEOPLE ON THE JET, 66 WERE CHILDREN. THERE WERE 38 FOREIGNERS ABOARD. NO CANADIANS WERE ON THE PLANE.

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PAR GUY RONDEAU

DE LA PRESSE CANADIENNE

LE DRAME QUI S'EST DÉROULÉ DANS LE CIEL DU GOLFE PERSIQUE, EN FIN DE SEMAINE DERNIÈRE, DEVRAIT INCITER LA COMMUNAUTÉ INTERNATIONALE À TRAVAILLER D'AVANTAGE AU RÈGLEMENT DU LONG CONFLIT QUI OPPOSE L'IRAN ET L'IRAK. C'EST LE VOEU QU'EXPRIME EN GÉNÉRAL LA PRESSE AU LENDEMAIN DE CETTE TRAGÉDIE QUI A ENTRAÎNÉ LA MORT DES 290 PASSAGERS D'UN AIRBUS IRANIEN. L'APPAREIL A ÉTÉ ABATTU PAR UN MISSILE TIRÉ D'UN BÂTIMENT DE LA FLOTTE AMÉRICAINE QUI PATROUILLE LE GOLFE.

SI LES AMÉRICAINS, ÉCRIT FRÉDÉRIC WAGNIÈRE DANS LA PRESSE, PEUVENT CONTINUER À MAINTENIR UN CERTAIN ÉQUILIBRE MILITAIRE ENTRE LES DEUX BELLIGÉRANTS, ILS NE PEUVENT PLUS ESPÉRER LES RÉUNIR UN JOUR À LA TABLE DES NÉGOCIATIONS.

LES ÉTATS-UNIS ONT TOUJOURS INSISTÉ SUR LEURS INTENTIONS PACIFIQUES ET LEUR RESPECT DU DROIT INTERNATIONAL. MAIS LEUR RÔLE MILITAIRE DANS LE GOLFE EST EN CONTRADICTION AVEC CES PRINCIPES.

WAGNIÈRE CRDIT QU'ON NE POURRA PEUT-ÊTRE JAMAIS DÉTERMINER AVEC CERTITUDE LE RESPONSABLE DE CETTE TRAGÉDIE. LES ÉTATS-UNIS DEVRONT TOUTEFOIS EN PORTER L'OPPROBRE ENCORE LONGTEMPS POUR LA SIMPLE RAISON QUE LES MILITAIRES NE SONT PAS CENSÉS PRENDRE DES CIVILS POUR CIBLES.

DANS LE DEVOIR, JEAN-CLAUDE LECLERC SOULIGNE QU'IL SERA DORÉNAVANT DIFFICILE POUR LES AMÉRICAINS DE JOUER AU GENDARME DES VOIES INTERNATIONALES DE NAVIGATION.

EN OUTRE, ÉCRIT-IL, LES ÉTATS-UNIS VIENNENT PEUT-ÊTRE DE FOURNIR AU RÉGIME KHOMEINY LE "COUP" SPECTACULAIRE DONT IL AVAIT BESOIN POUR RALLIER SA POPULATION À LA GUERRE. LA MÉFIANCE DE L'ÉTRANGER ET LA HAINE DES ÉTATS-UNIS FONT PARTIE INTÉGRANTE DE LA PSYCHOLOGIE IRANIENNE D'AUJOURD'HUI. POUR DÉSAMORCER CETTE MENTALITÉ, IL NE SUFFIRA PLUS D'ÉVITER LES ERREURS MILITAIRES. WASHINGTON DEVRA CHANGER SA POLITIQUE.

POUR THE GAZETTE CETTE TRAGÉDIE SOULÈVE PLUSIEURS QUESTIONS. ON PEUT D'ABORD SE DEMANDER COMMENT UNE CHOSE AUSSI HORRIBLE PEUT SE PRODUIRE. ON PEUT AUSSI S'INTERROGER SUR LES CONSÉQUENCES QUE CETTE TRAGÉDIE POURRA AVOIR SUR LA GUERRE DU GOLFE.

IL EST CERTAIN QUE CE TRAGIQUE INCIDENT EST UNE PREUVE ADDITIONNELLE, SI TANT IL EST NÉCESSAIRE D'EN AVOIR UNE, QU'IL EST DANS L'INTÉRÊT DE TOUTES LES PARTIES DE METTRE UN TERME À CETTE GUERRE.

THE GAZETTE DIT AUSSI QUE L'ON DOIT S'INTERROGER SUR LA SAGESSE DE  
INTENIR CETTE IMPOSANTE FORCE NAVALE AMÉRICAINE DANS LE GOLFE.  
CETTE PRÉSENCE REND LA SITUATION DÉLICATE ET MENACE D'ENTRAÎNER  
RÉSOLUMENT LES ÉTATS-UNIS DANS LE CONFLIT.

IL Y A, PAR AILLEURS, BEAUCOUP D'EXPLICATIONS À OBTENIR. PAR  
EXEMPLE, LES AUTORITÉS IRANIENNES PEUVENT-ELLES EXPLIQUER POURQUOI  
L'AVION SE TROUVAIT EN PLEIN CENTRE D'UNE ZONE DE COMBAT ? LES  
AUTORITÉS AMÉRICAINES PEUVENT-ELLES EXPLIQUER CETTE ÉNORME ERREUR DE  
PRENDRE UN AVION CIVIL POUR UN AVION DE GUERRE ?

TOUTE CETTE AFFAIRE, AJOUTE LE JOURNAL, POURRAIT AVOIR DES  
CONSÉQUENCES POSITIVES SI ELLE POUVAIT AMENER LES GRANDS PAYS À  
RENOUVELER AVEC ZÈLE LEURS EFFORTS POUR METTRE FIN AU CONFLIT.

JEAN VIGNEAULT DE LA TRIBUNE DE SHERBROOKE TIRE LA CONCLUSION QUE  
LE CONFLIT IRAN-IRAK QUI AMÈNE LA PRÉSENCE DES AMÉRICAINS DANS LE  
GOLFE DEVRA MAINTENANT ET BIENTÔT TROUVER UNE SOLUTION PACIFIQUE.

LES AUTORITÉS IRANIENNES, AU LIEU DE PLEURER CES MORTS INUTILES,  
RÉCLAMENT VENGEANCE. COMME SI CET ACCIDENT STUPIDE, PRÉCISE  
VIGNEAULT, AU LIEU DE SERVIR À DÉCLENCHER DES POURPARLERS DE PAIX,  
NE DEVAIENT QUE RAVIVER LA FOI DES MUSULMANS IRANIENS À L'APPROCHE  
D'UN COMBAT QU'ILS NE PEUVENT QUE PERDRE, ÉTANT DONNÉ LA FAIBLESSE  
MILITAIRE DE TÉHÉRAN.

PIERRE TREMBLAY, DU DROIT D'OTTAWA-HULL, TRACE UN PARALLÈLE AVEC  
L'INCIDENT DE 1983 LORSQU'UN BOEING SUD-CORÉEN A ÉTÉ ABATTU PAR UN  
CHASSEUR RUSSE. POUR UNE ERREUR, EN VOICI TOUTE UNE, COMME L'AUTRE,  
ET DE TAILLE SEMBLABLE. L'UNE ET L'AUTRE APPARAISSENT  
INCOMPRÉHENSIBLES.

“LA DAVURE EST INACCEPTABLE. CELLE AU-DESSUS DU GOLFE, DIMANCHE,  
TOUT AUTANT QUE L'AUTRE AU-DESSUS DU PACIFIQUE IL Y A CINQ ANS”.

TREMBLAY SOULIGNE QUE LES ENJEUX POLITIQUES NE SONT ÉVIDEMMENT PAS  
LES MÊMES DANS LES DEUX CAS. MAIS POUR LES VICTIMES OÙ EST LA  
DIFFÉRENCE ?

VIANNEY DUCHESNE, DU SOLEIL, EST D'AVIS QUE L'ACCIDENT NE  
PROVOQUERA PAS LE CONFLIT GÉNÉRALISÉ, QUE PERSONNE NE DÉSIRE, MAIS  
LES FANATIQUES DE LA “GUERRE SAINTE” RÉCLAMERONT DES REPRÉSAILLES  
INDÉFINIES. UN TEL ÉVÉNEMENT, ÉCRIT-IL, ÉTAIT PRÉVISIBLE ET SA  
RÉPÉTITION LE DEMEURERA AUSI LONGTEMPS QUE LA VOIX DES ARMES SERA  
PRÉFÉRÉE À CELLE DU DIALOGUE.

LE MOMENT EST VENU POUR LA COMMUNAUTÉ MONDIALE DE DOTER L'ONU  
D'UNE FORCE SUSCEPTIBLE DE FAVORISER L'ÉCLOSION D'UNE PAIX DURABLE  
DANS LE RESPECT DES DROITS DE CHACUN.

DUCHESNE FAVORISE LA FORMATION D'UNE COMMISSION NEUTRE  
INTERNATIONALE À QUI IL APPARTIENDRA DE FAIRE TOUTE LA LUMIÈRE SUR  
CE DRAME. IL VAUT MIEUX, D'ICI LÀ, RÉSERVER PRUDEMMENT SON JUGEMENT  
CAR RIEN N'EST IMPOSSIBLE AUX EXALTÉS DE LA RÉVOLUTION ISLAMIQUE.

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LA PAN AM SUSPEND SES VOLS SUR KARACHI APRES LA DESTRUCTION DE L'AIRBUS IRANIE

KARACHI, 8 JUIL (AFP) - LA PAN AM A SUSPENDU SES VOLS A DESTINATION DE KARACHI A LA SUITE DE LA DESTRUCTION D'UN AIRBUS IRANIE PAR LA MARINE AMERICAINE DIMANCHE DERNIER DANS LE GOLFE; A-T-ON APPRIS VENDREDI AUPRES DE SOURCES PROCHES DE LA COMPAGNIE AERIEENNE AMERICAINE DANS CETTE VILLE PAKISTANAISE.

LA PAN AM EFFECTUE NORMALEMENT TROIS VOLS HEBDOMADAIRES ENTRE NEW YORK ET KARACHI VIA FRANCFORT ET RIYAD.

CITANT DES RESPONSABLES DE LA PAN AM, CES SOURCES ONT INDIQUE QUE LA COMPAGNIE S'APPRETAIT A CHANGER SES VOLS AFIN D'EVITER LA ZONE DE GUERRE DANS LE GOLFE.

LA DECISION A ETE PRISE A LA SUITE DES MENACES IRANIENNES CONTRE DES INTERETS AMERICAINS EN REPRÉSAILLES A L'OPERATION DE LA US NAVY QUI A FAIT 298 MORTS AINSI QU'A LA SUITE DE LA CONdamnATION A MORT CETTE SEMAINE AU PAKISTAN DE CINQ PALESTINIENS POUR LE DETOURNEMENT D'UN BOEING 747 DE LA PAN AM EN SEPTEMBRE 1986.

DES SOURCES DIPLOMATIQUES A ISLAMABAD ONT INDIQUE PAR AILLEURS QUE LA SECURITE DE L'AMBASSADE AMERICAINE ET DE SES ANNEXES AVAIT ETE RENFORCEE ET QUE LES DIPLOMATES AVAIENT RECU L'INSTRUCTION D'EVITER DES CONTACTS AVEC LA POPULATION.

DES MUSULMANS CHIITES ONT ORGANISE VENDREDI DES MANIFESTATIONS ANTI-AMERICAINES DEVANT PLUSIEURS MOSQUEES A ISLAMABAD; SELON DES TENOINS. AUCUN INCIDENT N'A ETE SIGNALÉ.

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IRAN: LARIJANI DENIES ATTRIBUTED REMARKS ON AIRBUS

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(TEXT) ROME, JULY 7, IRNA -- A SENIOR IRANIAN OFFICIAL TODAY CATEGORICALLY REFUTED REPORTS AIRED BY THE KUWAITI NEWS AGENCY (KUNA) THAT THE PILOT OF THE IRANIAN AIRBUS A-300, MISSED DOWN BY THE U.S. NAVY IN THE PERSIAN GULF LAST SUNDAY, HAD IGNORED WARNINGS FROM AMERICAN WARSHIPS.

KUNA IN ITS THURSDAY'S DISPATCHES, MISQUOTING LARIJANI'S EARLIER INTERVIEW WITH THE AUSTRIAN DAILY "KURIER" CLAIMED THAT THE PILOT OF THE DOWNED IRANIAN AIRCRAFT HAD IGNORED THE U.S. NAVY'S MESSAGES.

DEPUTY FOREIGN MINISTER FOR EURO-AMERICAN AFFAIRS MOHAMMAD JAVAD LARIJANI, WHO MADE A STOP-OVER HERE ON HIS WAY BACK TO TEHRAN FROM GENEVA, TERMED KUNA REPORTS AS "PURE FABRICATION" AND SAID HE HAD NEVER MADE SUCH STATEMENTS IN HIS INTERVIEW WITH THE AUSTRIAN DAILY.

IRAN AIR FLIGHT 655 ENROUTE TO DUBAYY FROM THE SOUTHERN PORT CITY OF BANDAR-E ABBAS WAS MISSED DOWN BY THE U.S. CRUISER USS "VINCENNES" SUNDAY MORNING, KILLING ALL 290 PASSENGERS AND CREW ABOARD, INCLUDING 66 UNDER 12-YEAR-OLD CHILDREN. THERE WERE ALSO 38 FOREIGNERS OF VARIOUS NATIONALITIES AMONG THE PASSENGERS

AMERICAN OFFICIALS INITIALLY CLAIMED THAT THE CREW ABOARD THE "SOPHISTICATED VINCENNES" MISTOOK THE LARGE AIRBUS A-300 FOR A RELATIVELY SMALL F-14 JET FIGHTER PASSENGER QUITE IRONICALLY OF THEIR OWN MAKE. BUT WHEN EVIDENCE STARTED TURNING UP TO THE CONTRARY, THE AMERICANS TURNED TRACK AND THIS TIME SAID THAT FLIGHT 655 HAD STRAYED OFF COURSE AND APPEARED TO BE DESCENDING IN A HOSTILE MANNER.

BUT AVIATION EXPERTS DISPROVED AMERICAN STATEMENTS CONFIRMING THAT THE ROUTINE 5-DAYS A WEEK FLIGHT WAS PERFECTLY WITHIN ITS NORMAL COURSE (CIVILIAN AIR CORRIDOR S-59) AND IN FACT WAS CLIMBING UP WHEN MISSED DOWN BY THE AMERICAN CRUISER.

MOREOVER THE SITE OF THE EXPLOSION (26.43 DEGREES NORTH, 56.3 DEGREES EAST) COUPLED WITH THE HOSTILE STATEMENTS OF THE AMERICAN AREA COMMANDER GENERAL GEORGE CRIST BARELY 24 HOURS AGO, LEAVES NO ONE IN DOUBT THAT THE ATTACK WAS DELIBERATE AND PRE-PLANNED.

IT IS ALSO WORTH RECALLING THAT WASHINGTON'S ILLEGAL NAVAL PRESENCE IN THE PERSIAN GULF SUPPOSED TO BE AT THE SO-CALLED INVITATION OF KUWAIT "TO PROTECT NAVIGATION".

THE DEPUTY FOREIGN MINISTER POINTED OUT THAT THERE ARE VARIOUS OTHER EVIDENCES PROVING THAT THE PLANE COULD NOT HAVE BEEN DOWNED BY MISTAKE.

LARIJANI ALSO SAID THAT HE WAS TO HOLD TALKS WITH ITALIAN FOREIGN MINISTER GUILIO ANDREOTTI ON MUTUAL RELATIONS, THE IRAQI-IMPOSED WAR AND OTHER INTERNATIONAL ISSUES, INCLUDING THE U.S. DOWNING OF THE IRANIAN PASSENGER PLANE.

THE IRANIAN OFFICIAL IS EXPECTED BACK IN TEHRAN THURSDAY NIGHT AFTER HIS MEETING WITH THE ITALIAN FOREIGN MINISTER.  
7 JUL 2005Z MKP

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IRAN: KHAMENE'I ADDRESSES FUNERAL OF AIRBUS VICTIMS

TAKE 1 OF 5--KHAMENE'I ADDRESS

L 707130288 TEHRAN DOMESTIC SERVICE IN PERSIAN 0933 GMT 7 JUL 88

(SPEECH BY HOJJAT OL-ESLAM VAL-MOSLEMIN SEYYID 'ALI KHAMENE'I, PRESIDENT OF THE ISLAMIC REPUBLIC OF IRAN, ON 7 JULY AT THE MAJLIS BUILDING IN TEHRAN AT THE FUNERAL CEREMONY FOR VICTIMS OF THE IRAN AIR AIRBUS INCIDENT--RECORDED)

(TEXT) IN THE NAME OF GOD, THE MERCIFUL, THE COMPASSIONATE. THANKS BE TO GOD AND GREETINGS TO OUR PROPHET AND HIS SCION.

WHAT IS SEEN IN THIS ENTHUSIASTIC SCENE IN FRONT OF THE MAJLIS, THE NATION'S HOUSE, IS THE CRYSTALIZATION OF THE BOILING AND ANGRY FEELINGS OF THE IRANIAN NATION. TODAY IN EVERY CORNER OF THE COUNTRY AN ASSEMBLY HAS BEEN ORGANIZED TO COMMEMORATE THESE DEAR ONES AND THIS TRAGIC EVENT. IN ALL OF THEM THE SAME FEELINGS, THE SAME ANGER, AND THE SAME DEEP MOTIVATION FOR REVENGE EXIST AMONG OUR PEOPLE.

FIRST, I DEEM IT NECESSARY TO OFFER MY CONDOLENCES AND THAT OF THE WHOLE IRANIAN NATION TO THE FAMILIES OF ALL THESE DEAR MARTYRS; AND I OFFER THESE CONDOLENCES TO OUR GRACIOUS IMAM WHO IS IN MOURNING THESE EVENTS AND WHO IS THE FATHER OF THE NATION AND THE UMMAH. I ALSO EXPRESS THE CONDOLENCES OF THE HEADS OF STATES AND FIGURES WHO HAVE TAKEN POSITIONS ON THIS INCIDENT AND WHO, THROUGH ME, HAVE OFFERED THEIR CONDOLENCES TO THE MOURNING FAMILIES AND THE IRANIAN NATION.

TODAY A CRISIS STEMMING FROM ANGER AND HATRED HAS COME ABOUT AROUND THE WORLD BECAUSE OF THIS INCIDENT. THOUGH THE AGENTS OF GLOBAL ARROGANCE INITIALLY TRIED TO PREVENT THE INCIDENT, AS IT TOOK PLACE, FROM BEING SEEN BY THE WORLD AND BY PUBLIC OPINION, THE GREATNESS OF THE INCIDENT REVEALED ITSELF. TODAY ALL OVER THE WORLD -- IN THE UNITED STATES ITSELF AND EUROPE -- A CRISIS OF ANGER AND HATRED OVER THIS BARBARIC INCIDENT HAS BEEN CREATED -- AN INCIDENT THAT IS INDEED VERY GREAT.

THE UNITED STATES HAS BEEN PUT ON THE DEFENSIVE, THEY HAVE FOUND THEMSELVES IN A REACTIVE POSITION. NOW THEY ARE TRYING TO RESORT TO VARIOUS PRETEXTS TO EVADE THE WAVES OF ANGER AND HATRED OF NATIONS AND THE WORLD'S POLITICIANS. ONE TIME THEY CLAIM THAT THE INCIDENT WAS NOT INTENTIONAL, ANOTHER TIME THEY SAY THEY WERE FORCED TO DEFEND THEMSELVES -- STATEMENTS ALONG THESE LINES.

THESE STATEMENTS HAVE BEEN REJECTED BY THE WORLD. EXPERTS HAVE SAID THESE STATEMENTS SHOULD BE REJECTED. THE IDEA THAT THE INCIDENT WAS NOT INTENTIONAL HAS NOT BEEN ACCEPTED AT ALL. THOSE WHO CALL THEMSELVES EXPERTS IN THESE FIELDS HAVE NOW BEEN DISCREDITED BY THE PUBLIC AND BY THE EXPERTS. IT SEEMS THAT THEY WANTED TO VICTIMIZE SCIENCE AND SCIENTIFIC FACTS FOR POLITICAL REASONS.

THIS INCIDENT COULD NOT HAVE BEEN UNINTENTIONAL; THE WORLD DOES NOT ACCEPT THAT THE PASSENGER AIRLINER, WITH SUCH GREAT BULK, WAS MISTAKEN FOR A FIGHTER PLANE. THE EXPERTS DO NOT ACCEPT IT -- IT WAS TAKEN TO BE AN INCORRECT PRETEXT. THEREFORE, THE INCIDENT WAS DEFINITELY INTENTIONAL. WE DECLARE THAT AS THE DEFINITE STAND OF

THE IRANIAN GOVERNMENT AND NATION.

THE CONTENTION THAT THE UNITED STATES WAS ENGAGED IN SELF-DEFENSE IS NO LESS INCORRECT AND GROTESQUE THAN THE FIRST CONTENTION. A PASSENGER AIRLINER CAN BE NO THREAT TO A WARSHIP, ESPECIALLY SINCE IT WAS ON ITS OWN NORMAL COURSE, MOVING THROUGH THE USUAL AIR CORRIDOR.

THEREFORE, THE STATEMENTS MADE BY THE UNITED STATES HAVE BEEN REJECTED BY THE WORLD; THEY ARE REJECTED BY THE IRANIAN NATION. NOW WHAT REMAINS ARE THE INCIDENT, THE CRIMINALS CAUSING THE INCIDENT, AND THE VICTIMS OF IT, THAT IS, THE IRANIAN NATION. AS FOR THE INCIDENT ITSELF, I MUST SAY THAT IT IS ONE OF THE BIGGEST WAR CRIMES OF OUR TIMES. MAKE A LIST OF ALL THE DEEDS WHICH ARE TODAY DESCRIBED AS CRIMES OR AS DEEDS REQUIRING THE APPORTIONING OF BLAME. HAVING LISTED THEM, THEN LOOK AT THEM. PAY ATTENTION TO THOSE ELEMENTS ON WHICH WORLD PUBLIC OPINION OR THOSE WHO CLAIM TO DEFEND HUMAN RIGHTS OR INTERNATIONAL COMMITTEES FOLLOWING UP THESE ISSUES PLACE EMPHASIS.

AS AN EXAMPLE I CITE HOSTAGE-TAKING. HOSTAGE-TAKING HAS BEEN CONDEMNED BY THE WORLD TODAY. IF ANYBODY TAKES ONE OR TWO PEOPLE HOSTAGE -- IT DOES NOT MATTER WHETHER THOSE TAKEN HOSTAGE ARE ORDINARY PERSONS, POLITICIANS OR EVEN A SECURITY AGENT -- IN ANY CORNER OF THE WORLD, PUBLIC OPINION DOES NOT LIKE IT. AND YET, TO TAKE A HUMAN BEING HOSTAGE IS NOT TO KILL THAT PERSON. HOSTAGE-TAKING IS NOT THE SAME AS SHEDDING THE BLOOD OF A HUMAN BEING. IT DOES NOT MAKE HIS CHILDREN ORPHANS. IT DEPRIVES THE HOSTAGE OF HIS FREEDOM FOR A SPECIFIC PERIOD OF TIME -- A MONTH, A YEAR, MORE OR LESS

(MORE)  
4 JUL 1988 MKP

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TAKE 2 OF 5--143 (KHAMENE'I ADDRESS)

///MORE OR LESS.

LDW707132888

(TEXT) MURDER IS BY FAR A GREATER CRIME, UGLIER AND MORE CONDEMNABLE THAN HOSTAGE-TAKING. HIJACKING IS ALSO AMONG DEEDS ABOUT WHICH WORLD PUBLIC OPINION HAS BEEN AROUSED -- THE AGENTS OF GLOBAL ARROGANCE PROPAGANDA AND THE BLACK HOUSE OF WASHINGTON'S RINGLEADERS PLACE EMPHASIS ON IT. IF SEVERAL INDIVIDUALS -- WHETHER HARBORING EVIL INTENT OR BEING SELF-SACRIFICING, MILITANT INDIVIDUALS -- HIJACK A PLANE, MOTIVATED BY EITHER POLITICAL OR NONPOLITICAL INTERESTS, AND TAKE IT FROM ONE POINT TO ANOTHER TO KEEP ITS PASSENGERS 2, 3 OR 5 DAYS, ONLY TO RELEASE THEM, IT WOULD BE CONDEMNED THROUGHOUT THE WORLD AS A DISGRACEFUL DEED. WHENEVER SUCH AN INCIDENT TAKES PLACE IN THE WORLD IT CREATES A GREAT SENSATION. WHAT EMPHASIS THESE SELF-APPOINTED DEFENDERS OF HUMAN RIGHTS PLACE ON SUCH AN ACT. YET HIJACKING A PLANE IS NOT COMPARABLE WITH SHOOTING DOWN A PLANE. WHEN A PLANE IS HIJACKED THERE IS FEAR AND CAPTIVITY; WHEN A PLANE IS DESTROYED IN MID-AIR IT IS MURDER, A CRIME; THERE IS BLOODSHED AND AGONY.

YOU SEE HOW THE WORLD REACTS TO A HIJACKING, AND COMPARES IT WITH THIS VERY IMPORTANT INCIDENT. AN AIRLINER WITH ALMOST 300 PASSENGERS, MOST OF THEM CHILDREN AND WOMEN, ARE ON THEIR WAY. THEY HAVE NO ENMITY TOWARD ANYONE, ESPECIALLY DURING THEIR FLIGHT. THEN, THE ARROW OF A CRIME IS FIRED AT THEM. WITHIN A MOMENT IT DESTROYS THEIR LIVES, THEIR FUTURE, AND THEIR HOPES IN THE EYES OF HUMANITY IT IS A MAJOR, IMPORTANT, AND FULLY UNPARDONABLE CRIME. (CROWD CHANTS SLOGANS)

YET, THIS IS SIMPLY THE HUMANISTIC ASPECT OF THE CASE. IT IS SO BIG A CRIME THAT NO CRIMES PREVAILING IN THE WORLD CAN BE COMPARED WITH IT -- BOMBINGS, HIJACKINGS, ASSASSINATIONS -- NONE OF THESE IS REALLY COMPARABLE WITH THIS CRIME THE UNITED STATES HAS COMMITTED, AND I SAY THAT REAGAN PERSONALLY AND THE U.S. RULING JUNTA ARE RESPONSIBLE FOR IT. HOWEVER, MORE IMPORTANT IS THE POLITICAL ASPECT OF THE CASE; THE INTERNATIONAL AND HUMANE ASPECTS OF THE CASE. IF YOU LOOK AT THE DIMENSIONS OF THIS CASE YOU WILL SEE THAT ITS IMPORTANCE IS RAISED IN A COMPOUND WAY. THE MORE IMPORTANT DIMENSIONS OF THE CASE ARE THAT AIRWAYS ARE MADE UNSAFE; AIRLINE PASSENGERS HAVE NO SECURITY AND FEEL THEY MAY NOT ARRIVE SAFELY AT THEIR DESTINATION, BECAUSE A POWERFUL GOVERNMENT VESTS IN ITSELF THE RIGHT TO GO THOUSANDS OF KILOMETERS BEYOND ITS BORDERS AND TERRITORY TO ESTABLISH A VIOLENT AND BULLYING MILITARY PRESENCE TO DENY SECURITY TO THE PEOPLE OF THAT REGION, EVEN WHEN THEY TAKE SIMPLE FLIGHTS.

HOW LONG MUST HUMANITY TOLERATE THE BULLYING OF A POWERFUL STATE, WHICH, RELYING ON ITS POWER AND WEALTH, DISREGARDS ALL HUMAN VALUES? HOW LONG WILL NATIONS TOLERATE THIS? WHY DO U.S. RINGLEADERS LIE TO PEOPLE? WHY DON'T THEY SAY THEY WANT TO BULLY THE WORLD? WHY DO THEY TALK AS IF THEY RESPECT VALUES, AS IF THEY ARE DEFENDERS OF HUMAN RIGHTS? WHAT VIOLENT COLONIALIST POWER, IN THE 19TH CENTURY AND IN THE FIRST HALF OF THE 20TH CENTURY, WAS MORE VIOLENT, MORE POISONOUS, AND MORE HARMFUL? THE WORLD'S POLITICIANS TOOK THEIR PENS

TO CONDEMN THE DEEDS OF THE COLONIALIST GOVERNMENTS OF THE PAST CENTURY AND EARLY THIS CENTURY, YET TODAY THEY DO NOT CONDEMN THE U.S. GOVERNMENT. WHY?

THE WORLD'S INTELLECTUALS, POLITICIANS, THOSE WHO RESPECT HUMAN VALUES AND PROCLAIM HUMAN RIGHTS, WHY DO THEY NOT LOOK AT THE UNITED STATES IN THE SAME WAY AS THEY LOOKED AT THE SAME CRIMINALS WHO, IN THE 19TH AND 20TH CENTURIES, VICTIMIZED SLAVES, BACKWARD NATIONS, HUMAN BEINGS WHO HAD NO REFUGE? THE UNITED STATES LEFT A BLACK PAGE IN HISTORY; WHY NOT LOOK AT IT TODAY WITH THE SAME EYE?

THAT A POWER CAN VEST IN ITSELF THE RIGHT TO EMBARK ON SUCH BULLYING IN THE FREE POINTS OF THE WORLD, UNDER THE PRETEXT OF DEFENDING ITS IMAGINARY, PRESUMED, OR IMPOSED INTERESTS, IS THE BIGGEST TRAGEDY OF TODAY. WITH SUCH DIMENSIONS THIS IS NOW AN INTERNATIONAL PROBLEM; IT IS NO LONGER IRAN'S PROBLEM.

ALL THE COUNTRIES OF THE WORLD, ITS NATIONS, ITS FREEDOM LOVERS, ITS PROGRESSIVE REGIMES, ALL THE REGIMES WHICH RESPECT, EVEN A LITTLE, HUMAN VALUES, MUST STAND UP AGAINST THE UNITED STATES OVER THIS INCIDENT. THEY MUST BRING PRESSURE ON THE UNITED STATES. THEY MUST BLAME THE UNITED STATES.

(MORE)

7 JUL 2105Z MKF

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FBIS 145

TAKE 3 OF 5--143 (KHAMENE'I ADDRESS)

///THE UNITED STATES.

LD0707140088

(TEXT) DESPITE SUCH A BIG ISSUE WITH SUCH VAST DIMENSIONS -- A TRAGEDY FOR MANKIND, AN INTERNATIONAL INCIDENT INVOLVING THE MURDER OF 300 PEOPLE, INCLUDING CHILDREN, WOMEN, AND INNOCENTS -- THAT GENTLEMAN, THE U.S. PRESIDENT, SAYS: IN MY VIEW, THE CASE IS CLOSED. HOW AMAZING! YOU COMMIT CRIMES AND KILL PEOPLE AND THEN SAY: IN OUR OPINION THE CASE IS CLOSED. ALL CRIMINALS, AFTER COMMITTING A CRIME, THINK THE CASE IS CLOSED. BUT THE CASE IS NOT CLOSED FOR THOSE SEEKING RETRIBUTION. THE CASE IS NOT CLOSED IN THE POWERFUL OPINION OF REVENGE. THE CASE IS NOT CLOSED IN THE PUBLIC'S EYES, WHICH SEE HOW HUMANE VALUES ARE ROLLED IN THE DUST AND BLOOD, AND ARE HUMILIATED.

SO IS THE CASE CLOSED IN YOUR OPINION? I DECLARE THAT THE PERSON RESPONSIBLE IN THIS MATTER IS REAGAN HIMSELF AND THE U.S. REGIME. (SHOUTS OF APPROVAL)

ALL THE EVIDENCE IN THIS INCIDENT INDICATES THE EXISTENCE OF A PREPLANNED CONSPIRACY. WITH THEIR INCORRECT AND DISTORTED UNDERSTANDING OF IRAN'S EVENTS AND PROBLEMS, THEY INTENDED TO UNDERTAKE A COORDINATED ACTION WITH THOSE ENEMIES FIGHTING US ON THE FRONT AT THEIR OWN BEHEST AND PROVOCATION: 'AFLAQI REGIME OF IRAQ. THEY ARE COORDINATING IN TWO SECTORS ALONG OUR BORDERS. THE UNITED STATES, REGIONAL REACTION, AND THE 'AFLAQI REGIME ARE WORKING TOGETHER IN THIS AFFAIR. THEY WANTED TO PUT PSYCHOLOGICAL PRESSURE ON OUR NATION TO EXHAUST THEIR DETERMINATION TO CONTINUE THE RESISTANCE. THEY WANTED TO SAY: WE WILL GO AS FAR AS HITTING YOUR CIVILIAN PLANE. THEY WANTED TO FRIGHTEN OUR PEOPLE AND REDUCE THEIR PRESENCE AT THE FRONT. ALTHOUGH THIS POLICY IS A CONSPIRACY AND DEMONSTRATES A SINISTER NATURE, ALL OTHER U.S. POLICIES, OR MOST U.S. POLICIES TOWARD IRAN AND THE ISLAMIC REPUBLIC, SHOW A WRONG AND INEPT ANALYSIS. IT IS THUS A DEFEATED POLICY. THIS INCIDENT DID NOT FRIGHTEN OUR PEOPLE AT ALL. IT ONLY STIRRED THEIR ANGER AND HATRED.

(MORE)

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FBIS 146

E 4 OF 5--143 (KHAMENE'I ADDRESS)

///ANGER AND HATRED.

LD0707143688

(TEXT) THIS INCIDENT HAS NOT FORCED OUR PEOPLE TO LEAVE THE ARENA AND THEY ARE NOT GOING TO DO SO. ON THE CONTRARY, IT MAKES OUR PEOPLE UNDERSTAND WHAT DANGEROUS, TREACHEROUS, AND RUTHLESS ENEMIES WE ARE FIGHTING UNDER THE BANNER AND SLOGAN OF ISLAM; AND HOW RIGHT THE ANALYSIS AND CALCULATIONS OF THE ISLAMIC REPUBLIC AND THE ISLAMIC REVOLUTION WERE IN CONFRONTING AND STANDING AGAINST THEM. OUR PEOPLE REALIZED THAT THEIR STRUGGLE AGAINST U.S. ARROGANCE AND ITS ALLIES IS A FIGHT FOR THE INTEREST OF HUMANITY AND HUMAN VALUES.

THIS BECAME QUITE CLEAR, THANKS TO THEIR MOVES. THE DAY THEY WERE TALKING OF HUMAN RIGHTS, SOME PEOPLE MIGHT HAVE THOUGHT THEY WERE REALLY IN FAVOR OF SUCH RIGHTS AND MIGHT HAVE SAID: WHAT IS THE MEANING OF OUR FIGHT AGAINST THEM ON THESE ISSUES? BUT TODAY OUR NATION UNDERSTANDS WELL WHAT A LYING HYPOCRITE AND TREACHEROUS AND SINISTER MURDERER THE ENEMY REGIME IS, WITH ITS HOSTILITY TO THE ISLAMIC REVOLUTION AND THE ISLAMIC REPUBLIC. OUR PEOPLE WERE ENCOURAGED TO FIGHT THE REINCARNATED SATAN, AS THE IMAM HAS GRACIOUSLY SAID IN HIS MESSAGE. OUR PEOPLE'S MOTIVE HAS BEEN STRENGTHENED; THIS IS A FACT.

AT THE INTERNATIONAL LEVEL, WHAT WE WILL NEVER UNDER ANY CIRCUMSTANCES GIVE UP -- AND THE WORLD NATIONS AND PUBLIC SHOULD UNANIMOUSLY SEEK THIS, IF THEY ARE TRULY IN FAVOR OF JUSTICE -- IS THE IDEA THAT THE UNITED STATES' MILITARY PRESENCE IN THE PERSIAN GULF IS NO LONGER ACCEPTABLE, REGARDLESS OF THE LOGIC AND CIRCUMSTANCES. (SHOUTS OF APPROVAL) IF UNTIL NOW THE U.S. PRESENCE IN THE PERSIAN GULF WAS THE CAUSE OF TRAGEDY; AND SHOULD THE U.S. PRESENCE IN THE PERSIAN GULF LEAD TO ANY INCIDENT OR TRAGEDY, IN WHATEVER FORM, THE U.S. WILL UNDOUBTEDLY BE RESPONSIBLE. INDEED, THEIR PRESENCE IS THE ROOT OF ALL TENSIONS. THEY MUST WITHDRAW FROM THE PERSIAN GULF. (SHOUTS OF APPROVAL)

IN LIGHT OF THE HUMAN ASPECT OF THE INCIDENT, AND IN LIGHT OF THE MURDER AND CRIME COMMITTED BY THE UNITED STATES IN THIS REGION, THE IRANIAN NATION AND, IN THEIR CAPACITY AS REPRESENTATIVES OF THE IRANIAN NATION, THE COUNTRIES' OFFICIALS CONSIDER THEMSELVES AUTHORIZED TO AVENGE THIS BLOODSHED. THEY RESERVE TO THEMSELVES THE RIGHT TO TAKE REVENGE FOR THIS BLOODSHED IN WHATEVER FORM THEY CONSIDER APPROPRIATE, IN ANY PLACE THEY CONSIDER SUITABLE. GOD WILLING, THEY WILL CARRY OUT THEIR VENGEANCE WITH STRENGTH. (SHOUTS OF APPROVAL) AS REGARDS THE GENERAL, INTERNATIONAL, AND HUMANITARIAN ASPECTS OF THIS INCIDENT, THE POLITICAL ASPECT OF IT--THAT IS, THE FACT THAT A POWER DEPENDENT ON FORCE AND WEALTH SHOULD MAINTAIN A BELLICLOSE PRESENCE IN THE AREAS OF OTHER NATIONS AND THAT IT SHOULD EXERCISE FORCE--WE DECLARE THAT THE IRANIAN NATION WILL NEVER ACCEPT ANY SHOW OF FORCE OR BULLYING BY THE UNITED STATES--NOT TODAY AND NOT EVER. (SHOUTS OF APPROVAL)

GOD WILLING, WITH THE PERSEVERANCE AND FORTITUDE OF OUR REVOLUTIONARY NATION, WE SHALL SHATTER THIS IDOL OF BELLIGERENCE AND FORCE. THE IRANIAN NATION, ISLAM, AND THE ISLAMIC REVOLUTION WILL NEVER PERMIT THIS UNJUST DISTRIBUTION OF STRENGTH TO CONTINUE TO

HOLD SWAY OVER THE WORLD. THIS IS THE BASIS OF OUR REVOLUTION'S POLICY, THE BASIS OF OUR STRATEGY. IS IT POSSIBLE THAT THE ISLAMIC REVOLUTION, THE ISLAMIC SYSTEM, A MUSLIM REVOLUTIONARY NATION WHICH HAS RISEN UP, WILL ACCEPT THE EMPERORS OF FORCE AND WEALTH AND TOLERATE THEIR MAKING SUCH ILLOGICAL DEMANDS AS IN THE PAST? WE DO NOT ACCEPT THIS FOR OURSELVES, MUCH LESS FOR OTHER NATIONS!

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7 JUL 2119Z MKF

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FBIS 147

1 (E 5 OF 5--143 (KHAMENE'I ADDRESS)

///FOR OTHER NATIONS.

LD0707151688

(TEXT) GOD WILLING, THIS WAVE WILL ENGULF THE WORLD AND DRAG DOWN THESE EMPERORS FROM THEIR MIGHTY THRONES. WE WILL SEE SUCH A DAY, GOD WILLING.

BUT, YOU DEAR PEOPLE, THIS IS THE ENEMY. THE ENEMY, WHO HAS CONFRONTED OUR REVOLUTION FROM THE FIRST DAY UNTIL THE REVOLUTION'S VICTORY, AND FROM THE REVOLUTION'S VICTORY UNTIL TODAY, IS A RUTHLESS ENEMY WITH NO CONSCIENCE, A MERCILESS ENEMY WITH NO RESPECT FOR ANY PRINCIPLE OR VALUE. YOU SHOULD KNOW THAT IN THESE 10 YEARS SINCE THE REVOLUTION'S VICTORY AND DURING THE STRUGGLE THAT LED TO VICTORY, WE HAVE ALWAYS FORCED THIS ENEMY TO RETREAT. SO FAR, THE UNITED STATES HAS NOT MANAGED TO BULLY OUR REVOLUTION. OF COURSE, THERE HAVE BEEN SANCTIONS, ECONOMIC PRESSURE, FREEZES OF OUR ASSETS, BOYCOTTS OF OUR TOOLS AND EQUIPMENT, CONSPIRACIES, AND COLLUSIONS WITH OTHERS. NEVERTHELESS, IN POLITICS AND IN THE CONFRONTATION BETWEEN THE REVOLUTION AND THE UNITED STATES, THE UNITED STATES HAS FAILED TO FORCE THE ISLAMIC REPUBLIC TO RETREAT EVEN ONE STEP; AND THIS STRUGGLE CONTINUES TO THIS DAY.

I MUST TELL YOU, DEAR RISEN, COMMITTED, LOYAL, AND REVOLUTIONARY NATION, WHAT GIVES HOPE TO GLOBAL ARROGANCE TO CONTINUE ITS UNFAIR CONFRONTATION AGAINST OUR NATION AND OUR REVOLUTION IS THE HOPE OF OUR NATION TIRING. IT HOPES TO EXHAUST OUR PEOPLE. THEY STRENGTHEN THE IRAQI REGIME IN THIS HOPE. IT IS IN THIS HOPE THAT THEY RESORT TO SUCH CRIMES, AND WE SEE THE VICTIMS OF THIS CRIME HERE. IT IS IN THIS HOPE THAT THEY ARM THE REACTIONRY OF EUROPEAN ALLIES TO STAND AGAINST US. IT IS ALL BECAUSE THEY HOPE TO EXHAUST YOU, THE NATION.

THEIR ONLY HOPE IS TO EXHAUST OUR NATION; AND THE ONLY REPLY TO THEM, WHICH WILL BE LIKE A SLAP IN THEIR MOUTH, IS OUR NATION'S DETERMINATION TO SHOW THEM THAT WE WILL NEVER TIRE OF RESISTANCE AND DEFENDING ISLAM AND THE RIGHTS OF THE IRANIAN NATION. (SHOUTS OF APPROVAL) YOUR PRESENCE HERE, YOUR PRESENCE ON THE FRONT, YOUR DETERMINATION TO TAKE THE ISSUE OF THE IMPOSED WAR SERIOUSLY, AND YOUR DECISION TO GIVE TOP PRIORITY TO THIS HOLY DEFENSE ARE THE ONLY FACTORS THAT CAN BRING DESPONDENCY TO THE ENEMY.

THE DAY THEY GIVE UP HOPE OF TIRING YOU OUT WILL BE THE DAY THE IRANIAN NATION RESTS. STRIVE TO PRESERVE THIS CONCENTRATION, THIS HARD WORK, AND THIS DEPLOYMENT OF ALL FORCES TO SLAP THE ENEMY IN THE MOUTH, BOTH ON THE MILITARY AND POLITICAL FRONT, AS WELL AS ON ALL FRONTS. ALWAYS BEAR THIS IN MIND AS A PRINCIPLE. WE ARE DETERMINED, WITH ALMIGHTY SUCCOR AND THANKS TO YOUR -- THE NATION'S -- RESOLVE AND DETERMINATION AND YOUR UNITY AND SOLIDARITY, TO EMPLOY ALL OUR FORCES POWERFULLY IN BACKING OUR DEAR AND GREAT IMAM. WE ARE DETERMINED TO PUT PRESSURE, THROUGH OUR REPEATED AND RELENTLESS ATTACKS, ON U.S. AGENTS, STARTING WITH THE AGGRESSIVE 'AFLAQI BATH PARTY, OTHER AGENTS, AND ARROGANT POLICIES. GOD -- WILLING, THE FINAL VICTORY BELONGS TO THIS JUSTICE-SEEKING, MILITANT, AND SELFLESS NATION.

ONCE AGAIN, I OFFER CONDOLENCES TO OUR DEAR IMAM, TO THE ENTIRE NATION OF IRAN, AND PARTICULARLY TO THE BEREAVED FAMILIES OVER THIS

TRAGIC INCIDENT. SINCE SUCH INCIDENTS STRENGTHEN THE IRANIAN NATION'S RESISTANCE, I ALSO OFFER CONGRATULATIONS FOR THIS TRAGIC VICTORY. I HOPE THAT THROUGH PERSISTENCE AND CONTINUATION OF THE TASK AND THE CAUSE, WE WILL AVENGE THE BLOOD OF THESE INNOCENT DEAR ONES. MAY GOD'S PEACE AND MERCY AND BLESSINGS BE UPON YOU ALL. (ENDALL)

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RETURN TO RENOYER AU	<b>B. G. G.</b>	POUR - ETRE PORTE AU DOSSIER
ACC	REF	DATE
FILE		DOSSIER
<b>20-Iran-1-3-USA</b>		

July 8, 1988

SUBJECT: THE IRAN AIRBUS TRAGEDY

Talking Points:

-- As you know, the President has immediately expressed deep regret over the death of innocent people. (Attachment)

-- Admiral Crowe, Chairman of the Joint Chiefs of the Staff, has set forth the facts as fully as possible. (Attachment)

-- Our own internal military investigation is underway. We will also cooperate in every appropriate manner with any ICAO investigation into this incident. We hope that Iran will do so as well as by providing international bodies access to the flight recorder.

-- Iranian charges that the incident was deliberately caused by the U.S. are groundless. It was, as the President has said, a tragic accident.

-- In this regard, Iran bears a measure of responsibility for the incident. Iranian small boats had engaged in unprovoked attacks against an Danish ship and a U. S. helicopter. Our forces were responding to these Iranian attacks when the incident occurred.

-- More broadly, the tragedy is the result of the continuation of the Iran-Iraq war, and Iranian threats to navigation in the Gulf which have required the U.S. naval presence. To blame the U.S. naval presence is to ignore these realities. We have always taken the position that the U.S. (and we presume other) naval presence will be reduced when the threat recedes.

-- In the days and weeks ahead, we urge others to bring their influence to bear on Iran in every way possible to discourage the Iranian government from acting in a way which inflames passions, to avoid actions such as attacks on neutral shipping, and to refrain from attacks on U. S. forces which are designed to provoke a U. S. response. We do not seek a confrontation with Iran, but will maintain our policy of responding forcefully to attack and of assisting neutral shipping asking for help.

-- It is also relevant to note that although we have long expressed readiness, both publicly and through diplomatic channels, to meet with an authoritative Iranian official, without preconditions, to discuss our differences, Iran has never responded with a equal willingness.

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-- This human tragedy will not affect our policy in the Persian gulf. We will continue to support the principle of freedom of navigation through our diplomacy and through our naval presence.

-- It strengthens us in our determination to find the earliest possible end to the Iran-Iraq war. The innocent victims of this tragedy are the latest among hundreds of thousands of casualties of a war which should have ended years ago.

-- We urge other governments to join us in this effort.

-- The United States played a leading role in the negotiations which led to the unanimous adoption of Resolution 598 almost a year ago. That resolution provides the basis for a just, durable, negotiated peace.

--We believe the nations of the world, and particularly the members of the Security Council, should act with renewed dedication to bring this war to an end by acting decisively to enforce the provisions of Resolution 598.

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ACC	REF	DATE	
FILE		DOSSIER	
20-Iran-1-3-USA		7/7/88	

FM US EMB.

SUBJECT: THE IRAN AIRBUS TRAGEDY

TALKING POINTS:

-- AS YOU KNOW, THE PRESIDENT HAS IMMEDIATELY EXPRESSED DEEP REGRET OVER THE DEATH OF INNOCENT PEOPLE. (PROVIDE TEXT OF PRESIDENTIAL STATEMENT FROM REFTEL.)

-- ADMIRAL CROWE, CHAIRMAN OF THE JOINT CHIEFS OF THE STAFF, HAS SET FORTH THE FACTS AS FULLY AS POSSIBLE. (PROVIDE TEXT OF CROWE STATEMENT FROM REFTEL.)

-- OUR OWN INTERNAL MILITARY INVESTIGATION IS UNDERWAY. WE WILL ALSO COOPERATE IN EVERY APPROPRIATE MANNER WITH

ANY ICAO INVESTIGATION INTO THIS INCIDENT. WE HOPE THAT IRAN WILL DO SO AS WELL BY PROVIDING INTERNATIONAL BODIES ACCESS TO THE FLIGHT RECORDER.

-- IRANIAN CHARGES THAT THE INCIDENT WAS DELIBERATELY CAUSED BY THE U.S. ARE GROUNDLESS. IT WAS, AS THE PRESIDENT HAS SAID, A TRAGIC ACCIDENT.

-- IN THIS REGARD, IRAN BEARS A MEASURE OF RESPONSIBILITY FOR THE INCIDENT. IRANIAN SMALL BOATS HAD ENGAGED IN UNPROVOKED ATTACKS AGAINST A DANISH SHIP AND A U.S. HELICOPTER. OUR FORCES WERE RESPONDING TO THESE IRANIAN ATTACKS WHEN THE INCIDENT OCCURRED.

-- MORE BROADLY, THE TRAGEDY IS THE RESULT OF THE CONTINUATION OF THE IRAN-IRAQ WAR, AND IRANIAN THREATS TO NAVIGATION IN THE GULF WHICH HAVE REQUIRED THE U.S. NAVAL PRESENCE. TO BLAME THE U.S. NAVAL PRESENCE IS TO IGNORE THESE REALITIES. WE HAVE ALWAYS TAKEN THE POSITION THAT THE U.S. (AND WE PRESUME OTHER) NAVAL PRESENCE WILL BE REDUCED WHEN THE THREAT RECEDES.

-- IN THE DAYS AND WEEKS AHEAD, WE URGE OTHERS TO BRING THEIR INFLUENCE TO BEAR ON IRAN IN EVERY WAY POSSIBLE TO DISCOURAGE THE IRANIAN GOVERNMENT FROM ACTING IN A WAY WHICH INFLAMES PASSIONS, TO AVOID ACTIONS SUCH AS ATTACKS ON NEUTRAL SHIPPING, AND TO REFRAIN FROM ATTACKS ON U.S. FORCES WHICH ARE DESIGNED TO PROVOKE A U.S. RESPONSE. WE DO NOT SEEK A CONFRONTATION WITH IRAN, BUT WILL MAINTAIN OUR POLICY OF RESPONDING FORCEFULLY TO ATTACK AND OF ASSISTING NEUTRAL SHIPPING ASKING FOR HELP.

-- IT IS ALSO RELEVANT TO NOTE THAT ALTHOUGH WE HAVE LONG EXPRESSED READINESS, BOTH PUBLICLY AND THROUGH DIPLOMATIC CHANNELS, TO MEET WITH AN AUTHORITATIVE IRANIAN OFFICIAL, WITHOUT PRECONDITIONS, TO DISCUSS OUR DIFFERENCES, IRAN HAS NEVER RESPONDED WITH AN EQUAL WILLINGNESS.

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-- THIS HUMAN TRAGEDY WILL NOT AFFECT OUR POLICY IN THE PERSIAN GULF. WE WILL CONTINUE TO SUPPORT THE PRINCIPLE OF FREEDOM OF NAVIGATION THROUGH OUR DIPLOMACY AND THROUGH OUR NAVAL PRESENCE.

-- IT STRENGTHENS US IN OUR DETERMINATION TO FIND THE EARLIEST POSSIBLE END TO THE IRAN-IRAQ WAR. THE INNOCENT VICTIMS OF THIS TRAGEDY ARE THE LATEST AMONG HUNDREDS OF THOUSANDS OF CASUALTIES OF A WAR WHICH SHOULD HAVE ENDED YEARS AGO.

-- WE URGE OTHER GOVERNMENTS TO JOIN US IN THIS EFFORT.

-- THE UNITED STATES PLAYED A LEADING ROLE IN THE NEGOTIATIONS WHICH LED TO THE UNANIMOUS ADOPTION OF RESOLUTION 598 ALMOST A YEAR AGO. THAT RESOLUTION PROVIDES THE BASIS FOR A JUST, DURABLE, NEGOTIATED PEACE.

-- WE BELIEVE THE NATIONS OF THE WORLD, AND PARTICULARLY THE MEMBERS OF THE SECURITY COUNCIL, SHOULD ACT WITH RENEWED DEDICATION TO BRING THIS WAR TO AN END BY ACTING DECISIVELY TO ENFORCE THE PROVISIONS OF RESOLUTION 598.

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Document divulgué en vertu de la Loi sur l'accès à l'information

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FOLLOWING IS THE TEXT OF REAGAN'S STATEMENT:

(BEGIN REAGAN TEXT)

I AM SADDENED TO REPORT THAT IT APPEARS THAT IN A PROPER DEFENSIVE ACTION BY THE USS VINCENNES THIS MORNING OVER THE PERSIAN GULF AN IRANIAN AIRLINER WAS SHOT DOWN OVER THE STRAIT OF HORMUZ. THIS IS A TERRIBLE HUMAN TRAGEDY. OUR SYMPATHY AND CONDOLENCES GO OUT TO THE PASSENGERS, CREW, AND THEIR FAMILIES. THE DEFENSE DEPARTMENT WILL CONDUCT A FULL INVESTIGATION.

WE DEEPLY REGRET ANY LOSS OF LIFE. THE COURSE OF THE IRANIAN CIVILIAN AIRLINER WAS SUCH THAT IT WAS HEADED DIRECTLY FOR THE USS VINCENNES, WHICH WAS AT THE TIME ENGAGED WITH FIVE IRANIAN BOGHAMMAR BOATS THAT HAD ATTACKED OUR FORCES. WHEN THE AIRCRAFT FAILED TO HEED REPEATED WARNINGS, THE VINCENNES FOLLOWED STANDING ORDERS AND WIDELY PUBLICIZED PROCEDURES, FIRING TO PROTECT ITSELF AGAINST POSSIBLE ATTACK.

THE ONLY U.S. INTEREST IN THE PERSIAN GULF IS PEACE AND THIS TRAGEDY REINFORCES THE NEED TO ACHIEVE THAT GOAL WITH ALL POSSIBLE SPEED.

(END REAGAN TEXT)

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FOLLOWING IS THE TEXT OF THE TRANSCRIPT OF THE 7/3  
CROWE DOD BRIEFING:

(BEGIN TEXT)

ADMIRAL CROWE: GOOD AFTERNOON. AFTER RECEIVING FURTHER DATA AND EVALUATING INFORMATION AVAILABLE FROM THE PERSIAN GULF, WE BELIEVE THAT THE CRUISER USS VINCENNES, WHILE ACTIVELY ENGAGED WITH THREATENING IRANIAN SURFACE UNITS AND PROTECTING ITSELF FROM WHAT WAS CONCLUDED TO BE A HOSTILE AIRCRAFT, SHOT DOWN AN IRANIAN AIRLINER OVER THE STRAIT OF HORMUZ. THE U.S. GOVERNMENT DEEPLY REGRETS THIS INCIDENT. A FULL INVESTIGATION WILL BE CONDUCTED BUT IT IS OUR JUDGMENT THAT BASED ON THE INFORMATION CURRENTLY AVAILABLE, THE LOCAL COMMANDERS HAD SUFFICIENT REASONS TO BELIEVE THEIR UNITS WERE IN JEOPARDY AND THEY FIRED IN SELF DEFENSE.

THE SEQUENCE OF EVENTS COMMENCED WHEN A VINCENNES HELICOPTER WAS FIRED UPON BY IRANIAN SURFACE UNITS AT 10:10 A.M. LOCAL GULF TIME (2:10 A.M. EDT), APPROXIMATELY 40 MINUTES BEFORE THE AIR ACTION. SUBSEQUENTLY, THE VINCENNES IDENTIFIED THE IRANIAN FIRING UNITS AND CLOSED TO ENGAGE. THE IRANIAN JONBOATS TURNED TOWARD THE VINCENNES AT HIGH SPEED AND WERE ENGAGED AT 10:42 A.M. WITH GUNFIRE FROM THE CRUISER AND THE FRIGATE ALBERT B. MONTGOMERY. WHILE SO INVOLVED, THE VINCENNES DETECTED AN AIRCRAFT OVER IRAN AT ABOUT 10:47 A.M., AGAIN LOCAL TIME. THIS AIRCRAFT HEADED TOWARD THE VINCENNES AND COMMENCED CLOSING AT HIGH SPEED. VINCENNES IMMEDIATELY BEGAN ASSESSING THIS NEW THREAT. THE SUSPECT AIRCRAFT WAS OUTSIDE THE PRESCRIBED COMMERCIAL AIR CORRIDOR. MORE IMPORTANTLY, THE AIRCRAFT HEADED DIRECTLY FOR THE VINCENNES ON A CONSTANT BEARING AT HIGH SPEED -- APPROXIMATELY 450 KNOTS.

A WARNING WAS SENT ON BOTH MILITARY AND CIVILIAN DISTRESS FREQUENCIES BEGINNING AT 10:49 A.M. THIS PROCEDURE WAS REPEATED SEVERAL TIMES, BUT THE AIRCRAFT NEITHER ANSWERED NOR CHANGED ITS COURSE. THERE WERE ELECTRONIC INDICATIONS ON VINCENNES THAT LED IT TO BELIEVE THAT THE AIRCRAFT WAS AN F14 (THERE HAVE BEEN A NUMBER OF F14 FLIGHTS IN THE AREA OVER THE LAST FEW DAYS). GIVEN THE THREATENING FLIGHT PROFILE AND THE DECREASING RANGE, THE AIRCRAFT WAS DECLARED "HOSTILE" AT 10:51 A.M. LOCAL. AT 10:54 A.M., WHEN THE AIRCRAFT WAS ABOUT NINE MILES AWAY, VINCENNES FIRED TWO STANDARD SURFACE-TO-AIR MISSILES, AT LEAST ONE OF WHICH HIT AT AN APPROXIMATE RANGE OF SIX MILES. DUE TO LIMITED VISIBILITY, THE AIRCRAFT WAS NOT VISUALLY SIGHTED UNTIL THE MISSILE IMPACTED.

IN UNDERSTANDING THIS INCIDENT, IT IS IMPORTANT TO APPRECIATE THE TOTAL CONTEXT IN WHICH OUR SHIPS OPERATE. THE U.S. GOVERNMENT EMPHASIZED FROM THE OUTSET THAT COMMITTING MILITARY UNITS TO THE PERSIAN GULF MISSION WOULD INVOLVE RISKS AND UNCERTAINTIES. THIS CONCLUSION HAS BEEN REINFORCED BY SEVERAL INCIDENTS, E.G. BRIDGETON MINING, THE STARK TRAGEDY, AND THE SAMUEL B. ROBERTS MINING. A DECISION WAS MADE EARLY IN THE COMMITMENT TO GIVE OUR COMMANDERS SUFFICIENT LATITUDE TO PROTECT THEIR PEOPLE AND EQUIPMENT WHEN HOSTILE INTENT WAS MANIFESTED. THEY DO NOT HAVE TO BE SHOT AT BEFORE RESPONDING. THROUGHOUT OUR INVOLVEMENT IN THE PERSIAN GULF, THE IRANIAN GOVERNMENT HAS

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REPEATEDLY THREATENED AND FIRED UPON U.S. FORCES.

IN SEPTEMBER 1987, AS A RESULT OF THE ATTACK ON USS STARK AND OTHER INCIDENTS, THE U.S. ISSUED A NOTICE TO AIRMAN (NOTAM) WHICH ADVISED ALL AIRCRAFT IN THE PERSIAN GULF REGION THAT U.S. NAVY SEIPS WERE TAKING ADDITIONAL PRECAUTIONS AND OF THE NEED TO IDENTIFY THEMSELVES AND TO STATE THEIR INTENTIONS. ADDITIONALLY, THEY WERE ADVISED THAT FAILURE TO RESPOND TO REQUESTS FOR IDENTIFICATION AND INTENTIONS, OR TO WARNINGS, AND OPERATING IN A THREATENING MANNER COULD PLACE THE AIRCRAFT AT RISK BY U.S. DEFENSIVE MEASURES.

AS TO THE RECENT ENVIRONMENT, WE HAVE ALERTED OUR FORCES OF INDICATIONS THAT IRANIAN UNITS MIGHT ATTEMPT TO CARRY OUT ATTACKS AGAINST OUR FORCES OVER THE JULY 4TH HOLIDAY.

WE ARE STILL IN THE PROCESS OF RECONCILING AND COLLATING ALL THE DATA. AN OFFICIAL INVESTIGATION OF THE INCIDENT WILL BE CONDUCTED BY REAR ADMIRAL WILLIAM N. FOGARTY, USN, OF THE U.S. CENTRAL COMMAND.

THAT CONCLUDES MY STATEMENT.

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**CDN EYES ONLY**  
**ENTRE CDNS SEULEMENT**

C O N F I D E N T I A L CANADIAN EYES ONLY

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---RESUMPTION OF FULL DIPLOMATIC RELATIONS WITH IRAN  
FROM SOUNDINGS HERE IT IS CLEAR USA IS FULLY SUPPORTIVE OF  
CANADAS MOVEMENT TOWARDS RESUMPTION OF NORMAL TIES WITH IRAN.  
2. DESPITE FREQUENT REPORTS OF USA/IRANIAN CONTACTS THERE HAVE  
BEEN NONE AT OFFICIAL LEVEL OF WHICH STATE DEPT IS AWARE AND  
SECTY SHULTZ IS NOW CLEARLY IN CHARGE OF IRAN DOSSIER.  
WAHSINGTON HAS FREQUENTLY PASSED TO TEHRAN, THROUGH THIRD  
PARTIES, MESSAGES INDICATING THAT IT CONSIDERS CURRENT  
SITUATION ABNORMAL AND WOULD BE PREPARED TO MOVE TOWARDS NORMAL  
RELATIONS. TO THAT END AMERICANS WOULD BE PREPARED TO MEET  
WITH OFFICIAL REPRESENTATIVES OF GOVT OF IRAN. THEY HAVE NEVER  
RECEIVED POSITIVE RESPONSES TO SUCH OVERTURES. THEY HAVE  
FREQUENTLY BEEN CONTACTED BY IRANIAN BUSINESSMENT AND OTHERS  
OFFERING TO ACT AS INTERMEDIARIES AND CLAIMING THEY WERE IN  
CLOSE CONTACT WITH RAFSANJANI OR OTHER LEADING FIGURES.  
ACCORDING TO LARRY POPE, DIRECTOR NORTHERN GULF AFFAIRS, USA  
WILL NOT/NOT PROCEED ON THAT BASIS. THEY MUST MEET WITH AN  
AUTHORITATIVE REPRESENTATIVE OF GOVT OF IRAN.

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3. POPE EXPECTS THAT PROCESS OF NORMALIZATION BETWEEN USA AND IRAN WILL BE LONG AND DRAWN OUT WITH DIFFICULT NEGOTIATIONS LASTING OVER AN EXTENDED PERIOD. THERE ARE MANY USA EDUCATED IRANIANS IN SENIOR POSITIONS IN MFA AND ELSEWHERE WHO PROBABLY WANT NORMALIZATION BUT IT IS DIFFICULT FOR THEM TO OPENLY ADVOCATE IT.

4. WITHIN STATE DEPT, THERE IS SOME SUPPORT FOR THEORY THAT THOSE IN IRAN PRESSING FOR MORE NORMAL RELATIONS WITH CANADA AND OTHER WESTERN COUNTRIES, WHATEVER THEIR PERSONAL BELIEFS, ARE PRESENTING MOVE AS CLEVER GAMBIT INTENDED TO ISOLATE WASHINGTON.

5. THERE IS NOTHING IN WORDING OF PROPOSED ANNOUNCEMENT THAT WOULD GIVE WASHINGTON OVERWHELMING DIFFICULTY. PARA 2 IN WHICH CDN GOVT SPEAKS OF IRAN AS NATION OF MAJOR IMPORTANCE IN MIDEAST IN VIEW OF CONSEQUENCES OF ISLAMIC REV ETC. MAY RAISE A NUMBER OF EYEBROWS ESPECIALLY AS NO/NO SYMMETRICAL STATEMENT IS ATTRIBUTED TO IRANIANS. LACK OF RECIPROCAL IRANIAN STATEMENT ELSEWHERE IN TEXT COULD ALSO BE NOTED BY PRESS GIVEN EXTREMELY NEGATIVE IRANIAN IMAGE HERE.

6. BELIEVE USA INTENTION, AT LEAST AT OFFICIAL LEVEL, WOULD BE TO ENDEAVOUR TO DEAL WITH IRAN ON BASIS OF STRICT RECIPROCITY AND IT PERHAPS STRIKES THEM AS A BIT DISAPPOINTING WHEN CLOSE ALLIES TAKE A SLIGHTLY DIFFERENT COURSE. WE HAVE NO/NO DOUBT, HOWEVER, THAT THEY WOULD UNDERSTAND EXPLANATION THAT THIS WAS MINOR PRICE WHICH HAD TO BE PAID IN ORDER TO ACHIEVE OBJECTIVE.

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EXTERNAL AFFAIRS AFFAIRES EXTÉRIEURES

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INTELLIGENCE REPORT

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USA/IRAN: Persian Gulf - Hostilities Escalate

Introduction

1. Four days ago (April 14) the US frigate Samuel B. Roberts hit an Iranian mine. The US President decided, on April 17, upon "measured" retaliatory action. The USA and Iran have subsequently become engaged in a series of military clashes that have dramatically escalated tensions in the Persian Gulf. The chronology of still unfolding events is as follows (as of 16:00 April 18):

Chronology

April 17, 1988

EDT

21:00 Key members of the US Congress were briefed.

April 18, 1988

- 01:00 Personnel aboard Iranian oil platforms at Sirri and Sassan were given 30 minutes' notice to evacuate by the US military. Both platforms are located in the same area as the Rostam, the platform which was destroyed by the US military last November.
- 01:30 The Sirri oil platform and an Iranian patrol boat in the vicinity were destroyed.
- 01:57 The Sassan oil platform was destroyed.
- 04:00 A British oil barge, the Yorke-Marine, was attacked by an Iranian vessel, as well as an oil platform manned until recently by Americans.
- 04:10 The Iranian frigate Sahand engaged in a firefight with three US aircraft based on the US carrier Enterprise. At last report the Sahand was burning fiercely.
- 05:10 The USS Wainwright detected a guided missile being fired from the Joshan, a second Iranian frigate. The USS Simpson fired a missile in response which scored a direct hit and the Joshan sank.

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- 10:40 The Iranian frigate Sabalan fired on two US aircraft.
- 10:43 An Iranian missile, apparently fired by the Sabalan, was detected by USS Jack Williams. The USS O'Brien, the USS Strauss and the USS Jack Williams manoeuvred to avoid being hit.
- 11:00 The USS Gary launched chaff and gunfire in a successful attempt to destroy a missile. The missile was evidently not a Silkworm as had first been suspected.
- 11:20 A second Iranian missile was fired, apparently from the Sabalan.
- 13:30 The Sabalan was hit by US gun and cannon fire and is reportedly taking on water and sinking fast.

There have been no reported American casualties in today's fighting.

#### Outlook

Iranian communications traffic in the area suggests that the level of hostilities is continuing to intensify. Iran has issued a statement blaming the USA for the clashes and suggesting that the USA is endeavouring to align itself with Iraq by directly entering the war. Iran has also insisted that it would retaliate further for the attacks on its vessels. President Reagan, for his part, has warned that the USA would meet further Iranian attacks with due force. The prospect of hostilities continuing (probably at reduced levels considering Iran's losses) is therefore strong.

Prepared by  
Foreign Intelligence Bureau

T. P. O'Connor  
992-8058

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IRAN: U.S. POLICY

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-- THERE HAVE BEEN A NUMBER OF STORIES IN THE WORLD PRESS ALLEGING U.S.-IRANIAN NEGOTIATIONS, DIRECT CONTACTS, AND THE LIKE. THESE REPORTS ARE ALL FALSE.

-- WE HAVE ALWAYS BEEN PREPARED TO MEET DIRECTLY WITH AN AUTHORITATIVE IRANIAN OFFICIAL TO DISCUSS THE ISSUES THAT DIVIDE US. WE WILL NOT NEGOTIATE WITH PERSONS REPRESENTING IRANIAN FACTIONS, BUT WE ARE PREPARED TO MEET WITH REPRESENTATIVES OF THE IRANIAN GOVERNMENT.

-- AS LONG AS IRAN POSES A THREAT TO REGIONAL STABILITY AND TO ITS NEIGHBORS IN THE GULF, CONTINUES TO SPONSOR INTERNATIONAL TERRORISM AND HOSTAGE-TAKING, AND REFUSES TO COMPLY WITH RESOLUTION 598 OF THE SECURITY COUNCIL TO END THE IRAN-IRAQ WAR, THERE WILL NOT BE THE BASIS FOR A NORMAL RELATIONSHIP BETWEEN THE U.S. AND IRAN.

-- WE WILL NOT ENGAGE IN BARGAINING OVER THE U.S. HOSTAGES IN LEBANON. BLACKMAIL IS SIMPLY NOT A SOUND BASIS FOR A RELATIONSHIP BETWEEN STATES. THOSE WHO PAY BLACKMAIL IN ONE FORM OR ANOTHER ENCOURAGE HOSTAGE-TAKING.

-- SO FAR, OUR WILLINGNESS TO MEET WITH AN IRANIAN OFFICIAL HAS NOT BEEN RECIPROCATED BY IRAN. THERE HAVE BEEN NO DIRECT CONTACTS BETWEEN THE U.S. AND IRAN, OTHER THAN PURELY LEGAL EXCHANGES IN THE IRAN-U.S. CLAIMS TRIBUNAL AT THE HAGUE.

THERE HAVE BEEN INDIRECT CONTACTS. THROUGH THIRD COUNTRIES, WE HAVE CONVEYED OUR VIEWS TO THE IRANIAN GOVERNMENT. WE HAVE ALSO COMMUNICATED OUR VIEWS THROUGH THE SWISS GOVERNMENT, WHICH IS OUR PROTECTING POWER IN TEHRAN.

-- WE BELIEVE THAT OUR POLICY OF FIRMNESS COMBINED WITH A WILLINGNESS TO TALK IS THE RIGHT ONE. WE INTEND TO CONTINUE THIS POLICY.

-- WE DO NOT FAVOR A MILITARY VICTORY BY EITHER SIDE IN THE IRAN-IRAQ WAR. WE WILL CONTINUE TO WORK FOR A NEGOTIATED SETTLEMENT IN ACCORDANCE WITH RESOLUTION 598.

-- WE BELIEVE THAT IRAN HAS AN IMPORTANT ROLE TO PLAY IN MAINTAINING STABILITY IN THE PERSIAN GULF. WE LOOK FORWARD TO THE DAY WHEN IRAN IS PREPARED TO PLAY A RESPONSIBLE ROLE IN THE REGION. UNTIL THEN, WE WILL KEEP OUR GUARD UP, AND MAINTAIN OUR COMMITMENTS.

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**ACTION**  
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---SECURITY CCUNSL ARMS EMBARGO AGAINST IRAN:USA VIEWS

ALTHOUGH PERMANENT MEMBERS ARE NOT/NOT MOVING AS FAST AS USA WOULD LIKE(ATTN GIVEN TO OCCUPIED TERRITORIES HAS BEEN MAJOR FACTOR IN DELAY),STATE DEPT IS REASONABLY SATISFIED WITH PROGRESS TO DATE.WE UNDERSTAND DIFFERENCES AMONG WESTERN PERMANENT MEMBERS ABOUT HOW DIRECTLY RESLN SHOULD REFER TO IRAN HAS ALSO SLOWED DISCUSSIONS.USA WANTS ANY RESLN TO BE AS CLEAR AND SHARPLY DEFINED AS POSSIBLE.

2.ADMIN IS CONVINCED SOVS CONTINUE TO USE IDEA OF UN NAVAL PRESENCE IN GULF TO DIVERT ATTN AWAY FM CENTRAL ISSUE OF ARMS EMBARGO.HOWEVER WSHDC IS REASONABLY SATISFIED THAT HEADWAY IS BEING MADE ON SMOKING OUT SOV INTENTIONS THROUGH FORCING MOSCO TO DEFINE CLEARLY MISSION AND PURPOSE OF SUCH A FORCE.SOVS HAVE NOW STATED THAT THEY WOULD NOT/NOT WISH SUCH A FORCE TO BE USED TO ENFORCE ARMS EMBARGO AGAINST IRAN.

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ALTHOUGH USSR IS CONTINUING ITS EFFORTS TO MAKE IDEA MORE APPEALING, VIEW HERE IS THAT SOVS WILL NOT/NOT BE ABLE TO FIND FORMULA WHICH WILL BRIDGE GAP BETWEEN GULF ARABS AND IRAN. ESSENTIALLY ARGUMENT IS THAT UN NAVAL FORCE WHICH PROTECTED ALL GULF SHIPPING WOULD NOT/NOT BE ACCEPTABLE TO ARAB BACKERS OF IRAQ; AND IF SHIPPING SERVING IRAN WERE NOT/NOT PROTECTED, FORCE WOULD BE UNACCEPTABLE TO TEHRAN. HOPE IS THAT SOVS WILL SOON ABANDON NAVAL FORCE CONCEPT AND FACE ISSUE OF ARMS EMBARGO MORE SQUARELY.

3. THERE IS IN ANY CASE NO/NO DISPOSITION HERE TO SEE UN FORCE REPLACE USA AND WESTERN NAVIES WHICH ARE CONSIDERED VITAL TO REGIONAL INTERESTS.

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# Background

The Heritage Foundation

No. 625

The Heritage Foundation 214 Massachusetts Avenue N.E. Washington, D.C. 20002 (202) 546-4400

December 27, 1987

## PLANNING FOR A POST-KHOMEINI IRAN

### INTRODUCTION

Iranian leader Ayatollah Ruhollah Khomeini is 85 years old and in declining health. He probably soon will pass from the Iranian political scene. The power struggle to succeed him already has begun and will intensify once he is gone. The time has come, therefore, for the United States to position itself to establish a working relationship with post-Khomeini Iran.

Iran remains a key piece of the global geopolitical jigsaw puzzle. The West cannot afford to ignore Iran because it looms large as a dominant regional power and forms a critical buffer between the Soviet Union and the oil-rich Persian Gulf. A Soviet-dominated Iran would become a strategic stepping stone that could enable Moscow to establish hegemony over the 55 percent of the world's oil reserves located in the Persian Gulf and ultimately to gain dangerous leverage over Western states dependent on that oil. Clearly, the primary long-term U.S. goal must be to prevent such Soviet control.

**Protecting U.S. Interests.** In the short term, the main challenge to U.S. interests in the Persian Gulf comes from Iran, not the Soviet Union. Iran is not just a passive strategic prize but an aggressive revolutionary state bent on exporting its radical brand of Islamic fundamentalism throughout the Muslim world. The key objective for U.S. policy is to reconcile its near-term goal of containing the destabilizing effects of the Iranian revolution with its long-term goal of averting Soviet penetration of the Persian Gulf region. This means devising policies that protect U.S. interests and friends in the Middle East from Iranian aggression without facilitating the southern expansion of the Soviet empire.

Ayatollah Khomeini is best understood as the leader of a revolution, rather than the leader of a state. Washington must craft a policy that takes into consideration the dynamics of Iran's ongoing revolution, not just Iran's geopolitical interests. There are no "moderates" left in Iran's ruling regime. Such men were discredited and discarded long ago. But there are pragmatists who have tempered their revolutionary militance with a realistic appreciation of Iran's international

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position and the needs of its people. Washington should learn from past experience and avoid reaching out publicly to the least hostile Iranian factions, which would only discredit them. Instead, the U.S. must penalize the Iranian hardliners, not merely reward the softliners.

**Carrots and Sticks.** As long as Ayatollah Khomeini survives, the U.S. ability to influence Iran remains limited. The U.S. can present Iran with disincentives to terrorism in the form of arms embargoes, oil boycotts, support of Iranian opposition groups, U.S. warships patrolling the Persian Gulf, and the threat of military reprisals. Once Khomeini is gone, however, Iran's revolutionary ardor is likely to cool, and American incentives will grow more appealing. After Khomeini's demise Washington should patiently offer Iran carrots in addition to sticks. Among them:

- ◇◇ Help Iran negotiate an end to its war with Iraq on terms that do not threaten other Gulf states.
- ◇◇ Offer economic and technical aid in rebuilding Iran's war-torn economy, particularly the oil and manufacturing industries.
- ◇◇ Offer cooperation against Soviet military and subversive threats to Iran and other regional states, particularly Afghanistan.
- ◇◇ Offer to eschew U.S. support of Iranian opposition and separatist groups in return for a reduction of Iranian support for anti-Western terrorist and revolutionary groups.

The long-term U.S. goal should be to build a working relationship with an Iran that maintains its territorial integrity, acts as a barrier to the southern expansion of Soviet influence, renounces terrorism, and ceases efforts to export revolution.

## IRAN'S REVOLUTIONARY POLITICS

The Iranian revolution is a living volcano that spews destabilizing political lava throughout the Middle East. The 1979 overthrow of Shah Mohammed Reza Pahlavi by a broad *ad hoc* coalition of divergent political groups was only the opening phase, not the culmination of the revolution. In a series of purges, radical Muslim fundamentalist clerics systematically stripped away the power and legitimacy of liberal nationalists, Islamic socialists, and radical leftists. Led by the wily Ayatollah Khomeini, the fundamentalists divested rival groups of power before they could develop a solid domestic base of support or foreign patronage.

**History of Revolution.** The fundamentalists were acutely aware that four times in the past century Iranian revolutionary coalitions of Westernized and Islamic elements failed to sustain their political gains when the Westernized factions defected from the revolutionary camp. Most recently, the Shah was overthrown in 1953 but had been restored to power in a U.S.-supported coup when elements of the Iranian military defected from Mohammed Mossadegh's revolutionary movement. Hard-line fundamentalists were therefore chagrined to find the Carter Administration

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seeking reconciliation with the moderate provisional government of Prime Minister Mehdi Bazargan within months after the fall of the Shah. On November 1, 1979, National Security adviser Zbigniew Brzezinski met Bazargan and Iranian Foreign Minister Ibrahim Yazdi in a high profile meeting in Algiers. To block a restoration of the U.S. connection and discredit Bazargan's moderate approach, Iranian fundamentalists sacked the U.S. Embassy in Tehran on November 4, 1979, and plunged Iran into the 444-day hostage crisis.

This event was mainly an outgrowth of the power struggle within the fraying revolutionary coalition that had toppled the Shah. The fundamentalists engineered taking the hostages to undermine the provisional government by underscoring its lack of authority, to expose secular moderates as American sympathizers, and to steal a march on the growing leftist camp by monopolizing the popular anti-American soapbox. The long-running crisis also served to rekindle waning revolutionary fervor and distract attention from festering economic and social problems that the fundamentalists were ill-prepared to resolve.<sup>1</sup>

**Useful Tools.** As the crisis dragged on, the hostages became useful tools in the fundamentalist campaign to whittle away the power of Bazargan's successor, Abolhassan Bani-Sadr, elected President in January 1980. A socialist economist with strong Islamic beliefs, Bani-Sadr was not a full-fledged member of the fundamentalist camp and was critical of the embassy seizure, which he perceived as counterproductive. Bani-Sadr's diplomatic efforts to defuse the crisis were denounced by hard-line fundamentalists and repeatedly vetoed by Ayatollah Khomeini.

A weakened Bani-Sadr was permitted by the fundamentalists to end the hostage crisis only after the September 1980 outbreak of the Iran-Iraq war gave radicals an alternative means of galvanizing popular support. Outmaneuvered by his fundamentalist rivals, Bani-Sadr fled into exile in July 1981 after his followers were overwhelmed by fundamentalists in bloody street clashes.

Bani-Sadr's ouster and the purge of the *Mujahideen-e-Khalq* (People's Mujahideen Organization) enabled the fundamentalists, now organized as the Islamic Republican Party, to gain total control over the organs of government. Since then, Iranian domestic politics essentially has become a dialogue between factions of fundamentalists. Because they share common values, goals, and loyalty to the charismatic Khomeini, their differences generally are tactical in nature. Political alignments are issue specific, with kaleidoscopic *ad hoc* coalitions shifting according to the question at hand. Personal rivalries, rather than institutional affiliation or ideological affinities, tend to dominate politics.

**Ultimate Arbiter.** The quasi-deification of Khomeini as the supreme religious guide (*Velayat-e Faghih*) makes him the ultimate arbiter of political controversies. Khomeini holds himself above the fray of day-to-day politics, but sets the limits of debate and mediates between contending factions on important issues. Most of the top leaders of Iran are longtime disciples of Khomeini. Ayatollah Hussein Ali

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1. See James Phillips, "Iran, the United States and the Hostages: After 300 Days," Heritage Foundation *Background* No. 126, August 29, 1980.

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Montazeri, Khomeini's hand-picked heir apparent, is an advocate of moderate domestic policies (greater civil liberties and free enterprise) and aggressive revolutionary foreign policy.

Iran's President, Hojatolislam Ali Khamenei, is a radical who favors state control of the economy, extensive land reform, and maximum efforts to export Iran's revolution. Another of Khomeini's clerical proteges, Hojatolislam Ali Akbar Hashemi Rafsanjani, is the shrewd Speaker of the Majlis (parliament), the dominant branch of the Iranian government. A pragmatic and ambitious behind-the-scenes operator, Rafsanjani has emerged as the prime political powerbroker within the ruling regime. Prime Minister Mir Hussein Moussavi, the only nonclerical figure among Iran's top five leaders, has been hamstrung by the Majlis and carries little weight.

## THE POST-KHOMEINI POWER STRUGGLE

In the immediate aftermath of Khomeini's death, Khomeini's hand-picked successor Ayatollah Montazeri is likely to rise to the forefront of Iran's leadership. Although he is Khomeini's protege, Montazeri lacks Khomeini's popular appeal, theological credentials, and political savvy. He will be unable to fill Khomeini's shoes and his authority is likely to be challenged by resentful senior clerics who consider him to be an upstart. Moreover, Ayatollah Mohammed Reza Golpaygani and Ayatollah Hassan Tabatabai Qummi, two of Iran's most revered religious leaders, disapprove of direct clerical rule and favor a return to a traditional, less active clerical involvement in government affairs. They were reluctant to criticize Khomeini's radical activism but are likely to become increasingly forceful in opposing the pervasive role of clerics within the government. This will undermine the moral absolutism that was a prime source of strength to Khomeini's rule.<sup>2</sup>

**Islam's Triumvirate.** During what presumably will be an initial honeymoon period, Montazeri is likely to form a triumvirate with Hojatolislam Rafsanjani and President Khamenei. Yet Khamenei's power is waning. He lost an important power base when the Islamic Republican Party was disbanded. He is required by Iran's constitution, moreover, to step down as President when his second term expires in 1989.

Rafsanjani is well positioned for any power struggle. As Speaker, he dominates the parliament and as Khomeini's representative on the Supreme Defense Council, he has established contacts within the military. Furthermore, he is close to Minister of Revolutionary Guards Mohsen Rafiq-Dust, his brother Mohammed controls Iranian television, and he enjoys good relations with Khomeini's son, Ahmed, who will be a key trustee of Khomeini's legacy. Over time, the cunning Rafsanjani may emerge as Iran's chief political leader, consigning Montazeri to figurehead status.

Because there is no precedent for the peaceful transfer of power in Iran, the post-Khomeini power struggle may become violent. Past disputes between rival

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2. See Shahrough Akhavi, "Elite Factionalism in the Islamic Republic of Iran," *Middle East Journal*, Spring 1987.

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clerical factions already have triggered street clashes and shoot-outs between rival Revolutionary Guard units and may trigger similar incidents in the future. If factional competition degenerates into a slow motion civil war, then military intervention to restore order becomes increasingly possible. Such military action, however, will not resemble the 1953 coup against Mossadegh. The Iranian army today does not have the necessary cohesion or centralized command structure, and further, it will be deployed at the battlefield, far from the centers of power, for as long as the war with Iraq lasts.<sup>3</sup> A future coup is much more likely to come from the Revolutionary Guards, Iran's 350,000 man praetorian guard. It is this institution that should be monitored carefully for clues about Iran's future direction.

## THE WAR WITH IRAQ

Khomeini regime's overriding short-term foreign policy goal is to win its brutal war of attrition with Iraq. Indeed, with 300,000 Iranians dead by conservative estimates, the regime must achieve a clear-cut victory in the war to justify the enormous human and economic sacrifices. Moreover, the war itself can be laid at the doorstep of Iranian radical fundamentalists since their attempts to export their revolution to neighboring Iraq, combined with Iraqi territorial ambitions, helped trigger Iraq's invasion of Iran in the first place.

The war is much more than a clash of two nations with a long history of enmity. Nor is it just a Persian-Arab clash. It is a collision of two incompatible revolutions--Iran's pan-Islamic fundamentalist revolution against Iraq's Ba'athist pan-Arab secular socialist revolution. At stake for Iran is the future of the revolution and possibly even the survival of the ruling regime.

**Fostering Realism.** The stalemated war has fostered greater realism in Tehran. Early in the war Iran attempted to offset Iraq's superior firepower with human wave attacks to take advantage superior Iranian manpower. More recently, Iran has altered its strategy to reduce casualties, motivated by a growing war weariness among its people, rising draft evasion, and spontaneous antiwar protests. Anti-government demonstrations protesting the regime's inability to protect its people from Iraqi bombing raids erupted in pro-Khomeini working class neighborhoods in April 1985. Influential religious leaders have publicly asked Khomeini to seek a nonmilitary solution to the conflict.<sup>4</sup> Even elements of the fanatic Revolutionary Guards have staged an antiwar demonstration urging "forgiveness" of Saddam Hussein.<sup>5</sup>

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3. See Nikola Schahgaldian, "The Iranian Military Under the Islamic Republic," RAND Corporation, March 1987.

4. See Shaul Bakhash, "Iran and the Americans," *New York Review of Books*, January 15, 1987.

5. *The Washington Post*, May 17, 1987, p. A31.



- 6 -

## THE U.S.-IRANIAN ARMS DEAL

Because the implacable Khomeini ruled out compromise with Iraq, his lieutenants scurried to reduce opposition to the war by acquiring modern weapons to lower civilian and military casualties. Iranian officials, operating through a facade of Iranian, Saudi, and Israeli middlemen, contacted American officials in search of these weapons. The U.S. had been the chief arms supplier to Iran before the revolution but had halted arms transfers during the hostage crisis, crippling the effectiveness of Iran's military forces. To reestablish an arms supply relationship covertly, Iranian officials dangled American hostages in front of Washington and hinted that Iran would tone down its revolutionary foreign policy in the future.<sup>6</sup>

The triumph of the logic of the state over the logic of the revolution also tilted the internal power balance in Iran. Hojatolislam Rafsanjani, a pragmatist who championed discreet openings to the West, the Arab world, the People's Republic of China, and Japan, successfully convinced Ayatollah Khomeini to rein in militant revolutionaries such as Mehdi Hashemi, the head of the Office of Liberation Movements. Hashemi's brazen efforts to foment fundamentalist revolutions and support terrorism had damaged Iran's war effort by leading apprehensive Arab Gulf states to increase their support for Iraq, by straining relations with Syria, Iran's only significant Arab ally, and by raising tensions with Western states.

In October 1986 Hashemi was arrested along with two hundred other radicals. In retaliation his supporters sought to undermine Rafsanjani by leaking the story of the U.S.-Iran arms deals to a Lebanese newspaper. As during the hostage crisis, U.S. policy toward Iran once again was frustrated by internecine Iranian power struggles.

## SHORT-TERM U.S. POLICY TOWARD IRAN

The war with Iraq has led Iran to escalate pressure on Iraq's Arab backers, particularly Kuwait, in an attempt to intimidate them into reducing their support for Iraq. After Kuwait appealed to the superpowers to neutralize Iran's bullying tactics, Washington agreed in early 1987 to reflag and escort 11 of Kuwait's 22 oil tankers.

Three major reasons have been cited for this decision: to preclude Moscow's securing a foothold in the Gulf by posing as Kuwait's protector, to safeguard the free flow of oil in the Persian Gulf, and to prevent the war from spreading to the Arab side of the Gulf. While the reflagging policy has had only a limited success in meeting these three goals, it makes much more sense in the context of a fourth U.S. goal--the containment of the Iranian revolution.<sup>7</sup>

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6. See James Phillips, "The Continuing Need for a U.S. Opening to Iran," Heritage Foundation *Backgrounder* No. 566, March 5, 1987.

7. See James Phillips, "High Stakes for the U.S. in the Persian Gulf," Heritage Foundation *Backgrounder* No. 594, July 20, 1987.)

- 7 -

**Failed Attempts.** Washington's attempts to reestablish a working relationship with Iran have twice run afoul of the political dynamics of the Iranian revolution. In 1979, a premature effort to stage a rapprochement with revolutionary Iran through contacts with Iranian moderates in the provisional government only enraged Iranian radicals and undermined the moderates involved. In 1986, U.S. efforts to establish a dialogue with the pragmatic Rafsanjani faction of Iran's revolutionary government was foiled by a rival faction that resisted moderation of Iran's revolutionary strategy.

Clearly, as long as Iran is hobbled by factional infighting, one of the contending factions probably will have an interest in exposing and denouncing talks with the U.S., the "Great Satan," if only to discredit its domestic rivals. A true U.S.-Iran rapprochement therefore must await the consolidation of political power by a single Iranian faction.

Until a faction emerges that can deal openly with the U.S. without exposing itself to damaging domestic criticism, Washington must adopt a low profile wait-and-see policy, keeping contact with as many Iranian leaders and groups as possible. Instead of seeking out "moderates" to reward, the U.S. should seek to block the goals of ultraradical revolutionaries and raise the perceived risks of their policies. Iran must be convinced that the cost of its revolutionary excesses outweigh the benefits. To achieve this end Washington should:

**1) Deter Iranian Terrorism.** Washington must punish, not reward, Iranian-supported terrorist activity. It should not allow Iran to extract benefits from having "influence" over Lebanese Shiite terrorists holding American hostages while disclaiming responsibility for the hostages. There should be no concessions made to free hostages. Their release should be a precondition, not a goal, for improved relations. Iran should be warned that future terrorist attacks made to advance the cause of the Iranian revolution will penalize the Iranian state. Pressure should be brought to bear on Iran's most sensitive point--its war effort against Iraq. This war effort could be undermined, either indirectly through economic sanctions such as a boycott of Iranian oil exports, or directly through an arms embargo of Iran.

International cooperation is needed to deter Iranian terrorism. The prospects for such cooperation dimmed noticeably last month when France cut a secret deal with Iran to free two French hostages held in Lebanon in exchange for a \$330 million payment and freedom for a suspected Iranian terrorist. This capitulation to Iranian radicals by Paris is far worse than anything the U.S. did in its dealings with Tehran to free American hostages.

Despite this action by the French, Washington must try to unite Western states against appeasement of Iranian terrorism. Allowing Iran to profit from the release of hostages held by its terrorist surrogates in Lebanon strengthens the radical faction that advocates the relentless export of Islamic revolution. If international sanctions do not raise the costs of Iranian terrorism above its benefits, then the U.S. eventually may be compelled by Iranian terrorist acts to go it alone to punish Iran with military reprisals, as in the extremely successful April 1986 air strikes against Libya. Iran should be warned that the U.S. would strike not only at Iranian terrorist training bases, but also against Iran's most valuable targets--its oil export facilities and its war effort against Iraq.

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**2) Maintain the U.S. Naval Presence in the Persian Gulf.** Washington must fulfill its commitment to escort the reflagged Kuwaiti tankers if it expects to be taken seriously by Iran, the Soviet Union, or the Gulf states. Abrogation of the U.S. commitment would encourage Iranian aggressiveness, enable Iran to drive a wedge between Iraq and the Gulf states, and increase the likelihood of a total Iranian victory over Iraq. Such a victory would threaten the survival of Gulf regimes and present the U.S. with the more difficult prospect of blocking an Iranian ground threat to Kuwait and Saudi Arabia, rather than blunting Iranian threats at sea, where the U.S. enjoys a much greater margin of superiority.

By maintaining a naval presence in the Gulf the U.S. makes clear to the Iranians that their actions may have unfavorable consequences and that they can no longer enjoy a free ride in intimidating their neighbors. Given their dependence on seaborne oil exports, the Iranians have much to lose in a naval confrontation with the U.S. and little to gain. Their speedboat attacks against Kuwaiti shipping were designed to aid their war with Iraq by reducing Kuwait's support for Iraq. The last thing Teheran wants is to jeopardize its own war effort in a naval clash with the U.S. that it could not win.

Washington should make it clear that its naval forces are in the Gulf to protect U.S., not Iraqi, interests. The U.S. should maintain strict neutrality in the Iran-Iraq war as long as Iran refrains from direct attacks on U.S. warships and reflagged tankers. If Iran should provoke a confrontation with the U.S., then Washington should eliminate Iran's naval bases in the Gulf, mine Iran's export facilities to choke off Iran's oil exports, and if necessary, hamstring Iran's war effort by destroying its logistical infrastructure--munitions dumps, arms factories and supply routes.

**3) End the Iran-Iraq War.** Washington should work to end the war before it spills over into the Arab Gulf states and disrupts the world oil market. Because Iran will continue to prosecute the war so long as Khomeini lives, Washington must work to limit the intensity of the war and string it out until the stubborn Ayatollah passes from the scene. This means pressing ahead with the much delayed proposal for a United Nations arms embargo and reinvigorating Operation Staunch, which is aimed at blocking Iranian access to foreign arms supplies. Washington also must make it clear that U.S. arms sales to Tehran were an aberration that will not be repeated until Iran has disavowed terrorism and ceased its subversion of pro-Western states.

**4) Step Up Economic Pressures.** The U.S. should go beyond its unilateral ban on Iranian oil imports and convince Iran's European and Japanese customers that buying Iranian oil subsidizes Iranian terrorism and the Iranian war effort, while prolonging a war that threatens the free flow of Persian Gulf oil. The Japanese, who claim to be looking for non-military ways to assist the U.S. in the Gulf, should be pressed to reduce significantly their purchases of Iranian oil by finding alternative oil suppliers wherever possible.

**5) Increase Contacts with the Iranian Opposition.** The revolution has entrenched itself and crushed its opponents to the point that a counterrevolution or coup is highly unlikely in the foreseeable future, particularly as long as Ayatollah

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Khomeini enforces solidarity within the regime. Washington cannot afford to ignore the opposition, however, as it did in 1978. Although the Iranian opposition is weak and plagued by factional squabbles, it may be revitalized if the regime fails to address Iran's growing economic problems. The Tudeh, the Soviet-controlled Iranian communist party, has been crushed but must be monitored carefully, for it survived similar crackdowns by the Shah.

The splintered royalist groups, who push for the establishment of a constitutional monarchy under the Shah's son, 27-year old Reza Pahlavi, are the most pro-Western but the least likely to come to power. They enjoy considerable financial and political support from exiled elites but have not built a mass following inside Iran. Former President Bani-Sadr, now living in France, is a spent force who is a tireless debater but a poor leader with few followers. Former Prime Minister Bakhtiar is compromised by his association with the Shah on one hand and his failure to provide an alternative to Khomeini on the other.

**Hybrid Ideology.** The People's Mujahideen Organization (PMO), probably the strongest opposition group within Iran, also is the most anti-Western. Its hybrid Islamic-Marxist ideology makes it an unlikely ally for the U.S., as does its assassination campaign against U.S. military personnel in Iran in the early 1970s. Decimated by an abortive uprising in the summer of 1981 and continued repression, the PMO revamped its strategy to stress guerrilla operations in cooperation with Kurdish separatists. Although it recently launched a wave of guerrilla and terrorist operations, PMO fighters are belittled as "tourists" by many anti-Khomeini Kurdish guerrillas because of their propensity to pose in battle dress for cameras manned by PMO's extremely active propaganda arm. The PMO's desperation is underscored by its acceptance of Iraqi patronage, a fact that has destroyed its credibility in the eyes of many Iranians.

Washington should maintain discreet contact with all these organizations but should not embrace any of them; this would be the kiss of death in Iranian politics. Washington also should handle information passed along by the opposition with care. As Saddam Hussein discovered when he invaded Iran, intelligence provided by exile organizations often is self-serving wishful thinking and should be handled with care.

## **LONG-TERM U.S. POLICY TOWARD POST-KHOMEINI IRAN**

While U.S. leverage on Iran in the short term remains limited to disincentives, over the long term Washington can offer Iran plausible incentives for moderating its aggressive foreign policy. The ultimate U.S. goal should be to establish a working relationship with an Iran that disavows terrorism and ceases its violent attempts to export its revolution. This requires the emergence of an Iranian leadership that would accept "Islamic revolution in one country."

**Limited Goals.** Any initiative should be made cautiously, with limited goals and meager expectations. Care should be taken not to let the Iranians overestimate the strength of their position. Khomeini has crowed that hostile powers have presented themselves "meekly and humbly" and that "all the big nations are competing to establish relations with Iran."<sup>8</sup> He reserved special scorn for the U.S.,

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saying in 1985: "It is clear that if we take one step toward the United States, they will take 100 steps in return."

In the future Washington must make it clear that the U.S. will not take any more steps toward reconciliation than Iran does. After all, Russian troops have occupied Iranian soil three times in this century. Iran may need American help to avert Soviet occupation in the future. The bottom line is that Iran needs the U.S. more than the U.S. needs Iran.

To help tame the Iranian revolution, Washington can offer the following carrots:

**Cooperation Against the Soviet Union.** American diplomatic pressure was crucial in expelling Soviet occupying forces from northern Iran in 1946 after Moscow violated its commitment to withdraw its forces at the conclusion of World War II. Washington should let it be known that it is willing to offer Iran insurance against Soviet intervention and serve as a strategic counterweight to Soviet power in return for Iranian restraint. The concrete benefits of cooperation with the U.S. could be demonstrated by furnishing Tehran with political intelligence on communist activity within Iran and military intelligence on Soviet forces across Iran's Soviet and Afghan borders. Cooperative efforts to aid the Afghan resistance against Soviet occupation also could benefit both countries.

**Economic Incentives.** After almost nine years of revolution and seven years of war, Iran's economy is limping. While Ayatollah Khomeini has inspired revolutionary zeal that has distracted attention from festering economic problems, Khomeini's successors eventually must rebuild Iran's economy if they hope to stay in power. Particularly urgent will be the postwar reconstruction of Iran's shattered oil industry. Iran recently has attempted to purchase at least \$40 million worth of oilfield equipment from U.S. companies. This is only the tip of that iceberg.<sup>9</sup> The cost of rebuilding Iran's oil facilities has been estimated at \$40 billion to \$50 billion.<sup>10</sup> Iranian factories, idled by spare parts and raw materials shortages, require extensive injections of American technology and expertise to resume operations. Washington could offer help in rebuilding Iran's postwar economy if Iran were to stop fomenting trouble throughout the Middle East.

**Support of Opposition Groups.** Although they have no chance of coming to power as long as Khomeini lends his prestige to the current government, opposition groups may exploit an extended period of economic chaos to undermine the regime. Opposition groups are therefore likely to pose a growing threat that the regime cannot ignore. Washington should keep its options open with these groups to exert maximum leverage on Teheran. At some point the regime may be willing to make considerable concessions to prevent U.S. support for its exiled and internal

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8. FBIS, South Asia, November 20, 1986.

9. *The Washington Post*, September 17, 1987, p. 1.

10. Ralph Ostrich, "U.S. Policy Initiatives in Post-Khomeini Iran: Toward a New Course in U.S.-Iranian Relations," *Global Affairs*, Fall 1987, p. 134.

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dissidents. Washington should rule out support of separatist groups such as the Kurds and Baluchis, however, unless Tehran falls under Soviet influence. The U.S. should make it clear that it supports Iran's territorial integrity because a Balkanized Iran would facilitate Soviet penetration of the Persian Gulf.

## CONCLUSION

Iran is a pivotal geostrategic entity that the U.S. cannot afford to ignore. It is also an aggressive revolutionary state that the U.S. cannot afford to appease. The challenge for Washington is to reach a *modus vivendi* with Iran that will block Soviet hegemony over the Persian Gulf without abandoning the Arab Gulf states to Iranian hegemony. An Iranian-American rapprochement is possible only if Iran halts its violent attempts to export its revolution and renounces the use of terrorism as an instrument of foreign policy.

This is unlikely as long as Ayatollah Khomeini stokes the fires of Iran's revolutionary zeal. Once Khomeini is gone, however, his successors are likely to be more amenable to compromise with the West, if only to maintain themselves in power by ameliorating Iran's worsening economic predicament. As the internal fires of Iran's revolution subside, Iran's post-Khomeini leadership eventually may be persuaded to satisfy themselves with Islamic revolution in one country, especially if their attempts to foment revolution in other states are frustrated. To speed the arrival of this day, the U.S. should focus on blocking the ambitions of Iranian radicals--not accomodating Iranian pragmatists within the ruling regime. American attempts to reach out to the least hostile factions proved disastrous in 1979 and gained little at great cost in 1985- 1986.

The U.S. should brandish both carrots and sticks patiently to tame the Iranian revolution. Washington should:

- ◆◆ Establish contact with all contending Iranian factions inside the regime and in the opposition.
- ◆◆ Boycott Iranian oil exports and press U.S. allies to follow suit until Iran disavows terrorism.
- ◆◆ Maintain the U.S. naval presence in the Persian Gulf as long as Iran threatens the free flow of oil from Arab nonbelligerents.
- ◆◆ Help Iran negotiate an end to its war with Iraq on terms that do not threaten other Gulf states.
- ◆◆ Offer economic and technical assistance in rebuilding Iran's postwar economy, particularly its devastated oil industry, if Iran stops undermining the stability of pro-Western states.
- ◆◆ Offer to abstain from support of Iranian opposition and separatist groups in return for a curb on Iranian support of anti-Western terrorist and revolutionary groups.

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♦♦ Offer cooperation against Soviet military and subversive threats.

The U.S. should not be too ready to restore working relations with Iran because that will reduce American leverage, strengthen Iran's bargaining position, and encourage the Iranians to overestimate their own importance. Washington should make it clear that while it can help save Iran from the Soviets, it cannot save Iranians from themselves. As long as Iran remains unappreciative of the incentives that the U.S. offers to modify Iran's revolutionary policies, Washington must continue patiently to apply firm disincentives.

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Senior Policy Analyst

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**Page 182**

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REFERENCE •  
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Our Memorandum GMR1355 October 29, 1987

SUBJECT •  
SUJET

DMC Meeting with USA Ambassador

Security/Sécurité
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Accession/Référence
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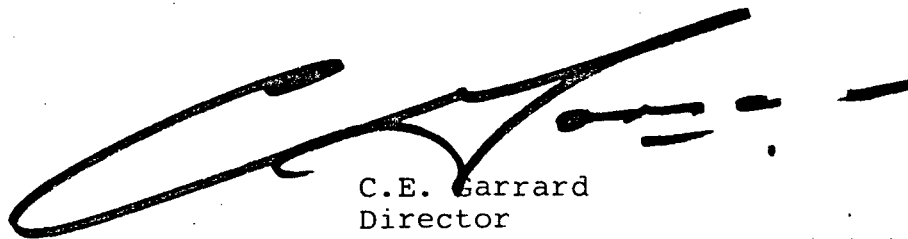
ENCLOSURES  
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DISTRIBUTION

DMC queried paragraph 6 regarding Canadian purchases of Iranian petroleum. Ambassador Niles had said that Canadian firms purchased two shipments of Iranian oil in January and July of this year, totalling 2 million barrels, representing 20,000 barrels per day. Following the meeting, GMR questioned the Ambassador's total and the daily average and, on investigating, learned that both figures were incorrect. The 2 million barrels averaged over 7 months (210 days) is actually 9,523 barrels per day.

2. Departmental statistics show that Canada actually purchased 4 million barrels between January and July for a daily average of 19,000 barrels per day for the first seven months of this year. There have been no purchases of Iranian oil since July. Thus the daily average for the first 9 months of 1987 is actually 14,800 barrels per day.

3. We adjusted the text of the notes to clarify paragraph 6 and added Mr. Stanford's comments to the body of the text. Should you have any further questions, please do not hesitate to give me a call.



C.E. Garrard  
Director  
Middle East Relations Division

Encl.



TO/À

File

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DMC meeting with USA Ambassador:  
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Revised Notes

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ENCLOSURES  
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The American Ambassador, accompanied by Charles Dudley, First Secretary, called on DMC on October 27, 1987. The Ambassador presented Mr. Stanford with the attached text of President Reagan's announcement of October 26 and outlined its contents. He emphasized the ban of all USA imports from Iran and USA exports to Iran of 14 categories of "battlefield useful" items.

2. Ambassador Niles said that USA petroleum importers would be required to identify the source of their oil purchases. Since all petroleum has a particular "signature", there are means of identifying the origin of a given shipment. He acknowledged that the embargo on oil imports would be difficult to enforce, but the USA Government expected USA oil companies would co-operate, as in the past.

3. In the UN context the Ambassador said he was not sure what the Soviet Union and the PRC would do vis-à-vis sanctions against Iran. He described the PRC as ambivalent in this regard. He noted that Mr. Armacost would be visiting China in the near future and that arms sales to Iran might be raised during the visit.

4. The Ambassador recalled that the Secretary General will be reporting to the Security Council following the 30 October deadline set for Iran and Iraq to respond in writing to his outline of the proposed timing of a Gulf war ceasefire, withdrawal and commission of enquiry. His report will obviously have a major impact on the Security Council's consideration of a sanctions program should one or other belligerent not comply with the Secretary General's latest efforts to mediate the conflict. The Ambassador added that he was "not brimming with optimism" that Iran would comply. He said that, despite a realization in Washington that not all sources of arms would be affected by UN measures, he believed a sanctions program would have a psychological impact and affect materially Iran's ability to wage war.

.../2

CONFIDENTIAL

5. The Ambassador asked that Canada take similar steps to those just announced by the USA administration. Referring to the prevention of the export of USA-manufactured SCUBA gear earlier this year, he emphasized that the American government was appreciative of Canadian cooperation to date.

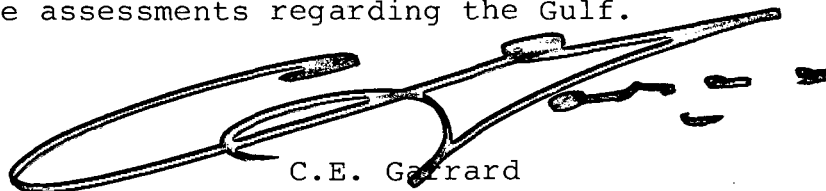
6. The Ambassador noted that Canadian firms had made two purchases of Iranian oil, in January and July of this year, totalling 2 million barrels, representing 20,000 barrels per day. (Following the meeting GMR questioned the Ambassador's total and the daily average and noted that statistics show that the total is actually 4 million barrels making the daily average 19,000 barrels for the first seven months of this year.) The USA government hoped that Canadian importing firms would be asked to alter their purchasing patterns of petroleum products due to the situation in the Gulf.

7. The Ambassador stressed that Washington has no intention of infringing on Canadian sovereignty and would leave to the Canadian government the decision of which measures it might take with regard to exports to Iran. He hoped that Canada would examine any "grey" areas enabling Iran to continue its war effort.

8. In reply, DMC said the Canadian government shares the USA government's concern about the situation in the Gulf region. Canada has not exported military equipment to either combatant since the war began. Turning to imports, he noted that Canada does not require petroleum importers to identify their sources. He pointed out that petroleum imports from Iran are small and result, as Ambassador Niles indicated, from individual "spot market" transactions.

10. DMC emphasized that the government is prepared to limit Canadian exports to Iran if called upon to do so within the context of the resolutions of the United Nations Security Council. He reiterated Canada's position that, should Iran not respond positively to the Secretary General's latest efforts, the international community must consider sanctions as the next step.

11. DMC concluded the meeting by noting that it would be most helpful if the USA government could continue to keep Canada informed of its actions and, in particular, of developments affecting the prospects of further Security Council action. Ambassador Niles undertook to ask Washington to provide Canada with up-to-date assessments regarding the Gulf.



C.E. Garrard  
Director  
Middle East Relations Division



External Affairs  
nada

Affaires extérieures  
Canada

Associate Under-Secretary

Sous-secrétaire associé

3/11/87

GMR (via ~~STP~~ *STP*) NOV 4 1987

Mr. Stanford would like some changes made to this note to file.

Please note his query on page 2 - para 6.

Albert:  
Pls incorporate  
changes indicated  
by DMC  
Scott Mullin  
O/DMC/993-4149

10. (D) BEGIN TEXT OF PRESIDENT REAGAN'S ANNOUNCEMENT.

I HAVE DIRECTED THE SECRETARIES OF TREASURY AND STATE TO TAKE ACTION TO PLACE AN EMBARGO ON ALL U.S. IMPORTS FROM IRAN. AT THE SAME TIME, WE ARE INSTITUTING A BAN ON THE EXPORT TO IRAN OF FOURTEEN BROAD CATEGORIES OF U.S. PRODUCTS WITH POTENTIAL MILITARY APPLICATION. AS REQUIRED BY LAW, WE HAVE CONSULTED WITH CONGRESS ON THESE ACTIONS AND ARE PRESENTLY ENGAGED IN FORMALLY NOTIFYING CONGRESS WITH REGARD TO THEM. THE BAN ON IMPORTS OF IRANIAN GOODS WILL TAKE EFFECT AS SOON AS POSSIBLE. THE ADDITIONAL CONTROLS ON EXPORTS TO IRAN WILL GO INTO EFFECT IN A WEEK TO TEN DAYS.

THE CONGRESS ITSELF HAS MOVED QUICKLY AND DECISIVELY IN THIS IMPORTANT AREA, AND THE ADMINISTRATION LOOKS FORWARD TO COOPERATING CLOSELY WITH THE CONGRESS TO ENSURE THAT ANY FUTURE LEGISLATION SERVES OUR BROADER GOALS OF IMPLEMENTING UNITED NATIONS SECURITY COUNCIL RESOLUTION 598 AND RESTORING PEACE AND STABILITY TO THE PERSIAN GULF REGION.

THE MEASURES I AM INITIATING ARE A DIRECT RESULT OF THE IRANIAN GOVERNMENT'S OWN ACTIONS, INCLUDING ITS UNPROVOKED ATTACKS ON U.S. FORCES AND U.S. MERCHANT VESSELS, ITS REFUSAL TO IMPLEMENT U.N. SECURITY COUNCIL RESOLUTION 598, ITS CONTINUED AGGRESSION AGAINST NON-BELLIGERENT NATIONS OF THE PERSIAN GULF, AND ITS SPONSORSHIP OF TERRORISM THERE AND ELSEWHERE IN THE WORLD. THESE MEASURES WILL REMAIN IN PLACE SO LONG AS

IRAN PERSISTS IN ITS AGGRESSIVE DISREGARD FOR THE MOST FUNDAMENTAL NORMS OF INTERNATIONAL CONDUCT.

LET ME EMPHASIZE THAT WE ARE TAKING THESE ECONOMIC MEASURES ONLY AFTER REPEATED, BUT UNSUCCESSFUL ATTEMPTS TO REDUCE TENSIONS WITH IRAN, AND IN RESPONSE TO THE CONTINUED AND INCREASINGLY BELLICOSE BEHAVIOR OF THE IRANIAN GOVERNMENT. THEY DO NOT REFLECT ANY QUARREL WITH THE IRANIAN PEOPLE. INDEED, AS I HAVE SAID A NUMBER OF TIMES, THE UNITED STATES ACCEPTS THE IRANIAN REVOLUTION AS A FACT AND RESPECTS THE RIGHT OF THE IRANIAN PEOPLE TO CHOOSE ANY GOVERNMENT THAT THEY WISH.

THE UNITED STATES HOPES THAT MORE NORMAL RELATIONS WITH IRAN WILL EVOLVE AS IRANIAN BELLIGERENCE AND TENSIONS IN THE AREA DIMINISH. WE HAVE MADE THESE POINTS KNOWN REPEATEDLY TO IRAN, THROUGH DIPLOMATIC CHANNELS AS WELL AS PUBLIC STATEMENTS. UNFORTUNATELY, THE IRANIAN GOVERNMENT'S RESPONSE TO DATE, IN DEEDS AS WELL AS IN WORDS, HAS BEEN ENTIRELY UNCONSTRUCTIVE.

END TEXT.



(5)

GMR

CLAS: UNCLASSIFIED

SECURE

MESSAGE NUMBER: I 54882  
29 OCTOBER 1987

PAGE

FROM: TEHRAN

TO : WELLINGTON 01288 ROUTINE

RPTD: BAGHDAD 00157 ROUTINE  
: CANBERRA 00183 ROUTINE  
: NEW YORK PR 00116 ROUTINE  
: RIYADH 00154 ROUTINE

BAHRAIN 00199 ROUTINE  
LONDON 00413 ROUTINE  
OTTAWA 00165 ROUTINE  
WASHINGTON 00198 ROUTINE

LD : SFA (MEA UNC EIB)  
: DEFENCE (DDI)

SUBJ: U S ECONOMIC SACTIONS

RETURN TO	FOR FILING
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ACC	REF DATE
FILE	DOSSIER
20-1ran-1-3-USA	

FILE: 84/5/2

AS NOTED IN OUR ACCOMPANYING TELEX ON THIS TOPIC, IN THE LAST FEW DAYS, THE IRANIAN MASS-CIRCULATION DAILY 'KAYHAN' HAS CARRIED A SERIES OF EXCLUSIVE INTERVIEWS WITH VARIOUS GOVERNMENT

OFFICIALS ON THE SUBJECT OF U.S. ECONOMIC SANCTIONS AGAINST IRAN. THE FOLLOWING EXCERPTS FROM AN INTERVIEW WITH DR LARIJANI, DEPUTY MINISTER OF FOREIGN AFFAIRS, PUBLISHED ON 27 OCTOBER, SUM UP THE IRANIAN ASSESSMENT OF THE U.S. MOVE AND IRAN'S PROPOSED COUNTER MEASURES. THE FOLLOWING TRANSLATION WAS PREPARED BY OUR INTERPRETER, MR KHASHA:

BEINGS

' ON THE U.S. PRESIDENT'S OBJECTIVES IN EXTENDING ECONOMIC SANCTIONS AGAINST IRAN, DR LARIJANI SAID:

' THIS LATEST CAMPAIGN BY THE U.S. IS PART OF ITS GENERAL POLICY FOR THE REGION WHICH IS ALSO BEING EXPRESSED MILITARILY. THE WHOLE THING STARTED WITH AN INTENSE INTERNATIONAL PRESSURE CAMPAIGN AGAINST IRAN AROUND THE UN RESOLUTION 598. IN ESSENCE THE US STRATEGY IS ONE WITH DIFFERENT MILITARY, POLITICAL AND ECONOMIC DIMENSIONS, APPLIED BOTH INTERNATIONALLY AND ON A REGIONAL LEVEL.

THE IMMEDIATE OBJECTIVE OF THE U.S. IN PURSUING THIS STRATEGY IS TO PREVENT AN IRANIAN VICTORY IN THE WAR. BUT THIS IS ONLY AN ATTENDENT OBJECTIVE. WHAT THEY ARE REALLY AFTER IS TO CONTAIN THE ISLAMIC REVOLUTION, PUT UP BARRIERS AGAINST ITS POWERFUL WAVES, AND EVENTUALLY EXTERMINATE IT. AND ALL THIS, AS FAR AS THE US IS CONCERNED, SHOULD BE DONE IN THE ISLAMIC REVOLUTION'S MOTHER LAND.'

IN RESPONSE TO KAYHAN'S SECOND QUESTION AS TO THE WAYS AND MEANS OF THE WESTERN ECONOMIC SANCTIONS, LARIJANI SAID:

' FIRST OF ALL THEY ARE WORRIED ABOUT OUR MILITARY STRENGTH. ON THE OTHER HAND, OUR MILITARY STRENGTH IS DEPENDENT TO A LARGE EXTENT ON OUR LOGISTIC POWER, WHICH, IN TURN, IS PARTIALLY MAINTAINED BY HAVING ACCESS TO HARD CURRENCY. THEREFORE, THIS IS THE SPOT WHERE THE AMERICANS THINK THEY

11261

MESSAGE NUMBER: I 54882

PAGE

SHOULD HIT; THEY ARE AIMING THEIR BLOWS AT OUR SOURCES OF FOREIGN EXCHANGE; AND OF COURSE THE MOST LOGICAL AIM WOULD BE TO DISRUPT EXPORT OF OUR OIL, THE MOST IMPORTANT SOURCE OF IRAN'S FOREIGN EXCHANGE;

THE AMERICAN'S HAVE RA

6\$612-6' 9% 8:0)3:3,58,e 5\$8' 09)8:6:

GENERAL SUPPRESSION OF THE OIL PRICES, ON THE ONE HAND- AND DISRUPTION OF OUR EXPORTS ON THE OTHER; HOWEVER BOTH THESE APPROACHES ARE DOUBLE-EDGE SWORDS; THE LOSS RESULTING FROM A GENERAL DECLINE OF OIL PRICES IS A LOSS FOR EVERYONE, EVEN THE AMERICAN OIL COMPANIES THEMSELVES; AND DISRUPTION OF OUR EXPORTS

THROUGH IRAQI ATTACKS ON OIL INSTALLATIONS AND SHIPPING IN THE GULF HAS MET OUR RETALIATION; IN OTHER WORDS, IF WE CANNOT EXPORT OUR OIL, WE WILL MAKE SURE THAT NO ONE ELSE IN THE GULF CAN EITHER; SO YOU SEE KUWAIT IS NOW EXPERIENCING A CRISIS IN ITS OIL EXPORTS'';

LARIJANI'S ANSWER TO OUR QUESTION REGARDING THE DEGREE TO WHICH WESTERN POWERS WOULD BE WILLING TO TAKE PART IN THE ECONOMIC SANCTION AGAINST IRAN, WAS:

''NOT ALL THE WESTERN COUNTRIES PARTICIPATED IN THE PREVIOUS ECONOMIC SANCTIONS; GERMANY, SWEDEN AND SOME OTHERS DID NOT; THIS TIME IT MAY BE THAT A GREATER NUMBER OF THESE COUNTRIES MAY TAKE PART; BUT I DON'T SEE THIS AS A SERIOUS THREAT; FOR THE WEST TO HAVE ACCESS TO THE PERSIAN GULF SOURCES OF ENERGY IS CRUCIAL AND THIS FACTOR ALONE WOULD NOT HELP THE U.S.; ACHIEVE ITS AIM OF A UNIFIED ACTION ON THE PART OF THE WESTERN POWERS;''

DR LARIJANI ADDED:

''NO ONE DENIES THAT WE WILL BE PUT UNDER PRESSURE; BUT PRESSURE ON IRAN IS NOT WHAT THE WEST IS AFTER; THEY WANT TO SEE US ON OUR KNEES; AND THIS THEY CANNOT ACHIEVE; IN THE FINAL ANALYSIS, THIS MOVE MAY EVEN WORK TO FURTHER STRENGTHEN OUR POSITION; WHAT WE NEED IS AN EXTRAORDINARY PLANNING EFFORT, A BELT-TIGHTENING MOVE WHICH IS SURE TO TAKE EFFECT; THEREFORE, TO SUMMARISE, WE ANTICIPATE AN INCREASE OF PRESSURE ON IRAN, BUT NOT TO THE EXTENT OF OUR SURVIVAL; THE PRIME LOSERS, BESIDES THE U.S., ARE THE PUPPET GOVERNMENTS IN THE REGION; THEY WOULD BE THE VICTIMS, NOT IRAN; WE SHOULD AND WILL MAINTAIN OUR LINKS WITH THE OUTSIDE WORLD, DESPITE THE U.S.; THIS ALONG WITH A THOUGHT-OUT BUDGET PLAN SHOULD BE OUR MEASURES TO COUNTER THE U.S. MOVES AND, GOD WILLING, VICTORY WILL BE OURS;''

=  
COL TEH 1069

29/1000LT

TORW 29/10/87 22:13:36

**ACTION  
SUITE A DONNER**

RECEIVED IN GMR

OCT 27 1987

C O N F I D E N T I A L

FM WSHDC UNGR1167 26OCT87

TO EXTOTT GMR

INFO CAIRO TAVIV DMCUS BGHDD RYADH AMMAN KWAIT TUNIS RABAT

ALGER LDN PARIS ROME PRMNY BONN TOKYO BNATO ATHENS

BAG STKHM ANKRA DE OTT

DISTR MINA USS DMC DMX IFB GGB GMD IMU IND INP GRP GMRD URR

UGB URD CPP EED EER ISD ISE ISEO

---USA TRADE RESTRICTIONS ON IRAN

PRES REAGAN IS EXPECTED TO SIGN EXECUTIVE ORDER TODAY OR IN  
VERY NEAR FUTURE BANNING ALL IMPORTS FROM IRAN WITH EXCEPTION  
OF INFORMATIONAL MATERIAL. ORDER IS EXPECTED TO ALSO SEVERELY  
LIMIT USA EXPORTS.

2. ADMINISTRATION HAS BEEN UNDER CONSIDERABLE PRESSURE FROM  
CONGRESS TO TAKE ACTION ON TRADE WITH IRAN IN WAKE OF  
POLITICALLY EMBARRASSING REPORTS THAT OVER SUMMER USA HAD  
BECOME A MAJOR PURCHASER OF IRANIAN OIL. EARLIER THIS MONTH  
BOTH SENATE AND HOUSE VOTED OVERWHELMINGLY TO BAN OIL IMPORTS  
FROM IRAN. NO ACTION HAD BEEN TAKEN PENDING CONFERENCE BETWEEN  
HOUSE AND SENATE TO HARMONIZE TWO APPROACHES.

3. EXECUTIVE ORDER WILL FORESTALL LEGISLATIVE ACTION AND

...2

RECEIVED IN CMA

589: 5 5130

PAGE TWO UNGR1167 CONFD

MAKE IT EASIER FOR ADMIN TO REACT FLEXIBLY SHOULD IT WISH TO  
MOVE TO NORMALIZE TRADE RELATIONS AT A LATER DATE. MOVE IS  
ALSO BEING PRESENTED AS RETALIATORY MEASURE FOR RECENT IRANIAN  
ACTIONS IN GULF. THERE HAD BEEN SOME RELUCTANCE INSIDE  
ADMINISTRATION PARTICULARLY WITHIN STATE DEPT TO TAKE BROAD  
BASED TRADE MEASURES AGAINST IRAN. IT WAS ARGUED THAT THESE  
WOULD BE DIFFICULT TO ENFORCE, ESPECIALLY IN CASE OF OIL. IT  
WAS ALSO SUGGESTED THEY COULD UNDERCUT USA ATTEMPTS TO  
MAINTAIN A BALANCED POSTURE BETWEEN GULF ADVERSARIES AND MAKE  
IT MORE DIFFICULT TO PURSUE SANCTIONS AGAINST IRAN SHOULD THAT  
COUNTRY REFUSE TO ACCEPT RES. 598.

4. RESTRICTIONS ON EXPORTS DO NOT/NOT APPARENTLY GO BEYOND  
THOSE IN CATEGORIES OF DUAL-USE EQUIPMENT WHICH COULD HAVE  
MILITARY APPLICATION PASSED TO YOU IN USA EMBASSYS LETTER OF OCT13.

5. UNDERSTAND THAT ORDER WILL NOT/NOT EFFECT PRIOR AGREEMENTS.

IN ADDITION IRANIAN CRUDE SUBSTANTIALLY TRANSFORMED IN THIRD  
COUNTRIES WILL ALSO BE ALLOWED INTO USA. AT PRESENT SUCH  
IMPORTS ARE MINIMAL AND STATE IS HOPING THAT THEY DO NOT PICK UP.

CCC/029 270034Z UNGR1167

**Pages 192 to / à 193  
are withheld pursuant to section  
sont retenues en vertu de l'article**

**13(1)(a)**

**of the Access to Information Act  
de la Loi sur l'accès à l'information**

*file*

C O N F I D E N T I A L

FM PRMNY WKGR3372 22OCT87

TO EXTOTT JLO IMMED

DISTR JFB JCD GMR IMU

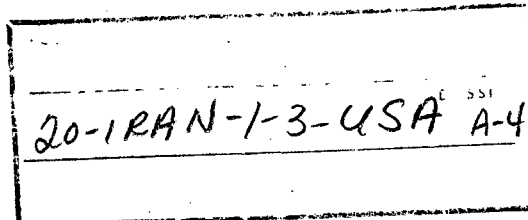
REF TEL GMR1321 20OCT

---USA ATTACK ON IRANIAN OIL PLATFORM

WISH TO DRAW YOUR ATTN TO REVISED VERSION OF Q AND A CONTAINED  
IN REFTEL.

2.JLO WAS OMITTED IN DISTR LINE.

CCC/028 221805Z WKGR3372



**Pages 195 to / à 197  
are withheld pursuant to section  
sont retenues en vertu de l'article**

**13(1)(a)**

**of the Access to Information Act  
de la Loi sur l'accès à l'information**

ZCZC

WLN 0075

RR

GR 21 672 W34

UNCLAS SECURE

8767

SVC : REFER YOUR SRL 2100, H/W REP OF TEHRAN'S 157 TO OTT

CLAS: UNCLAS SECURE

20 OCT 87

FROM: TEHRAN

TO : WELLINGTON 01239-ROUTINE

RPTD: BAGHDAD 00149-ROUTINE

: CANBERRA 00175-ROUTINE

: OTTAWA 00157-ROUTINE

: WASHINGTON 00188-ROUTINE

LD : SFA (MEA AMER EIB)

SUBJ: IRI/US RELATIONS

FILE : 84/5/2

IN AN EXCLUSIVE INTERVIEW WITH THE TEHRAN TIMES, WHICH HAS NOT YET BEEN PUBLISHED IN FULL, PRESIDENT KHAMENEI APPEARS TO HAVE DWELT LARGELY ON RELATIONS WITH THE U.S. THE PAPER PUBLISHED THE FOLLOWING LIST OF MAIN POINTS FROM THE INTERVIEW. NO DOUBT IRANIAN OBJECTIVES REMAIN THE SAME, BUT THEY HAVE TONED DOWN THEIR RHETORIC.

QUOTE '' HIGHLIGHTS OF KHAMENEI INTERVIEW

- WE WILL ACCEPT THE CEASEFIRE, WHEN THE AGGRESSOR IS NAMED.
- IT IS NOT CERTAIN THAT THE PRESENT U.S. GOVERNMENT HAS THE NECESSARY MEANS FOR PRESSURIZING THE ISLAMIC REPUBLIC OF IRAN.
- AS FAR AS WE ARE CONCERNED, THE WEST AND EAST ARE ALIKE, ANY ANIMOSITY ON OUR PART AGAINST THE WEST HAS BEEN CREATED BY THE WEST ITSELF.
- ''NEITHER EAST, NOR WEST'', DOES NOT MEAN ANIMOSITY TOWARDS THEM, IT ONLY MEANS NOT ACCEPTING EASTERN OR WESTERN HEGEMONY.
- THE WAY THE AMERICANS TREAT US, PREVENTS ANY FRIENDLY RELATIONS WITH THEM.
- SURELY OUR RELATIONS WITH THE U.S. WOULD BE NORMALIZED, WHEN THE RIGHT CONDITIONS EMERGE.
- OUR RELATIONS WITH THE SOVIETS ARE EXPANDING , SINCE IT IS IN OUR INTERESTS.
- WE ARE LOOKING FOR PRINCIPLES IN AFGHANISTAN, AND WE WOULD STICK TO THESE PRINCIPLES.
- I DON'T THINK ANYBODY IS MORE POPULAR, EFFICIENT AND ACCEPTABLE FOR THE POST OF THE PRESIDENCY THAN HASHEMI RAFSANJANI.
- I DON'T THINK THERE IS ANY REASON AT PRESENT, TO POSTPONE ELECTION FOR THE ISLAMIC MAJLIS.
- WE HAVE HAD FRIENDLY RELATIONS WITH KUWAIT FOR A LONG TIME. WE HAVE NEVER WANTED OUR RELATIONS TO BE OTHERWISE. ALL KUWAIT HAS TO DO IS TO ANNOUNCE OFFICIALLY THAT IT IS NOT HELPING IRAQ.''

UNQUOTE

=

COL TEH 1012

20/1110LT

UNCLAS SECURE

TORW 20/10/87 22:37:44

WLN 0075

NNNN

RETURN TO	FOR FILING
RENOYER AU	FOUR -
:BAHRAIN	00192-ROUTINE
:LONDON	00401-ROUTINE
:RIYADH	00147-ROUTINE
FILE	20-1ran-1-3-USA

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**ACTION**  
**SUITE A DONNER**

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ACC	REF	DATE
525396		
FILE	DOSSIER	RECEIVED
21-3-Iran-Iraq	OC	13 1987
20-Iran-1-3-USA		

C O N F I D E N T I A L

FM WSHDC UNGR1146 09OCT87

TO EXTOTT/GMR

INFO CAIRO TAVIV DMCUS BGHDD RYADH AMMAN KWAIT TUNIS RABAT ALGER LDN  
PARIS ROME MOSCO PRMNY BONN TOKYO BNATO ATHNS STKHM ANKRA PCOOTT  
PMOOTT/BURNEY

TT NDHQOTT/CDPOL/DIPOL/ DE CAF

DISTR MINA USS DMC IFB GGB GMD IMU IND INP GRP GMRD URR UGB URD DMX

CPP EED EER JLO

REF OURTEL UNGR1126 22SEP

---IRAN/USA CONFRONTATION IN GULF

SUMMARY:SINKING OF THREE IRANIAN GUNBOATS YESTERDAY HAS GIVEN RISE TO  
NEW ROUND OF CONGRESSIONAL CALLS FOR INVOCATION OF THE WAR POWERS  
ACT.SUCH CALLS HAVE SO FAR BEEN RESISTED STRONGLY BY THE ADMIN.TEAT  
DEBATE IS ESSENTIALLY A DOMESTIC POLITICAL ONE OVER THE RELATIVE  
POWERS OF EXECUTIVE AND CONGRESS.THERE IS NO/NO SERIOUS QUESTIONING  
OF NECESSITY FOR SIGNIFICANT USA PRESENCE IN GULF.ADMINS HAND HAS  
BEEN STRENGTHENED BY GREATER INVOLVEMENT OF ALLIES,PROGRESS IN UN  
CONTEXT AND BY SOMEWHAT MORE FORECOMING ATTITUDE GULF STATES.THERE  
CAN BE LITTLE DOUBT THAT ADMIN IS DETERMINED TO SEE THROUGH WHAT IT  
HAS BEGUN.

2.REPORT:SINKING OF THREE IRANIAN GUNBOATS YESTERDAY HAS GIVEN RISE  
TO A RENEWED FLURRY OF CONGRESSIONAL CALLS FOR INVOCATION OF THE WAR  
POWERS ACT THAT WOULD GIVE CONGRESS THE POWER TO LIMIT PRESIDENTIAL  
AUTHORITY TO COMMIT MILITARY FORCES IN THE GULF.

...2

PAGE TWO UNGR1146 CONF D

3. CONGRESSIONAL DEBATE IS NOT/NOT, HOWEVER, PRIMARILY ABOUT USA INVOLVEMENT IN THE GULF BUT RATHER ABOUT THE RELATIVE POWERS OF THE LEGISLATIVE AND EXEC BRANCHES. THERE IS BROAD AGMT THAT REACTION OF USA FORCES JUSTIFIABLE UNDER THE CIRCUMSTANCES. EVEN THOUGH SOME MAY HAVE DOUBTS ABOUT THE EXTENT OR SPECIFIC NATURE OF USA COMMITMENT AND THE MANNER IN WHICH IT WAS ARRIVED AT THERE IS NO/NO SIGNIFICANT PRESSURE FOR A PULLBACK. INDEED ATMOSPHERE IN CONGRESS IS DECIDEDLY ANTI-IRANIAN AS DEMONSTRATED BY OVERWHELMING SUPPORT IN CONGRESS FOR BANNING ALL IMPORTS FROM IRAN.

4. RECENT DEVELOPMENTS HAVE SIGNIFICANTLY STRENGTHENED ADMIN'S HAND WITH CRITICS. GREATER ROLE BEING PLAYED BY A NUMBER OF WESTERN ALLIES INCLUDING BRITAIN, FRANCE, ITALY, JPN, AND WEST GERMANY HAS BEEN PARTICULARLY USEFUL. COOPERATION OF GULF STATES, ESPECIALLY SAUDI ARABIA, HAS ALSO BEEN OF ASSISTANCE ENABLING ADMIN TO SELL POLICY TO CONGRESS AND PUBLIC.

5. PROGRESS BEING MADE BY ADMIN IN UN CONTEXT INCLUDING GETTING PERMANENT MEMBERS TO AGREE ON FURTHER EFFORTS TO IMPLEMENT RES 598 AND TO CONSIDER THE POSSIBILITY OF MANDATORY SANCTIONS SHOULD THOSE EFFORTS FAIL HAS ALSO ENHANCED CREDIBILITY OF USAS OVERALL APPROACH TO ENDING THE GULF WAR VERY MUCH INCLUDING ITS SHOW OF MILITARY FORCE.

...3

PAGE THREE UNGR1146 CONFD

6.THERE ARE NO/NO SIGNS ON THE HORIZON THAT ADMIN WILL BE DETERRED FROM CARRYING THROUGH WITH WHAT IS HAS BEGUN.THIS COULD CHANGE SHOULD USA BEGIN TO TAKE LOSSES AND CRITICS COME TO FORE AT HOME.HOWEVER, COMMITMENT IS NOW SO SUBSTANTIAL THAT IT IS DIFFICULT TO ENVISAGE CIRCUMSTANCE WHICH WOULD PREVENT ADMIN FROM PERSEVERING WITH AN APPROACH THAT,IF SUCCESSFUL,CAN ONLY ENCHANCE ITS CREDIBILITY IN THE MIDEAST.

CCC/230 092124Z UNGR1146



External Affairs  
Canada

Affaires extérieures  
Canada

3

MESSAGE

Accession/Référence

File/Dossier

20-IRAN-1-3-USIA

(21)

Align first character of Security Classification under this arrow  
Alignez le premier caractère de la Sécurité sous cette flèche

SECURITY  
SÉCURITÉ

~~CANADIAN EYES ONLY~~  
~~CONFIDENTIAL~~ BY ~~SECURE FACSIMILE~~ BAG

12

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FM/DE

FM EXTOTT/URR2217 020CT87

TO/À

TO ~~WSDC~~ <sup>BAG</sup>

INFO

DISTR

DISTR ~~URR GMR JLO~~ 187

REF

---US ATTACK ON AND SUBSEQUENT SINKING OF IRANIAN MINELAYER

SUBJ/SUJ

HEREUNDER IS Q AND A PREPARED BY JLO ON ABOVE SUBJECT.

(COMCENTER PLEASE FAX ATTACHED ONE/ONE PAGE).

CONFIDENTIAL  
CONFIDENTIEL

5 OCT 87 14 25

DRAFTER/RÉDACTEUR

DIVISION/DIRECTION

TELEPHONE

APPROVED/APPROUVÉ

L. VAILLANCOURT

URR

1-9484

M. MOHER

SIG

000202

E. Canada: Affaires  
Canada Affaires extérieures  
Canada

fax to Wshdc

Housebook

HOUSE OF COMMONS BOOK - BRIEFING NOTE  
LIVRE DE LA CHAMBRE DES COMMUNES - NOTES D'INFORMATION

Distribution: MINP A-10 (original + 10 copies)

MINP A-10 (1)	GMD	URR
USS A-8 (1)		
BCM XXXC-5 (1)	GMR	JFB
BFD XXXC-2 (1)	URD	JCD

CONFIDENTIAL  
CONFIDENTIEL

Classification

CONFIDENTIAL

Section

JLO-1317

Subject/Highlights Sujet/Points saillants

U.S. attack on and subsequent sinking of Iranian minelayer

Source

Media reports

Assessment Evaluation

On 24 September, i.e. after the attack but before the sinking, Professor Leslie Green, erroneously presented as a legal advisor to Canada's Department of Defence, was quoted in the Globe and Mail as saying that:

- Iran as a belligerent nation is legally entitled to lay mines on international trade routes in order to inhibit trade with Iraq, an enemy country;
- the United States did not have authority to seize the crew of the Iranian ship laying mines but, as a neutral state, should have released them immediately after disarming them;
- the United States attack on the Iranian ship cannot be defended under the right of self-defence, which is the right to take preventative measures when being attacked.

A thorough legal analysis of these issues is currently underway. The preliminary view of the Department's Legal Bureau is that while the laying of mines by Iran may not have been permissible under international law, it does not follow that either the attack or the sinking of the Iranian minelayer by the US can be justified on the basis of the right of self-defence.

Suggested Reply Réponse suggérée

- We are deeply concerned about the situation in the Gulf and hope that recent events will not lead to an escalation of current tensions.
- It is clear that the laying of mines by Iran was not primarily affecting Iraq, with which no trade by sea has taken place for several years, but other States, including the U.S.A., that are not party to the conflict. In view of the direct, imminent danger posed to those States, we understand the reasons underlying the actions taken by the U.S. Government.
- We understand that the crew members of the Iranian minelayer were treated in conformity with the 1949 Geneva Convention on Prisoners of War and that their repatriation is being handled by the Omani Red Crescent Society.

Prepared by Préparé par  
Paul FauteuxDivision Direction  
JLODate  
29SEPT67Tel. no. No de tél.  
992-2002



External Affairs  
Canada

Affaires extérieures  
Canada

MESSAGE

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Accession/Référence
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SECURITY SÉCURITÉ	<del>CONFIDENTIAL</del> UNCLAS	20 OCT 87 22 53z	12	10
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	REF YOURTEL UNGR1126 22SEP TO GMR			
	---IRAN/USA CONFRONTATION IN GULF			
	GRATEFUL YOU INCLUDE JLO ON ALL FUTURE CORRESPONDENCE ON THIS			
	SUBJECT, AS WELL AS <del>ALL</del> OTHER SUBJECTS PERTAINING			
	TO THE MAINTENANCE OF INNATL PEACE AND SECURITY.			

ACC	RE	DATE
FILE	DOSSIER	
1-11-210-1		
20-IRAN-1.3-USA		

A-4

DRAFTER/RÉDACTEUR

DIVISION/DIRECTION

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000204



HOUSE OF COMMONS BOOK — BRIEFING NOTE  
LIVRE DE LA CHAMBRE DES COMMUNES — NOTES D'INFORMATION

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JCD

Classification  
UNCLASSIFIED

Section  
JL0-1296

Subject/Highlights Sujet/Points saillants

U.S. Attack of Iranian Minelayer

Source

Globe and Mail, 24 September 1987

Assessment Évaluation

Professor Leslie Green, presented as a legal advisor to Canada's Department of Defence, is quoted as saying that:

- Iran as a belligerent nation is legally entitled to lay mines on international trade routes in order to inhibit trade with Iraq, an enemy country.
- The United States did not have authority to seize the crew of the Iranian ship laying mines but, as a neutral state, should have released them immediately after disarming them;
- the United States attack on the Iranian ship cannot be defended under the right of self-defence, which is the right to take preventative measures when being attacked.

Suggested Reply Réponse suggérée

- We are deeply concerned about the situation in the Gulf and hope that recent events will not lead to an escalation of current tensions.
- It is clear that the laying of mines by Iran was not primarily affecting Iraq, with which no trade by sea has taken place for several years, but other States, including the U.S.A., that are not party to the conflict. In view of the direct, imminent danger posed to those States, we understand the reasons underlying the action taken by the U.S. Government.
- We have been informed that the crew of the Iranian minelayer is being treated in conformity with the 1949 Geneva Convention on Prisoners of War and that the Red Cross has been called in to repatriate those prisoners who wish to return to Iran.

ACC	RL	DATE
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20-IRAN-1-3-USA		
DOSSIER		

A-4

Prepared by Préparé par  
Paul Fauteux

Division Direction  
JL0

Date  
24SEP87

Tel. no. No de tél.  
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External Affairs  
Canada

Affaires extérieures  
Canada

MESSAGE

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Accession/Référence

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20-Iran-1-3-USA

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---USA ATTACK ON IRANIAN WARSHIP AND PRESIDENT KHAMENEI'S SPEECH TO  
THE UN GENERAL ASSEMBLY.

FOLLOWING IS TEXT OF Q AND A PREPARED THIS DATE:

QUOTE (COMCENTRE PLEASE COPY ATTACHED) UNQUOTE.

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C O N F I D E N T I A L

GMR

USA attack on Iranian Warship and President Khameni's speech to the UN General Assembly.

Various

On September 21, an American military helicopter attacked an Iranian naval vessel in the act of laying mines at night in international waters north-east of Bahrain. There are reports of Iranian deaths and injuries occurring. The USA is holding a number of Iranians rescued from the stricken vessel.

The Americans are describing their action as an act of self defence and within their rights under international law. They have told us that they had previously warned the Iranian government of how they would respond to such "provocative acts". On September 22 Secretary of State Shultz called for an arms embargo against the belligerents in the war. The incident occurred on the same day as an Iranian attack on a British flag vessel in the northern Gulf with one crewman killed and two injured.

President Khamenei addressed the UN General Assembly on September 22. His speech, characterized by the Secretary of State of External Affairs as "destructive and deeply disappointing", was an acerbic attack on the USA and the effectiveness of the Security Council. Khamenei threatened that the USA would receive "a proper response" to avenge the USA helicopter attack on an Iranian "merchant ship". Iran and the USA appear on a confrontation course. Events are unfolding rapidly.

- The latest incidents in the Gulf underline the dangers posed by this conflict.
- On the basis of evidence received, American action appears justified.
- The Secretary General should be encouraged to pursue his peace efforts.
- The Canadian government fully supports sanctions as a follow-on to Security Council Resolution 598.

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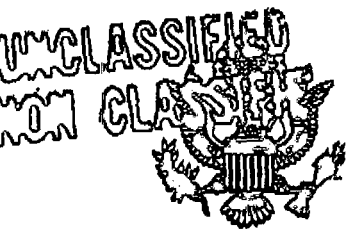
---(SUBJECT/SUJET): UNGA 42: SPEECH BY PRESIDENT OF IRAN

1.) ATTACHED IS INITIAL AMERICAN RESPONSE TO IRANIAN SPEECH. SEC. OF STATE SCHULTZ SUBSEQUENTLY GAVE A PRESS CONFERENCE, IN WHICH HE CALLED FOR AN ARMS EMBARGO AGAINST THE PARTICIPANTS IN THE IRAN/IRAQ WAR. (APPARENTLY THIS WAS THE FIRST TIME HE HAD DONE SO, ON THE RECORD).

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## UNITED STATES MISSION TO THE UNITED NATIONS

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NEW YORK, N. Y. 10017

## PRESS RELEASE

FOR IMMEDIATE RELEASE

Press Release USUN 43-(87)  
September 22, 1987

Statement of Ambassador Herbert S. Okun upon leaving the General Assembly during the speech of the President of Iran, September 22, 1987

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The false accusations that he made against our country distort the facts and totally misrepresent our policy. I do not intend to sit by passively when our country is insulted, our President is pilloried and the truth is trampled. Such behavior has no place in the debate among nations. I totally reject the attacks made against my government. The Government of Iran should change its policy, pursue the path of peace and start acting in accordance with its obligations as a member of the United Nations.

Yesterday President Reagan called upon the President of Iran to state clearly that Tehran accepts Resolution 598 without conditions. Why does he refuse to do so? The issue is continuing the war or making peace. The entire Security Council has voted for peace. The choice is Iran's.

As far as we are concerned, the United States respects the right of the Iranian people to determine their own form of government. We have no quarrel with them. But, the actions of the Government of Tehran threaten our citizens, the citizens of other countries and the international community as a whole.

President Reagan said yesterday, "We do not seek confrontation or trouble with Iran or anyone else. Our objective is now, and has been at every stage, finding a means to end the war with no victor and no vanquished."

\* \* \* \* \*



EXTERNAL AFFAIRS

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FOREIGN INTELLIGENCE  
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## INTELLIGENCE REPORT

520559

FILE

DOSSIER 10 July, 1987

20-Iran-1-3-USA

B-87-71

USA/IRAN: Persian Gulf Tensions IncreasingSUMMARY

Recent statements and actions by the United States and Iran suggest that both sides are moving towards a confrontation in the Persian Gulf that will substantially increase the risk of a direct military clash. The USA is clearly positioning itself so that if this happens it will have the ability to respond quickly and with much greater firepower. A trip-wire in this increasingly delicate situation is the threatened arming by Iran of newly prepared missile launch sites along the Persian Gulf with Chinese-made anti-ship Silkworm missiles. Our most recent intelligence indicates that Iran has not yet armed the sites, but a rapid deployment capacity exists. Iran has shifted to attacking shipping in the approach lanes to Kuwait with fast, small patrol boats operated by Revolutionary Guards. However, overall oil exports through the Strait of Hormuz, have been little affected.

While the USA emphasizes the importance of freedom of navigation and security in the Persian Gulf, Iran's fellow Gulf OPEC members do not appear to reflect quite the same level of anxiety. Iranian concentration on Kuwaiti targets, attacks by Iran on two Soviet tankers and by Iraq on a US warship and American statements have nevertheless all contributed to extensive media coverage and growing governmental concern in the region. Iran has proposed a partial ceasefire, suggesting around the Gulf and at the UN that it could accept an end to war in the Gulf, provided the superpowers are excluded from the region. It is not anxious to see the Security Council involved and appears to be encouraging NAM mediation as a way of blocking a UN initiative. For its part Iraq is afraid that without direct superpower protection, many of its Gulf state supporters will crumble under mounting Iranian bullying and terrorism. Kuwait wants the Iran/Iraq war and its own vulnerability to Iranian pressure ended. Kuwait will do everything it can to ensure continuing superpower protection. Saudi Arabia has declined US requests for ground bases, and is working diplomatically and diligently on the alternative, however unlikely, of persuading Iran to come to the peace table.

Even partial closure of the Straits (we do not believe Iran has the capability to effect total closure) would probably increase oil prices and cause considerable but short-term disruption. US strategic reserves, totalling some 900 million barrels, could alone compensate for the shortfall for as long as four months. But the USA is not prepared to allow Iran to close the Gulf and intends to considerably step up the number of US ships in the Gulf and take the necessary steps to ensure their safety. In our view, the Congress' dilemma on the Gulf issue is to devise cautious policy

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recommendations that will not needlessly drag the USA into the Gulf war while sustaining vital US interests and protecting the US image in the aftermath of the USS Stark incident. The Administration remains determined to remove any Iranian misapprehensions over its resolve. The President may feel he has little to lose from attacking Iran and would probably welcome an opportunity to redress America's many grievances against Iran before his term ends.

The USA is moving to increase its presence and firepower. It has dispatched the battleship Missouri into the vicinity of the Gulf by the end of July. A US carrier battle group is stationed in the Arabian Sea within air striking distance of Iran. The US Administration also appears to have leaked to the press the existence of a firm intelligence link connecting Iran directly with an order to kidnap the American journalist Charles Glass. There are parallels between the current evidence and the bombing raid on Libya. The Iranian side shows no sign of remorse but for the moment is showing some inclination to caution. Nevertheless, it continues to attack foreign ships in the Gulf, has stepped up its anti-USA rhetoric, and Iranian-sponsored terrorist attacks are expected against US interests in Kuwait, Bahrain and Saudi Arabia. The US Options: the most probable course appears to be a demonstration of US military power in the Gulf but confined to escort and patrol functions. However, the actual arming of the missile sites or a new terrorist attack would be likely to provoke attacks directly against Iranian targets. Less likely is a sustained US attempt to force an end to the Gulf War by subjecting Iran to a tight ongoing blockade. We believe Iran is conscious of the danger and feels itself under some constraint, but the risk of miscalculation or autonomous action by, for example, a fanatic Revolutionary Guard Commander, is not inconsiderable. If the USA attacks Iran, an upsurge of terrorism against US targets in the Middle East would probably result.

#### REPORT

1. Over the past three months the Iran/Iraq war has become increasingly internationalized, with attention focussing on anti-shipping attacks in the Persian Gulf. Recent statements and actions by the United States and Iran suggest that both sides are moving towards a confrontation in the Persian Gulf that greatly increase the risks of a direct military clash. The USA is clearly positioning itself so that if this happens it will have the military capability to respond in force.

#### BACKGROUND

2. Iraq, which had suffered heavy losses in land fighting, and been inhibited by Iranian naval attacks on ports and shipping from exporting oil through the Gulf, first began in earnest to hit maritime targets in retaliation, after France supplied six Super Etendard aircraft in 1984. These had both the range to reach Kharg Island and the load-carrying capacity for the French Exocet missile.

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3. Iran attempted to respond in kind but, since most Iraqi oil was by then being exported overland, it was forced to strike mostly at vessels engaged in trade with Kuwait, through which international goods including war materials are shipped to Iraq. In the earlier stages of the Gulf war, Iran attacked with American-made F-4 fighters and Maverick missiles from stocks supplied in the days of the Shah. Subsequently Iran shifted to using naval frigates, firing Italian anti-ship missiles, operating near Qatar -- beyond the limit of most Iraqi air strikes. More recently, Iran has shifted again to attacking shipping in the approach lanes to Kuwait with fast, small patrol boats operated by the fanatic Revolutionary Guards

4. Over 1986 and 1987, the number of ship attacks has increased. In 1984, there were 30 attacks on Gulf shipping, in 1985 there were 50, in 1986, 102. So far this year the rates have paralleled those of 1986. Of the 30 most recent Iranian attacks in 1987, 25 have been against ships enroute to or from Kuwait. Even so, less than a half of 1% of the shipping using the Persian Gulf has experienced an attack and overall oil exports through the Strait of Hormuz have been little affected. Iraq exports virtually all of its oil overland. Saudi Arabia has a pipeline to the Red Sea with unused capacity, and Iran is in the process of constructing a pipeline to the Gulf of Oman to bypass completely the Straits of Hormuz. Thus, while Persian Gulf tensions have been widely publicized, the Gulf States most directly affected have expressed only limited anxiety over the safe passage of oil.

#### Gulf Interests

##### -USSR:

5. The Persian Gulf crisis offers the USSR an opportunity to enhance its influence in the region at the expense of the USA, while developing potential constraints against its neighbour Iran, where prolonged political turmoil and the risk of Islamic Fundamentalism has been watched nervously. Frustration with their inability to make significant inroads with the Iranian regime and a nagging fear that the USA may have well-developed contacts with moderate elements in Iran, which could be exploited when the Ayatollah dies, are also tempering their objectives. The Soviets, while supporting Iraq, have sounded out Iran on the possibility of convening a peace conference in Moscow. Iran rejected this idea. They then called for the withdrawal of all warships from the region, a recommendation which the Iranians supported. The Soviets also met in Geneva on July 7 with American officials in an attempt to reach common ground in promoting a UN Security Council resolution calling for a ceasefire to the Iran/Iraq war. The discussions proved inconclusive but they are scheduled to recommence later this month. Earlier intelligence indicated that when the UN Secretary General was recently in Moscow he was told the situation in the Gulf was a great concern and Gorbachev himself apparently mentioned this at length. While the Soviets object to the USA naval presence, they have informed Iran that they would react to any Iranian attack on one of their vessels chartered from the USSR by Kuwait. The USSR also has

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had a frigate stationed in the Gulf since May and it was recently joined by three minesweepers. From the USA perspective, consideration of a pre-emptive action against Iran would accordingly have to take into account how the element of the USSR role would come into play.

-Iraq:

6. Iraq wants superpower involvement to bring an end to the war, now in its seventh year. But Iran has shown, to date, no inclination to alter its basic demand for replacement of Iraq's president and ruling Ba'ath Party with a government to Iran's liking, payment of extensive war reparations and restoration of boundaries. Clearly these are unacceptable to Iraq. Nor can Iraq accept a partial end to the war which might deprive it of its strength in the air while leaving it exposed on land. Iran has proposed such a partial ceasefire, suggesting around the Gulf and at the UN that it could accept an end to war in the Gulf provided the superpowers are excluded from the region. Few have any illusion that such a solution would bring an end to Iranian terrorism, air attacks or other pressure on the smaller and weaker Gulf states. Meanwhile the war in the Gulf works to Iraq's advantage, which is why it does not wish to end it on Iran's terms. Iraq will, therefore, almost certainly continue to attack tankers carrying Iranian oil and attempt to focus mounting international pressure on Iran to accept a complete armistice. Iraq is afraid that without direct superpower protection, many of its Gulf state supporters will succumb to mounting Iranian bullying and terrorism.

-Kuwait:

7. Kuwait, a city state with little defensive strength, which has suffered from Iranian-sponsored terrorist attacks on its oil facilities and utilities, has turned to the superpowers for protection. Kuwait is desperate to lessen its own vulnerability and is accordingly anxious to see the Iran/Iraq war end. Potentially vulnerable should superpower protection be withdrawn, Kuwait is hoping that the superpower presence will continue until long after the war is ended or, if the war continues, until long after the superpowers and Iran come to blows.

8. With four tankers leased from the USSR operating under the Soviet flag, and eleven tankers in the process of being reflagged and renamed by the USA, Kuwait will have about one-sixth of its oil exports protected. It is now in the process of trying to contract with private American companies to lease additional tankers; already under US flag, with American crews and the right to US protection. Although Kuwait has so far resisted requests from US Defense Secretary Weinberger to provide ground basing facilities for US aircraft, it appears increasingly certain that Kuwait will do everything it can to ensure continuing superpower protection.

-Saudi Arabia:

9. With its large Shi'ite minority concentrated in the oil production sector, and 150,000 Iranians participating in the annual pilgrimage, Saudi Arabia is particularly vulnerable to Iranian subversion and is thus deeply troubled. The Saudi monarchy is

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afraid of the long term consequences of angering Iran. The Saudis also would like the Iran/Iraq war to end but want neither to provoke Iran nor to see the influence of the "Godless Communists" -- the USSR -- increasing. Afraid of contributing to superpower competition in the region resulting in a more extensive Soviet presence, the Saudis have been careful, also, to avoid encouraging too strong a US presence. In May the Saudi Defence Minister declined US requests for ground bases. The monarchy is also fearful that open dependency on the USA, Israel's chief supporter, could undermine its credibility with the Saudi population. We expect to see this issue being publicly re-examined by Saudi's rulers, but probably with negative results. They are not happy with the current escalation of tensions and are working diplomatically and diligently on the alternative, however unlikely, of persuading Iran to come to the peace table.

#### US Interests in the Gulf

10. The USA was committed by President Carter to ensuring freedom of navigation in the Gulf and is at least equally committed by international prestige to counter-balancing the growing influence of the USSR. The USA recognizes that an Iranian victory would upset the pattern of interstate relations in the region, making a negotiated settlement of the Arab-Israeli dispute even more difficult, and threatening the stability of pro-Western governments such as Egypt.

11. Some 7 million barrels of oil are now shipped per day via the Straits of Hormuz. About 36% of that goes to Japan, 41% to Western Europe, 11% to the USA and the rest to other, mainly Asian, buyers. In terms of consumption, Gulf oil represents 60% of Japan's oil imports, 29% of Western Europe's and 15% of those of the USA. As a number of senior spokesmen have made clear, however, the USA is not prepared to allow Iran to close the Gulf and, despite mounting reservations within Congress, over "reflagging" policies, it intends to considerably increase the number of US ships in the Gulf and take the necessary steps to ensure their safety.

#### US Policy

12. The Reagan Administration's Persian Gulf policy has been under attack in Washington and elsewhere as being indecisive and unclear. The need to protect the flow of Gulf oil was cited first as the justification for being in the Gulf. Later the need to counter the Soviet presence became more important. White House Chief of Staff Howard Baker has reflected this inconsistency, one day applauding the "joint effort" of the Soviets and the USA in the Gulf while later condemning the Soviet presence as unhelpful. These and other inconsistencies, as well as a failure to define specific US interests and objectives in the Gulf, have, in our view, contributed to confusion both in the USA and worldwide. Nevertheless, the Reagan Administration seems determined to proceed with a considerably enhanced projection of military power.

13. President Reagan's claim to have obtained the allies'

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support at the Group of Seven meeting in Venice was aimed at countering criticism of its expanded US naval presence in the Gulf. Respected US defence and foreign policy observers have criticized the policy of reflagging as ill advised and representing a more extreme tilt towards Iraq than is necessary to meet concerns over freedom of navigation and the free flow of Gulf oil. The Administration's failure to enunciate a persuasive policy for the Gulf is fueling a widening uneasiness, especially in Congress, among Democrats and Republicans alike.

### The Congress

14. The Democrats have been particularly critical, charging that the policy has not been thought through fully. Essentially, Congress is torn between a desire to enunciate a cautious policy that will avoid risk of the USA being dragged into the Gulf war in protection of interests that more properly belong to its Japanese and European allies (the principal users of Gulf oil), and a desire to protect vital US interests and US image in the aftermath of the USS Stark incident. Congressional reaction has been to press for time, calling for United Nations peace-keeping alternatives and joint schemes involving those allies making greatest use of Gulf oil. Despite reassurances of the US Joint Chiefs of Staff that reflagging would be low risk, there is considerable fear, primarily among Democrats, of precipitous action by the Administration. To ease such apprehension, a pre-emptive strike against Iranian Silkworm missile sites that are not actually armed with missiles may have been ruled out by the Pentagon. Meanwhile the Congressional search for an alternative policy continues and the reflagging and escort operation is proceeding.

### The US Public's Mood

15. Loss of lives on the USS Stark and fears of an oil crisis have sparked an unusual degree of US public interest. There is also concern that the Soviets appear to be making headway and that the Gulf war could spread. Moreover, simmering anger with Iran over sponsorship of terrorist attacks and the holding of hostages has been reawakened. Allied unwillingness to become militarily involved has prompted an inclination to go-it-alone. In our view, these factors have contributed to an American public mood which would welcome an attack against Iran.

### US Actions to Date

16. The USA has also been trying, at the United Nations, to persuade the other members of the Security Council to accept a plan to apply pressure to both sides to end the Iran/Iraq war and to apply sanctions against whichever side does not cooperate. While the Security Council has agreed on the first point, there appears little prospect that the PRC, with a lucrative Iranian market to protect, would accept the second proposal of an arms embargo.

17. President Reagan has made a number of speeches stressing that the USA should not be expected to shoulder the burden or the

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costs of policing the Gulf alone. The USA has also approached bilaterally several of its allies in attempts to secure their cooperation. So far, only the United Kingdom has extended a promise of tangible assistance by offering to add to its fleet of four warships currently in the Gulf. Japan, France, Italy and West Germany, though far more dependent on Gulf oil than either the USA or the UK, have shown no willingness to help to protect the shipping which brings that oil out. Canada's reliance on oil shipped through the Gulf is virtually non-existent.

18. On the military front, the USA is moving to increase its presence and firepower. It has announced its intention to dispatch the battleship Missouri and its arrival in the vicinity of the Gulf should occur by the end of July. A US carrier battle group is also stationed in the Arabian Sea within air striking distance of Iran. A second carrier battle group, at present in the Mediterranean, could be redeployed to the region in one week. The USA has secured Saudi Arabia's consent to increase its AWACS air detection fleet and to allow US crews to fly in them.

19. It may also be noteworthy that the US Administration appears to have leaked to the press the existence of a firm intelligence link connecting Iran directly with an order to kidnap the American journalist Charles Glass. There are some parallels between the current evidence and the earlier signals intelligence which the President used to rationalize the bombing raid on Libya.

20. At this time we do not think the USA has a fixed intention to undertake an imminent attack on Iran. We do consider that the Administration is undertaking a steady build-up of US military power that will provide it with the option to retaliate swiftly in an event of further provocation in a consciously "make-my-day" response to the Iranian pressure against the smaller Gulf States. However, the USA has gone to considerable length and expended considerable political capital domestically to obtain Congressional and public support for the reflagging of Kuwaiti vessels, as well as to obtain a UN resolution calling for a ceasefire. It will be reluctant to "blow" this on a pre-emptive strike that did not have clear justification.

#### The Iranian Response

21. For its part, the Iranian side has shown some sign of caution in not positioning missiles at the sites commanding Hormuz. But it has begun to attack foreign ships in the Gulf again after a hiatus of over a month, and the Commander of the Revolutionary Guards' naval force has threatened to blockade the approaches to Kuwait, where tankers were damaged in May and where several floating mines have since been discovered. Iran has stepped up threats against America's allies, Saudi Arabia and the other members of the Gulf Cooperation Council. The USA expects Iranian-sponsored terrorist attacks against US interests in Kuwait, Bahrain and Saudi Arabia.

22. The Iranian regime remains intransigent and unpredictable, openly glorifying suicide in the cause of the revolution. There are

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credible intelligence reports of Revolutionary Guard units training for suicide attacks against naval vessels. However, UK intelligence authorities -- and we agree -- suggest that Iran is still more likely to strike at "soft targets" and avoid openly provoking either the USA or USSR. Iran could, for example, attack Kuwaiti vessels (less than half Kuwait's exported oil is being carried on reflagged vessels), mine Kuwaiti waters, undertake further terrorist action against Kuwait's interests, or inspire additional Shia dissatisfaction within Kuwait.

Possible Scenarios

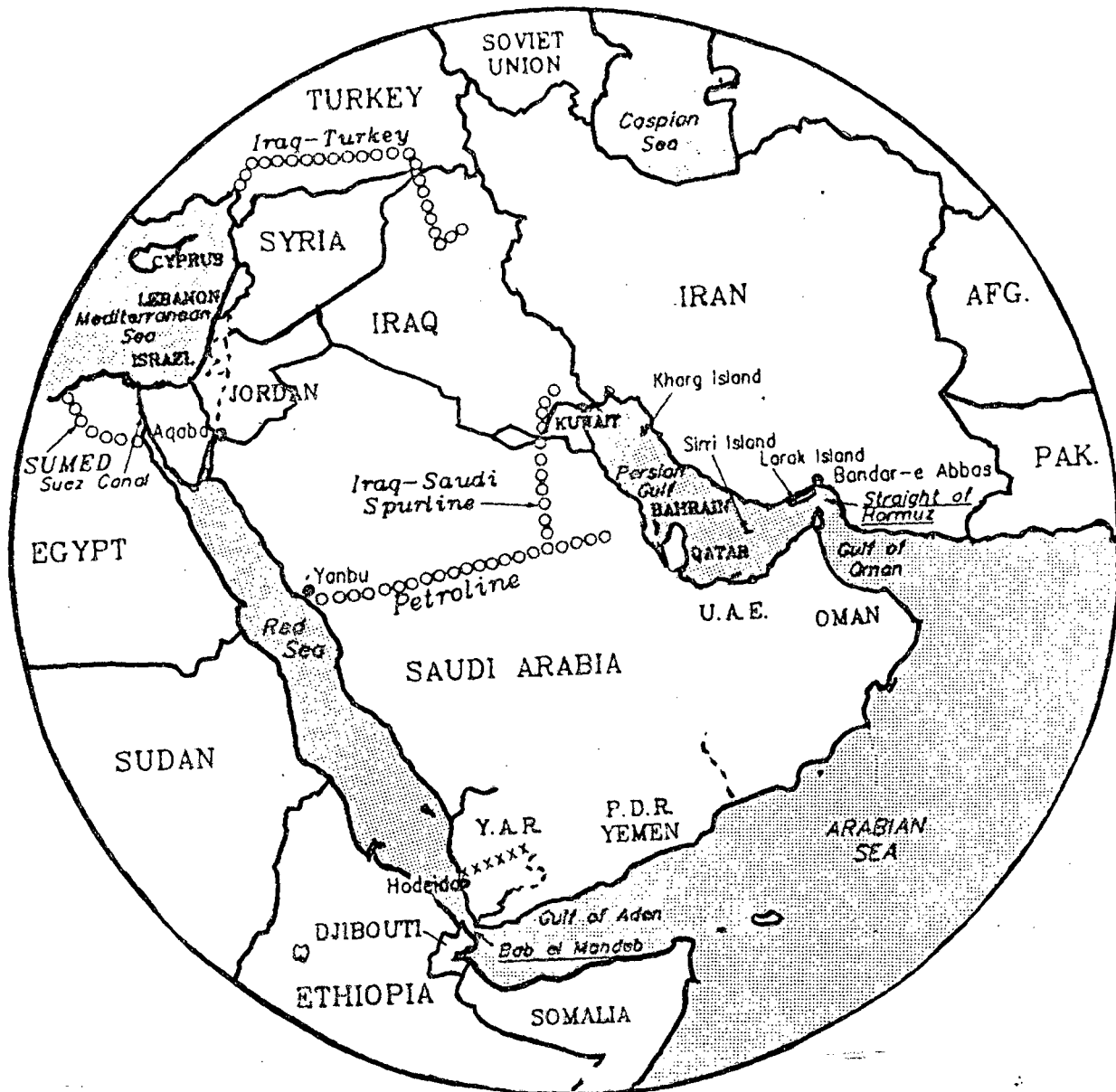
23. A. The most probable outcome still remains restraint exercised in Tehran and Washington. In this scenario, the USA would patrol the Gulf, demonstrating its fire power and preparedness, and intimidating Iran from taking any precipitous action against US naval and "reflagged" Kuwaiti vessels.
- B. Should Iran strike at a US target, the USA would almost certainly retaliate. In this context, further Iranian terrorism against US targets or against US allies in the Gulf or the evidence of the Silkworm missiles being placed on their prepared launching pads could constitute sufficient provocation. In this scenario, we would expect that the Silkworm sites and storage depots near Bandar Abbas, and possibly some headquarters of the Revolutionary Guards and its training bases for suicide missions, could be targetted.
- C. Less likely would be sustained US attempts to force an end to the Gulf War by subjecting Iran to an ongoing blockade. The continued reluctance shown by the Gulf States to grant the USA land facilities would seem to preclude an enduring campaign.
24. Behind these calculations lies the risk of error. The USA has announced that it will court-martial the former captain of the USS Stark and that its warships in the Gulf will henceforth be on "hair-trigger" alert. There is the danger that a committed Revolutionary Guardsman may act, in a moment of zeal or panic, without reference to his headquarters, that tempers may flare on either side and that precipitous action will result. The more explicit Tehran becomes with its threats against Kuwaiti ships, the more likely it is that it will act on them, rather than lose face. Similarly, the USA will be expected to guarantee the safety of its Gulf allies and indeed of all commercial shipping. It too will want to avoid further loss of face by demonstrating firmness of resolve. Factors of these types, coupled with the confrontational elements inherently embodied in both Iranian and USA policies pertaining to the Gulf, leave only limited scope for peaceful solutions to be found.

Prepared by  
Political Intelligence Division (INP)

J. A. Sims (992-0552)  
T. P. O'Connor (992-8058)

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**Pages 219 to / à 220  
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External Affairs  
Canada

Affaires extérieures  
Canada

TO/À Mr. P. Heinbecker, Minister (Political)

FROM/DE • W.R. Lundy, Counsellor and Consul

REFERENCE •  
RÉFÉRENCE

SUBJECT • Possible Visit to Canada by  
SUJET Adnam Khashoggi in May ~~1986~~ / June 1986.

Security/Sécurité  
CONFIDENTIAL

Accession/Référence

File/Dossier  
20-1RAU-13-USA

Date  
December 15, 1986

Number/Numéro


ENCLOSURES  
ANNEXES

DISTRIBUTION

Based on the information provided in a visitor visa application by Anand Swarvaf Brahlala, I believe it is possible that Khashoggi may have visited Ernest Miller in Canada between May 31 and June 8, 1986. Brahlala, an Indian citizen, claimed to be a member of Khashoggi's entourage and claimed Khashoggi and his entourage would be travelling to Canada, by Khashoggi's personal jet, during the dates indicated. Ernest Miller was indicated as the person to be visited.

Brahlala's application was initiated via a representation made to the Ambassador's office by Mr. <sup>Stump</sup>Martindale. This was undoubtedly due to his having recently been refused a visa in New Delhi. The Ambassador met briefly with Martindale <sup>(whom he knew personally)</sup> while the application was being dealt with. We did not actually issue Brahlala a visa due to the previous refusal. A telex was sent to New Delhi asking for information and was copied to New York where the application was to be finalized. Martindale appeared satisfied with this arrangement when I outlined it to him.

None of this, of course, conclusively indicates that Khashoggi in fact visited Canada or visited Ernest Miller during that period. I am, however, drawing it to your attention in the event the information proves of some value.

  
W.R. Lundy



External Affairs  
Canada

Affaires extérieures  
Canada

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Document divulgué en vertu de la Loi sur l'accès à l'information

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TO/A Mr. P. Heinkecker, Minister (Political)

FROM/DE • W.R. Lundy, Counsellor and Consul

REFERENCE •  
RÉFÉRENCE

SUBJECT • Possible Visit to Canada by  
SUJET Adnam Khashoggi in May/June 1986

Security/Sécurité
CONFIDENTIAL
Accession/Référence 6/1/87
File/Dossier
Date December 16, 1986
Number/Numéro

ENCLOSURES  
ANNEXES

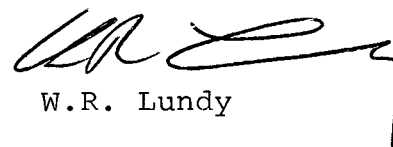
DISTRIBUTION

Ambassador

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W.R. Lundy

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---IRAN AFFAIR:CDN INVOLVEMENT:DISCUSSION WITH MEESE

AMB GOTLIEB SPOKE WITH MEESE TODAY.MEESE GAVE US DIFFERENT,LESS  
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MEESE TOLD GOTLIEB THAT ON MONDAY THEY WILL GIVE US WHAT THEY  
HAVE ON CDN NAMES IMPLICATED IN THE AFFAIR.IT WAS NOT/NOT CLEAR  
WHAT THE CHANNEL WOULD BE.

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*Kelo*  
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Accession/Référence

File/Dossier

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*Bnat - OGD 03/12*

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IDD GMR LCR *LGB*

NEW YORK TIMES: ORDER TO BYPASS CONGRESS ON IRAN CALLED C.I.A.

IDEA - REAGAN AIDES. CONCERN RISING. SEEK GUIDANCE - AVOIDING CHANNELS. (4 PAGES)

2. WALL STREET JOURNAL: TWO CANADIANS AGREED TO OFFER KHASHOGGI CREDIT. (1 PAGE)

(6 PAGES INCL COVER)

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286

*P. Heinbecker*  
P. HEINBECKER

SIG

Subject ..... U.S. SECRET ARMS DEAL/CDN CONNECTION  
Sujet .....

Date ..... 12DEC8 ..... Publication ..... THE NEW YORK TIMES

# ORDER TO BYPASS CONGRESS ON IRAN CALLED C.I.A. IDEA



The New York Times/Marilynn K. Yee

**NEW FIGURE IN PROBE:** Roy M. Furmork alerted the Director of Central Intelligence to diversion of Iran arms sale funds. Page A14.

## Reagan Aides, Concern Rising, Seek Guidance

By GERALD M. COYD  
with BERNARD WEINBAUR  
Special to The New York Times

WASHINGTON, Dec. 11 — Aides to President Reagan are said to have concluded, for the first time in his tenure, that they are unable to deal with a major crisis and have begun to ask former White House officials for advice.

Present and former officials said today that the decision to look for outside help reflected concern in the White House that the crisis over the secret Iran arms sale and the diversion of proceeds to Nicaraguan rebels was increasing.

The attempt by Presidential aides to solicit advice is being done with the approval of Donald T. Regan, the chief of staff.

**Reagan Aides Seek Guidance**  
In an effort to ending advice on how to end the crisis, the solicitations are apparently also an effort by Mr. Regan to dampen demands that he resign, the sources said. The advice being given by former White House aides includes suggestions that Mr. Regan should, in fact, resign.

Among reasons cited by former Presidential aides for urging Mr. Regan's departure is his purported lack of understanding about the potential damage from the secret Iran deals and the perception that he is unable to present the image of a strong chief of staff.

Continued on Page A14, Column 4

...2

**UNCLASSIFIED**

# President's Aides Are Seeking Guidance

Continued From Page A1

staff in command of the White House.

"They had a miscalculation and they were not ready to pounce on it," a former Reagan aide said.

In the view of present and former officials, a touch of black humor now lingers over the White House. One said, for example, that when Dennis Thomas, a Presidential assistant, tried to lighten a staff meeting Wednesday by quipping that he was interested in bailing out to become the Librarian of Congress, no one laughed.

"Things have ground to a halt," said a Republican political adviser with ties to the White House. "Regan is totally distracted and it appears to be every man for himself."

White House officials say Nancy Reagan has added to an atmosphere of tension by telling friends that she expects Mr. Regan to be gone by early January. She has also said William J. Casey, the Director of Central Intelligence, will leave about the same time, the White House officials say.

The outreach effort by Mr. Regan is considered significant since it runs counter to his usual management style of relying almost entirely on the advice of a small group of trusted aides. Moreover, some of the outsiders who have been approached for help have been tact rivals of Mr. Regan, having served in the President's first term and thus evoking comparisons.

## Baker Among Those Approached

Among former White House officials who have been approached are James A. Baker 3d, a former chief of staff who is now the Secretary of the Treasury; Kenneth M. Duberstein, who handled Congressional liaison; Fred Fielding, a former counsel; Edward Rollins, a former political director; and Kenneth L. Khachigian, a former speechwriter.

One of those approached by present White House officials said:

"They are asking what we are hearing in Washington, what actions should be taken and how to move the agenda to the future. They are not asking should Regan be retained, but they are being told."

One White House official, Mitchell E. Daniels Jr., who is the President's chief political operative, conceded that he had made some of the contacts. But he contended that they were consistent with the outreach nature of his job.

Other White House officials who have made inquiries include Mr. Thomas and William L. Ball 3d, who is in charge of Congressional liaison.

Some officials insist that the Iran-Nicaragua furor has not hindered daily business or the planning for initiatives, including next year's budget and legislative agenda. But others and some former Reagan aides describe the search for advice as illustrative of the mood in the White House.

"People are so preoccupied now that other things are not getting much attention," a former official said. "I am not sure it's so much paralysis as preoccupation. They are being reactive rather than bringing proposals for a new agenda that they have not yet settled on."

One current official said: "Regan and his associates are just absolutely, totally preoccupied. You can tell just by looking at the guy."

At the end of 1985, Mr. Regan was saying that the year had been a success and he was attempting to develop public support for the 1986 agenda. By contrast, as the end of this year approaches, he is out of the limelight.

Much of the mood in the White House has been a reflection of Mr. Regan's. He has been making efforts to rally his

troops, but they have been ineffective as the Iran furor persists.

"He seems down a notch or two," said a Presidential aide who has observed Mr. Regan in staff meetings. "He is certainly more muted."

Some officials say the Iran disclosures have undercut Mr. Regan in two ways. One of his goals, after a turbulent start that included the President's decision to visit the West German military cemetery in Bitburg, has been the need for more thorough planning. Another has been to run the White House so as to protect the President against mishaps of all kinds.

For example, Mr. Regan took pride earlier this year in a decision not to have the President photographed in the company of visiting sumo wrestlers from Japan.

A former White House official said he was not surprised, in view of Mr. Regan's style of operation, that Mr. Regan had not informed him of the President's finding of Jan. 17 authorizing the secret arms sale to Iran.

## Rebellion in White House Staff

The former official said the only time senior officials had been informed about national security issues during his stay in the White House was when a dispute erupted over whether polygraph tests should be administered to ferret out people who were disclosing secret information.

Some present and former officials

said the most telling point about handling of the Iran-Nicaragua crisis was the fact that Mr. Regan was not allowing what appears to be disarray and even rebellion within his staff.

Some of his associates have complained that statements by Patrick Buchanan, the communications director, have been politically damaging. Mr. Buchanan has been keeping up strong defense of the President and attacks against his detractors.

In addition, the officials said, Mr. Regan's relationship with the President's wife has become so fragile that she has been calling for his departure in private while maintaining a silent posture in public.

Since becoming chief of staff, Mr. Regan has gone out of his way to make sure that she has no reason for concern and has been open to her suggestions about actions involving the President.

"In her heart," said one of his friends, "she is very, very concerned. Anything that reflects badly on her husband, concerns her, alarms her."

The friend said there was "no doubt that she would like Mr. Regan to sign. Even so, the friend said, the President seems, for the moment, 'dug in this thing,' and has made it clear that he will not ask his chief of staff to leave."

Mr. Regan took the unusual step recently of seeking and receiving assurance from the President that would not ask his chief of staff to leave. A White House official said.

## AVOIDING CHANNELS

### Agency Is Said to Have Made Offer in Draft of President's Ruling

By STEPHEN ENGELBERG

Special to The New York Times

WASHINGTON, Dec. 11 — Government officials said today that the Central Intelligence Agency originally proposed the idea of keeping the Iran arms sale secret from Congress. They said the agency took the unusual step in the first draft of what became a Presidential order guiding the program.

The decision not to tell Congress was a crucial step in the Iran affair, according to Administration officials, because it meant that the entire operation had to be run outside normal channels.

The issue of what one official termed an "off the books" covert action has become significant because the Defense Department and the State Department were largely kept in the dark about the program, and even C.I.A. officials have testified to Congress that they knew little about the details.

#### C.I.A. Contingency Fund

One result of keeping the matter from Congress was that the agency's multimillion-dollar contingency fund could not be used to underwrite the arms. The C.I.A. is barred by law from spending any money not appropriated by Congress.

The Iran arms sales were financed by Adnan M. Khashoggi, a Saudi arms dealer, who in turn raised money from a network of private investors in Canada and the Cayman Islands, according to testimony in Congress by C.I.A. officials.

William J. Casey, the Director of Central Intelligence, also said today that he became suspicious last October that money from the Iran arms sales may have been diverted to Nicaraguan rebels after a conversation with Roy Furmark, an oilman and former business associate who was a marginal participant in the deal. [Page A14.]

#### Testimony to House Panel

In testimony Wednesday before the House Foreign Affairs Committee, Mr. Casey said he had been ordered by President Reagan not to tell the Congressional intelligence committees or leaders about the plan to sell arms to Iran, House members said.

That statement is accurate but incomplete, according to current and former Government officials familiar with the drafting of the Presidential order of last Jan. 17.

These officials said the first draft of the order, or finding, was written by Stanley Sporkin, then the C.I.A.'s general counsel and now a Federal judge.

It specified that Congress not be told about the arms shipments. A second draft, rewritten by White House offi-

Continued on Page A14, Column 1

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---IRAN AFFAIR: CANADIAN CONNECTION-CASEY COMMENTS TO GOTLIEB

IN AT TIMES BARELY COMPREHENSIBLE LANGUAGE THIS AFTERNOON, CIA DIRECTOR CASEY DECLINED TO PROVIDE AMB GOTLIEB ANY INFO ON THIS ISSUE TO US. AMB SAID CDN GOVT WAS UNDER HEAVY PARLIAMENTARY AND MEDIA FIRE AND COULD NOT/NOT UNDERSTAND WHY USA GOVERNMENT WAS UNWILLING TO COOPERATE. CASEY SAID APPROXIMATELY QUOTE I DONT KNOW NOTHING. I DIDNT HAVE ENOUGH TO GO ON EARLIER. WHAT I DID HAVE I HAD TO WITHHOLD BECAUSE I HAD TO PROTECT THE OPERATION. WE WERE STILL TRYING TO GET HOSTAGES OUT. I CAN TELL YOU NOTHING NOW BECAUSE I AM CONSTRAINED BY ATTORNEY GENERAL TO PROTECT ALL INFO UNQUOTE. TO GOTLIEB QUESTION WHETHER HE COULD NOT/NOT AT LEAST AUTHORIZE HIS OWN PEOPLE TO TELL THEIR CDN COUNTERPARTS WHAT HE HAD TOLD CONGR CTTEE HE REPLIED QUOTE NO/NO I CANNOT. THE LAWYERS WILL NOT/NOT LET US SAY ANYTHING ON THE ORDERS OF THE ATTORNEY GENERAL UNQUOTE.

2. WE ARE CONTINUING TO PURSUE ATTORNEY GENERAL, FBI DIRECTOR AND DEPUTY ATTORNEY GENERAL.

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# House probe points to Canadian funds

## Casey reportedly describes transfer of \$15 million

By Nancy J. Schwartz  
Washington Bureau of The Sun

WASHINGTON — The House Foreign Affairs Committee learned yesterday of a broader network of individuals involved in the Iranian arms sales-contras funds diversion, including a Canadian "connection" involved in the deposit of \$15 million in one of the secret bank accounts used to finance the operation, according to congressional sources.

William J. Casey, the director of central intelligence, and other CIA officials testified under oath for more than five hours in a secret session of the committee and provided it with several names not heretofore linked to the Iran-contras inquiry, several members of the panel said. Some of those identified were Canadians, congressional sources said.

Mr. Casey also denied that he had any knowledge of the diversion of funds from Iranian arms shipments to the contra rebels of Nicaragua until he was told of it by Attorney General Edwin W. Meese III, just before Mr. Meese publicly disclosed the funds diversion, two committee members said. In addition, Mr. Casey denied any CIA involvement in diverting funds to the contras.

One member of the House panel, Representative Dan Mica, D-Fla., said, "There appears to be some whole new connections being discussed here — a Canadian situation." He refused to elaborate further.

Another congressional source, though, said it was disclosed that there was a \$15 million transfer of funds earlier this year from Canadian sources into one of the accounts linked to the secret arms operation.

The source, who insisted on anonymity, said that the ultimate disposition of the funds, which were described as an "investment," now "could not be accounted for" and that this had troubled those who had provided the funds. The Canadians involved had expected that the funds would be repaid, a source said.

However, it could not be learned whether the funds were provided by individuals related to the Canadian government or persons of Canadian

nationality acting on their own.

The funds provided by the Canadians were believed to be intended for the Iranian arms operation, but it was unclear if any of the money had been diverted improperly to aid anti-government rebels to Nicaragua, congressional sources said.

Another congressional source said of the money, "It's not clear where it went."

The Canadian funds came to light through unofficial, non-CIA channels, an informed source said the panel was told, and the agency itself was not involved.

John Fieldhouse, a spokesman for the Canadian Embassy in Washington, had no information on any possible Canadian link to the operation. He also reiterated Canada's policy against any outside intervention in Central America and particularly in Nicaragua.

Representative Dante B. Fazio, D-Fla., chairman of the House Foreign Affairs Committee, said Mr. Casey had provided the panel with names of new persons related to the inquiry, but Mr. Fazio said their identity should not be disclosed "by identifying what their nationality" is.

Speaking of the overall inquiry and the new information the panel had received, Mr. Fazio said, "When all of the dots are eventually linked on this, it will be, I won't use the word incredible, but it certainly will be extraordinary."

Representative Larry Smith, D-Fla., said that the testimony before the panel yesterday "added more characters to the cast" and "opened new avenues of questioning to be explored." He said Mr. Casey "gave some names of people" to the panel.

"There really were a host of characters involved here; I think there was a significant new dimension to this whole affair," said Representative Stephen Solarz, D-N.Y., a committee member.

Mr. Casey also denied a published report that he had learned of the diversion of funds to the contra rebels a month before it was publicly disclosed by Mr. Meese, according to committee members.

"He said in no uncertain terms he did not know about that until the attorney general told him; he was very clear about it," Representative Peter Kostmayer, D-Pa., said of the CIA director.

In addition, Mr. Casey "was quite clear that the CIA was not involved in the diversion of funds to the contras," although the agency was involved in arms shipments to Iran, Mr. Kostmayer said.

And, later in his testimony in a 1985 arms shipment to Iran, the CIA insisted that the president formally authorize any further CIA role in written covert action "finding" when arms shipments resumed in 1983, Mr. Kostmayer said. That was the first public confirmation of a previously published report that Mr. Casey insisted on presidential authority before any further involvement in the Iranian arms operation.

"There was, I believe, an arms shipment over that weekend — November 22-23, 1986," Mr. Kostmayer said, in which the CIA was involved in transporting materials.

At that time, there was no formal written authorization for the operation, although Robert C. McFarlane, a former national security adviser, told the House panel Monday that the president had issued an "oral" authorization for an even earlier arms shipment to Iran that was made through Israel.

After a December decision to halt arms shipments, the president then decided in January to resume them. But the CIA "requested justification from the White House and thus the finding came about," Mr. Kostmayer said, in January 1986, when Mr.

Reagan signed a secret "finding" authorizing the Iranian arms shipments and ordering Mr. Casey not to reveal the operation to congressional committees charged with oversight of covert operations.

The CIA director signed an agreement with the Senate Select Committee on Intelligence last year that he would provide the panel with full advance notice of covert operations, and there are also several laws providing for advance presidential notice to the intelligence panels in the House and Senate for covert actions, except under extraordinary circumstances.

"I would say he was a facilitator of National Security Council efforts in the arms operation and then later 'looked for a finding' to justify a CIA role," Mr. Kostmayer said.

**66 We're struggling to get answers . . . we're dealing with scraps of information. 99**

LEE HAMILTON

Representative William Broomfield, R-Mich., the senior Republican on the panel, said that Mr. Casey's testimony was compelling in showing that President Reagan had no

See PAGE 20A, Col. 1

AMEMBASSY CANADA

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knowledge in the diversion of funds to the contras. But he also said that the testimony showed that there had been "serious errors of judgment by senior CIA personnel."

Representative Lee Hamilton, D-Ind., a member of the Foreign Affairs panel and chairman of the House Permanent Select Committee on Intelligence, said there was still no clear information on how the funds for the arms-contras operation flowed and who was involved in it.

"We're struggling to get answers ... we're dealing with scraps of information," he said.

"There is a tangled web of worldwide financial relationships which will require accountants, more than congressmen, to separate it all out," Mr. Kostmayer said.

Members of the Foreign Affairs Committee clashed yesterday on whether to grant immunity to witnesses who have refused to testify on the grounds that their answers to questions would violate their constitutional rights against self-incrimination. And there was also sharp disagreement over whether the president was involved in the diversion of funds to the contras, an operation that the president has said was conducted without his knowledge or authorization.

Mr. Solarz declared that he believed, based on the weeklong hearings of the House panel, "that the president must have known about the decision to divert these resources."

But that view was quickly challenged by Republicans, including Mr. Broomfield and Representative Dan Burton, R-Ind., who said such a characterization was "irresponsible" and unfounded by any evidence presented to the committee.

Also yesterday, Mr. Broomfield said granting immunity to witnesses who have refused to testify would "allow Congress to find out everything about the Iran matter quickly."

But Mr. Fawell said he was "certainly not ready to do that right now ... it's premature."

Also yesterday on Capitol Hill, retired Air Force Col. Richard C. Dutton appeared before the Senate intelligence committee and invoked his constitutional right against self-incrimination in refusing to answer questions. Colonel Dutton is a business associate of former Air Force Maj. Gen. Richard V. Secord, who has been linked to the arms sale and who also invoked his right against self-incrimination before the Senate panel in an appearance earlier this week.

And in a separate inquiry on Capitol Hill, Vice Adm. John M. Poindexter, President Reagan's former national security adviser, appeared briefly in a private session of the House intelligence committee. Admiral Poindexter has previously invoked his right against self-incrimination in refusing to answer questions posed by the Senate intelligence panel and the House foreign affairs panel.

Representative Robert Roe, D-N.J., said Admiral Poindexter invoked the Fifth Amendment again yesterday.

Yesterday, all eight Democratic members of the Senate Judiciary Committee urged that the criminal investigation by an independent counsel be broadened to include all aspects of the Reagan administration's efforts to aid the contras. In a letter to the three-judge panel that soon will select a special prosecutor to investigate the Iran-contras operations, the lawmakers said that Mr. Meese had set up too limited a scope for the inquiry in his request to the panel to name a counsel, or special prosecutor, to probe possible criminal violations.

Karen Hoeler of The Sun's Washington Bureau contributed to this article.



UNCLASSIFIED

## Investors' Role In Arms Sales Told by Casey

### Dispute Arises Over When CIA Chief Discovered Funding Irregularities

By DAVID ROGERS and JOHN WALCOTT  
Staff Reporters of THE WALL STREET JOURNAL

WASHINGTON—A network of private investors linked to an old friend of Central Intelligence Agency Director William Casey helped finance and sought to profit from Iranian purchases of U.S. arms, according to intelligence sources.

In secret testimony before congressional committees, Mr. Casey has said that an October meeting with his friend led the director to suspect potential irregularities and the possible diversion of funds from the sales.

But two administration sources familiar with the program said Mr. Casey knew as early as last spring that profits from the Iran sales were being funneled to Nicaraguan insurgents.

Asked last night about allegations that he knew before last month that the funds were being diverted, Mr. Casey said: "That's false. That's utterly false."

The disclosures shed new light on the role of private investors in the controversial sales and raise questions about when Mr. Casey first learned of the diversion and how he treated the evidence. Attorney General Edwin Meese has said that Mr. Casey and other top administration officials learned of the diversion of funds to the insurgents only last month, when the Justice Department discovered it.

Mr. Casey's friend, New York energy consultant Roy Furmark, warned the director that a group of Canadian investors were threatening to take legal action, possibly against Saudi financier Adnan Khashoggi, a major figure in the sales, and the U.S. government. Any such suit would have threatened the secrecy of the operation.

According to Mr. Casey's testimony, the CIA chief ordered an internal investigation into the financing of the arms sales. An administration source says Mr. Casey referred the matter to Vice Adm. John Poin Dexter, then President Reagan's national security adviser, and suggested he consult the White House counsel's office. Mr. Casey didn't take it directly to the president or the attorney general.

In an interview Tuesday, Mr. Furmark denied having anything to do with the arms business. The consultant has long-standing ties to the Mideast and was a close associate of Mr. Casey's late personal friend and former law client, New York oil man John Shaheen.

According to sources, Mr. Casey indicated that the investors put up an amount in the range of \$15 million to \$20 million for interim financing to carry out the sale. The investors are believed most directly tied to Mr. Khashoggi, for whom Mr. Furmark has worked, according to an intelligence source.

In testimony yesterday before the House Foreign Affairs Committee, Mr. Casey indicated that he only became aware of the potential diversion from his meeting with Mr. Furmark. But according to two administration sources knowledgeable about the Iran operation, Mr. Casey has known at least since last spring that some profits from the sales were being diverted. "Casey knew from the beginning that the Iranians were being overcharged," said one intelligence source. "And he knew that some money was being siphoned off."

The sources said that top-secret messages having to do with the Iranian arms transactions were sent on the CIA "privacy" channel used by John Kelly, U.S. ambassador to Lebanon, in his reports on attempts to free hostages in Lebanon.

The sources said that all messages carried on that channel are delivered automatically to the director's desk, and that Mr. Casey also would have received crucial intercepts of other related communications.

These intercepts, collected by the National Security Agency and distributed to the CIA, the White House and a few Pentagon officials, disclosed that the Iranians were being charged many times more than the value of the weapons they were buying, the sources said.

At the same time, last summer, CIA operatives in El Salvador, Honduras and Costa Rica charged with monitoring activities of the Nicaraguan rebels all reported

to CIA headquarters an increase in supplies for the insurgents.

In addition, some of them expressed concern about the increased presence of retired Air Force Maj. Gen. Richard Secord, an important figure in the diversion scheme and in the supply network to the rebels, called Contras.

#### Background in Energy Business

Mr. Furmark, who is listed in Delaware records as president of Furmark Corp. in New York, has a long background in the energy business and has past ties to Roger Tamraz, a Lebanese businessman who has represented Saudi-backed companies. Mr. Tamraz, U.S. intelligence sources said, is a director of the Bank of El-Mashrek and chairman of the Bank of Kuwait & the Arab World, both in Beirut. He also is affiliated with two other Beirut businesses, Intra Investment Co. and First Arabian Corp. and with Tetra Tech Inc., an Arlington, Va., concern that the sources said employs some former CIA agents. Mr. Furmark, asked whether he had a role in the arms sale, said, "I'm not in that business. I'm an oil man." He did acknowledge that he knows Mr. Casey from their past association with Mr. Shaheen.

By the director's testimony, as related by congressional and administration sources, Mr. Casey hadn't seen Mr. Furmark for several years before the consultant approached him this year with complaints about delayed payments to the private investors. The investors had hoped to profit by providing interim financing to help carry out the sale until the Iranians made their payments. But this left them vulnerable, and Mr. Furmark warned of potential legal action that would threaten the secrecy of the sales.

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In his meeting with Mr. Casey and two subsequent discussions with CIA officials, Mr. Furmark displayed what Mr. Casey described to Congress as an intimate knowledge of the operation. The director testified that it was then that he became concerned about the possibility of a diversion of funds.

But administration sources said Mr. Casey, Mr. Poindexter and Lt. Col. Oliver North, the National Security Council staffer who was fired last month for allegedly masterminding the profit-sharing scheme, went to extraordinary lengths to conceal the operation from their colleagues.

"When Casey claims he didn't know what was going on, he's saying the CIA is so incompetent it can't even monitor its own bank accounts or keep track of the Contras, which are one of its highest priorities," a source said.

Sources said that on several occasions State Department officials who got wind either of the secret arms sales to Iran or of an increase in military aid to the Contras through El Salvador were deliberately "thrown off the scent."

#### 'Roger Channel'

Intelligence sources said the secret operation deliberately bypassed not only the Congress but the State Department and all the administration's internal controls. Intelligence that might have revealed the operation was withheld from the Department's Bureau of Intelligence and Research. Also, Ambassador Kelly, the sources said, was told not to report his contacts with Col. North and Gen. Secord on the State Department's own back-channel, called the "Roger Channel."

At the Pentagon, the sources said, the operation bypassed the small "special co-ordination staff" in the office of Defense Undersecretary Fred Ikle, which normally handles projects where the Defense Department provided weapons, parts, or transport for covert CIA operations.

According to senior Pentagon officials, Defense Secretary Caspar Weinberger directed Gen. Colin Powell, then his military assistant, to order the Army to begin negotiations with the CIA for the sale of 2,008 TOW antitank missiles, plus parts for Hawk antiaircraft missiles. Also involved was Richard Armitage, assistant secretary for international security affairs, who has testified before the Senate Intelligence Committee and is expected to return for further testimony.

In addition to bypassing the officials normally responsible for such programs, Secretary Weinberger omitted several other steps that would be part of covert programs. A Pentagon document describing procedures for supporting covert activities says that notification of the congressional intelligence committees is a condition for Pentagon participation. The intelligence panels weren't notified this time.

Moreover, the department's general

counsel, who often conducts legal analyses for special arms transfers, wasn't told of the shipment to Iran.

Mr. Weinberger and other top officials say no U.S. weapons were sold in the operation before last January, when President Reagan issued a "finding" authorizing the shipments. Others have said that Pentagon officials were involved in 1985 discussions about replacing American weapons Israel planned to send Iran. "I didn't know the terms of the deal they had," said a Pentagon official who became involved in the direct shipments made through the CIA in 1986.

Defense Department officials said they were aware for some time that Israel was supplying Iran with military equipment despite the U.S. campaign to stop other countries from doing so.

Even at the White House, where Lt. Col. North oversaw the secret program, the interagency committee that routinely oversaw covert operations was bypassed, according to knowledgeable administration officials. Vincent Cannistraro, a CIA officer detailed to the National Security Council staff who ordinarily coordinated oversight of covert action, has said he knew nothing of the diversion to the Contras until Mr. Meese revealed it.

Separately, Robert Gates, the CIA deputy director, and Robert McFarlane, the former national security adviser, testified yesterday before a closed session of the House Intelligence Committee. Mr. Poindexter appeared before the panel but declined to testify, citing his Fifth Amendment right against self-incrimination. Mr. Poindexter also declined to testify when he appeared earlier this week before the House Foreign Affairs committee.

And Robert Dutton, who works for Mr. Secord at Stanford Technology Trading, refused to testify, citing his Fifth Amendment right, during an appearance yesterday before the Senate Intelligence Committee.

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## Canada Rejects Proposal to End Lumber Dispute

By JOHN URQUHART

Staff Reporter of THE WALL STREET JOURNAL

The Canadian government rejected a U.S. proposal for settling a dispute over Canadian lumber exports to the U.S.

Trade Minister Pat Carney told Parliament in Ottawa that the U.S. proposal was "unacceptable," but she didn't specify her objections. She said Canada's proposal is "still on the table as a basis for further discussion."

A spokesman for the U.S. Coalition for Fair Lumber Imports, a U.S. industry group, said the negotiators were making headway yesterday in their first day of talks. U.S. lumber industry sources said in Washington that U.S. negotiators had proposed that Canada impose a 40% surtax on its softwood lumber exports to the U.S., to offset what the U.S. calls subsidies to those producers. The sources, who said they were briefed by U.S. officials, said Canadian negotiators offered a 15% surtax.

The two governments decided to try to negotiate a settlement after the U.S. Commerce Department's preliminary finding of Oct. 16. The department said that Canadian softwood lumber exports ought to be subject to import duties of about 15% to offset the subsidies. Canada late last month offered to impose a 15% surtax on those exports to avoid the duties.

The negotiations are being held under a procedure that enables the U.S. lumber industry effectively to veto any settlement that it doesn't consider adequate. Spokesmen for the industry have said any surtax should be at least 25%. If the talks produce an agreement that American sawmill owners find satisfactory, they would withdraw their petition for U.S. duties on the Canadian lumber. If the talks break down, the petition would stand and the U.S. would

proceed with the duties.

Miss Carney said U.S. and Canadian negotiators will meet again in Washington next week. Despite the negotiations, Miss Carney said Canada was "vigorously" pursuing its complaint over the lumber dispute with a panel of the General Agreement on Tariffs and Trade. She said a GATT panel is to resume its hearings on the matter Friday in Geneva, Switzerland.

Canada claims that the Commerce Department ruling is "unjustifiable trade ha-

ramment" because an earlier Commerce Department inquiry in 1983 cleared Canada of subsidy charges. The U.S. imported \$2.87 billion (U.S.) of Canadian softwood lumber last year, about a third of U.S. supplies.

A U.S. industry source said the two governments agreed that any Canadian export tax on lumber eventually would be superseded by increases in the stumpage fees that the Canadian lumber industry pays provincial governments for standing timber.

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## Carlucci Supervised Arms Advisers at Sears

By Caroline E. Mayer  
Washington Post Staff Writer

A subsidiary of Sears, Roebuck & Co. has been involved in international arms sales for the past three years under the supervision of Frank C. Carlucci, President Reagan's choice to head the National Security Council, Sears officials acknowledged yesterday.

Through its Sears World Trade subsidiary in Washington, the nation's largest retailer has acted as a consultant to U.S. and foreign companies wanting to sell military equipment, according to James R. Allen, a retired four-star general who directly oversees Sears' defense consulting efforts.

The consulting work has included providing advice on selling anti-aircraft missiles, radar, transport jets, flight simulators and trailers for military equipment to the United States and Canada, said Allen, who heads the International Planning

and Analysis Center Inc. (IPAC), the three-year-old consulting subsidiary of Sears World Trade.

Allen and 12 other former military officers make up 18 percent of the 72-member IPAC staff that also provides export marketing advice to Third World companies, with funding from the State Department's Agency for International Development.

Carlucci, who oversees IPAC as chairman of Sears World Trade, confirmed the center's role in military sales but said "in no case have [IPAC officials] ever done consulting on lethal weapons."

"They advise companies on the ins and outs of government procurement policy," said Carlucci, who will leave Sears World Trade at the end of the year for his new post with the NSC.

Earlier this year, Sears announced it would begin dismantling Sears World Trade, created in 1982

to become a major international import-export firm. Faced with troubles in its retailing and financial ventures, Sears concluded it could not continue incurring losses from Sears World Trade, which has had a total of \$60 million in losses since its inception.

IPAC's military activities apparently were not widely known at Sears' Chicago headquarters, where officials expressed surprise when first questioned about the defense contracts IPAC had worked on.

"We received periodic reports on Sears World Trade as an entire company, but I don't personally remember" being briefed on these particular activities, said Donald Rumsfeld, a former secretary of defense who serves on Sears' board.

"You're kidding," responded another board member, who declined to be named, upon learning of the military contracts. "I have to confess ignorance, and I certainly would have remembered it if it had been discussed," the board member said.

"Senior corporate management doesn't focus on specific deals a subsidiary is doing," said Douglas A. Fairweather, director of Sears corporate media relations. Nonetheless, he added, "we're confident that the transactions we were involved with were perfectly legal and appropriate things for Sears World Trade to be doing."

With Carlucci's appointment as Reagan's national security adviser, Sears World Trade is receiving even more attention than it did as a money-losing venture. After serving as deputy director of the Cen-

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tral Intelligence Agency and deputy secretary of defense, Carlucci joined Sears World Trade as president in 1983 and became chairman a year later. He was instrumental in creating IPAC and hiring former military officers, former Sears World Trade employees said.

Carlucci said, "Sears World Trade was not in the arms business." It has done "nothing other than give advice in the defense contracting area."

According to Allen, "the biggest effort" in this area was IPAC's work with Contraves Co., a Swiss firm that was competing for a \$600 million contract to build a low-level air defense system for Canada. Teaming with Raytheon Co. of the United States, Contraves was to provide the radar, anti-aircraft missiles and computerized directions for the missiles and guns, Allen said. "We assisted them in preparing their proposal—providing people that could write in English, since it was a foreign country," Allen said.

Additionally, IPAC advised Contraves on how to meet Canada's rule that any foreign company doing business with the government must buy an equal amount of Canadian goods. IPAC suggested a program in which Contraves would use some Canadian-made parts and buy some Canadian products, such as automobile and refrigerator parts, for resale abroad.

"Contraves did not win that competition," said Allen.

A more successful venture was IPAC's work with McDonnell Douglas Corp. and its efforts to win Air Force backing to develop and build a new transport airplane, the C17. As a former Air Force general and military airlift commander, Allen played a critical role in this contract. "I understand airlift requirements very well and can help [McDonnell] make sure the airplane meets the requirements" of the Air Force.

Allen said IPAC is also working with Canada's CAB Electronics, which makes flight simulators for commercial and military aircraft. "We work with them, helping them conduct market analyses, strategies and market opportunities" to see whether these simulators can be sold to governments, including the United States.

Another IPAC client is a Dutch trailer manufacturer that is seeking to build a special trailer for the U.S. Army that can carry heavy equipment and navigate over narrow roads at the same time.

"That type of trailer is not produced by any U.S. manufacturer so we've been working to find a U.S. manufacturer that would be a good teaming partner by which they could enter this competition. We have found them such a partner, and the necessary contractual agreements have been worked out."

Sears officials point out that Sears World Trade is a minuscule part of the company—with revenue of one half of one percent of Sears total sales. Sears World Trade had revenue of \$236.4 million last year; Sears Roebuck's total revenue was \$40.7 billion. IPAC's revenue last year was \$3.5 million, Allen said.

With the dismantling of Sears World Trade, IPAC's future is unclear, Allen said. "There are a number of options," he said. Sears officials have said they may either sell the company to another firm or to IPAC employees.

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# CIA Chief Testifies Businessman Tipped Him to Fund Diversion

*Casey Says Oct. 7 Call Told of Canadian Group's Role in Arms Deal*

By David S. Broder and Edward Walsh  
Washington Post Staff Writers

CIA Director William J. Casey testified yesterday that a New York businessman told him on Oct. 7 that a group of Canadians who had financed shipments of U.S. arms to Iran had not received money they were owed and that some of these funds might have been diverted to Central America, according to congressional sources.

Casey "stunned" the House Foreign Affairs Committee, in the words of one member, by asserting in the closed-door session that this was the first inkling he received that funds generated by the sale of U.S. arms to Iran may have been diverted for some other purpose. Casey told the committee that, after his conversations with the New York businessman, he initiated an internal CIA inquiry and alerted Vice Adm. John M. Poindexter, who was then President Reagan's national security adviser.

Casey testified that he was called on Oct. 7 by a former legal client, Roy M. Furmark. Casey said Furmark told him that he had learned from an Iranian involved with the Canadians in the secret arms deal that some of the money may have ended up in Central America. The Canadians, who apparently were helping to finance the deal, were threatening a lawsuit that would have exposed the secret arms sales to Iran, Furmark told Casey, according to accounts of his testimony from sources who were present.

Casey's disclosures yesterday take the Iran-contra

scandal into new territory and may open a window on the complex networks and transactions the Reagan administration has used to carry out its policy of aiding "freedom fighters" not only in Central America but in such places as Afghanistan and Angola. Yesterday's revelation—which caused a sensation in the House committee—that a group of Canadians was deeply involved, apparently as financiers in at least one transaction between the United States and Iran, adds a new element to the complex arms puzzle.

Foreign Affairs Committee Chairman Dante B. Fascell (D-Fla.) said Casey's testimony "raises more questions than we were able to get answers to." When "all the dots are eventually linked on this," Fascell said, "it will be . . . I won't use the word incredible, but it certainly will be extraordinary."

Referring apparently to Casey's description of the use of Canadian middlemen on the deal, Fascell said that "if for some reason you think it's wise, whatever the motives are, to privatize the implementation of foreign policy, I think you better take another look."

Other members also expressed amazement at what they had learned, and one said the hearing convinced him that Casey should be fired. Many members commented on Casey's repeated avoidance of firm, clear answers to their questions and on his claims of ignorance about key aspects of the scandal.

For instance, Casey told the panel, according to several members, that he did not know the source of funds

deposited in a CIA bank account in Switzerland to reimburse the Pentagon for weapons sold to Iran. He told the panel that he cared principally about getting the money owed the United States and "didn't care about looking much further," according to one member.

Rep. Peter H. Kostmayer (D-Pa.) said Casey responded "I don't know" to many questions and "seemed quite befuddled and confused."

In other developments yesterday:  
■ Robert Dutton, a business associate of retired Air Force major general Richard V. Secord, invoked his Fifth Amendment right against self-incrimination and refused to testify before the Senate Select Committee on Intelligence, according to Chairman David F. Durenberger (R-Minn.). Secord has been identified as a key figure in the Iranian arms deal and in the private network set up to aid the Nicaraguan rebels, known as contras. Dutton played a key role in the Central American resupply operation.

■ The State Department recalled David Ransom, the ranking Foreign Service officer in the U.S. Embassy in Syria, to find out what he may have known about the Reagan administration's efforts to win the release of American hostages in Lebanon through the arms sales to Iran.

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□ Poindexter appeared for about 10 minutes at a closed session of the House Permanent Select Committee on Intelligence, where he again refused to testify about his role in the operation. The committee also heard from Robert Gates, deputy director of the Central Intelligence Agency, and Robert C. McFarlane, Poindexter's predecessor as national security adviser.

Casey's disclosures to the House Foreign Affairs panel helped fill out the picture of how the complex transfer of U.S. arms to Iran—four shipments in all, from February to October of this year—took place. The CIA took possession of the weapons from the Pentagon and transported them to Israel on privately chartered aircraft. At that point they were "sold" to middlemen—apparently including the Canadians in at least one case—who resold them to an Iranian middleman representing Ayatollah Ruhollah Khomeini's government in Tehran.

The first middlemen paid the United States the money it was owed for the arms. This put them at risk financially until the Iranian payment, passing through intermediaries, reached them. The instance Furmark described to Casey, according to Casey's testimony yesterday, appeared to be one in which either the Iranians did not make a promised payment or another middleman diverted some of the funds.

Casey told the committee yesterday that by Furmark's account the unidentified Canadians had put up \$20 million, hoping to make a large profit when Iran paid for the arms. But Furmark reported, according to Casey, that they had only received \$10 million back.

After an initial call from Furmark—an energy consultant and businessman who was involved in 1985 in an unsuccessful business venture with Saudi billionaire Adnan Khashoggi and the late Cyrus Hashemi, an Iranian arms dealer—Casey invited his old client to Washington the next day for further conversation. (Casey told the committee he did legal work for Furmark in the mid-1970s.)

In that second discussion, Casey told the panel, Furmark "described the whole operation." Casey, a member said, astounded the committee by saying that the New York businessman knew more about the arms-to-Iran operation than the di-

rector of central intelligence knew.

Casey said Furmark attempted to track the money put up by the Canadians and was told by one Iranian involved in the deal that as much as \$15 million may have been diverted to Central America. Casey testified that Furmark warned him that the Canadians were threatening to take unspecified legal action to recoup their money.

Casey told the panel he took this information to Poindexter on the same day, apparently Oct. 6, and that Poindexter was surprised and upset, committee sources said. Poindexter thought the Canadians could jeopardize the mission at a moment when he was hoping to get one or two more hostages released from Lebanon with Iranian help.

Sources said Casey testified that at the same time, he initiated an internal inquiry at the CIA because he was concerned about the agency's possible involvement in the deal.

Casey's complicated testimony on cash transactions involving the CIA's Swiss bank accounts left many committee members confused. He professed ignorance about who put money into CIA accounts, and he maintained that he had no information about diversion of money from Iran, through Switzerland to the Nicaraguan contras or their supporters.

Casey repeatedly professed ignorance about matters raised by members. "What came out today," said one committee source, "was that Casey does not know what was going on inside his own agency . . . It was like punching a pillow."

Rep. Gerry E. Studds (D-Mass.) said Casey's repeated professions of ignorance, after similar avowals of limited knowledge by Secretary of State George P. Shultz, left the impression that "there's nobody on the bridge of the ship of state."

Rep. Samuel Gejdenson (D-Conn.) said, "If Casey really knows as little as he tried to portray to the committee today, he ought to be fired for incompetence. And if he knew more, he ought to be fired because the president instructed his people to be forthcoming."

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Rep. William S. Broomfield (R-Mich.), ranking Republican on the committee, was more charitable to Casey. "The good news is that Mr. Casey was pretty candid with us and none of what he had to say in any way indicates that the president knew or should have known of any wrongdoing," he said. "The bad news is that what Mr. Casey told us indicates serious errors of judgment by senior CIA personnel. That needs to be corrected."

Casey testified yesterday that the first official information he had received that proceeds from arms sales to Iran were diverted to help the contras came from Attorney

General Edwin Meese III shortly before Meese revealed this to the public on Nov. 25. Previously, Casey had been quoted as saying that the only earlier information he had on the subject was "gossip"—presumably a reference to his conversations with Furmark.

Furmark has been called to testify before Congress today, according to a business associate. Furmark could not be reached last night.

*Staff writers Walter Pincus, Joanne Oming, David B. Ottaway and Helen Dewar contributed to this report.*



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Subj Iran Affair - Canadian Connection  
Attached is the Post story on the  
Canadian connection.

We are following up.

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## THE REAGAN ADMINISTRATION'S SECRET

# Casey Testimony on Contra Connection Stuns Panel

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that Poindexter was surprised and upset, committee sources said. Poindexter thought the Canadians could jeopardize the mission at a moment when he was hoping to get one or two more hostages released from Lebanon with Iranian help.

Sources said Casey testified that, at the same time, he initiated an internal inquiry at the CIA because he was concerned about the agency's possible involvement in the deal.

Casey's complicated testimony on cash transactions involving the CIA's Swiss bank accounts left many committee members confused. He professed ignorance about who put money into CIA accounts, and he maintained that he had no information about diversion of money from Iran, through Switzerland to the Nicaraguan contras or their supporters.

Casey repeatedly professed ignorance about matters raised by members. "What came out today," said one committee source, "was that Casey does not know what was going on inside his own agency . . . It was like punching a pillow."

Rep. Gerry E. Studds (D-Mass.) said Casey's repeated professions of ignorance, after similar avowals of limited knowledge by Secretary of State George P. Shultz, left the impression that "there's nobody on the bridge of the ship of state."

Rep. Samuel Gejdenson (D-Conn.) said, "If Casey really knows as little as he tried to portray to the committee today, he ought to be fired for incompetence. And if he knew more, he ought to be fired because the president instructed his people to be forthcoming."



Faccoll testimony "raises more questions than we were able to get answers."

Rep. William S. Broomfield (R-Mich.), ranking Republican on the committee, was more charitable to Casey. "The good news is that Mr. Casey was pretty candid with us and none of what he had to say in any way indicates that the president knew or should have known of any wrongdoing," he said. "The bad news is that what Mr. Casey told us indicates serious errors of judgment by senior CIA personnel. That needs to be corrected."

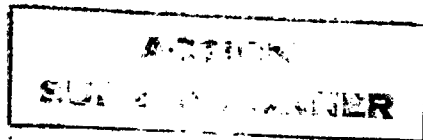
Casey testified yesterday that the first official information he had received that proceeds from arms sales to Iran were diverted to help the contras came from Attorney

General Edwin Meese III shortly before Meese revealed this to the public on Nov. 25. Previously, Casey had been quoted as saying that the only earlier information he had on the subject was "gossip"—presumably a reference to his conversations with Furmark.

Furmark has been called to testify before Congress today, according to a business associate. Furmark could not be reached last night.

*Staff writers Walter Pincus, Joanne Orsang, David B. Ottaway and Helen Dwyer contributed to this report.*

UNCLASSIFIED



*File*

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---IRAN AFFAIR:CANADIAN CONNECTION ALLEGED

BALTIMORE SUN REPORTER VERNON GUIDRY CALLED FIELDHOUSE THIS EVENING  
ABOUT FRAGMENTARY AND INCONCLUSIVE REPORTS LEAKED FROM CLOSED CASEY  
HEARING TODAY BEFORE HOUSE FOREIGN RELATIONS CTTEE.ALLEGTION IS THAT  
THERE WAS A CDN CONNECTION IN IRAN-CONTRA AFFAIR INVOLVING AS MUCH AS  
DLRS 15 MILLION OF CDN GOVT MONEY GOING TO THE CONTRAS.

2.WE DISMISSED THIS ALLEGATION AS QUOTE OFF THE WALL UNQUOTE AND  
OUTLINED LONG-STANDING CDN POLICY OPPOSED TO OUTSIDE INTERFERENCE IN  
NICARAGUA AND CENTRAL AMERICA.

3.NOTE ALSO THAT BARBARA WALTERS REPORTED THIS EVENING THAT A PRIVATE  
CDN FINANCIER WAS SOMEHOW ENGAGED IN THE USA-ISRAEL-IRAN ARMS FOR  
HOSTAGES DEAL.

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SECRET

BACKGROUND ON U.S.-IRAN DIALOGUE

INTRODUCTION

-- FROM THE EARLIEST MONTHS FOLLOWING THE ISLAMIC  
REVOLUTION IN IRAN, THE USG HAS ATTEMPTED TO REESTABLISH  
OFFICIAL CONTACT WITH THAT GOVERNMENT.

- OUR PURPOSE WAS TO DISCUSS STRATEGIC DEVELOPMENTS IN  
SOUTH WEST ASIA AND TRY TO ESTABLISH A CONSTRUCTIVE  
WORKING RELATIONSHIP.

-- SINCE 1983, SEVERAL COUNTRIES HAVE INDICATED A  
WILLINGNESS TO ACT AS INTERMEDIARIES BETWEEN THE US AND  
IRAN IN AN EFFORT TO STIMULATE DIRECT CONTACTS.

— HOWEVER, DESPITE US WILLINGNESS TO PROCEED, NONE OF  
THESE EFFORTS BORE FRUIT.

US GOALS

-- CONTRARY TO PRESS SPECULATION, THERE HAS BEEN NO  
CHANGE IN AMERICAN POLICY TOWARD IRAN.

-- OUR FOUR BASIC GOALS HAVE BEEN AND CONTINUE TO BE:

-- THE RESUMPTION OF A STABLE RELATIONSHIP WITH IRAN.

-- AN HONORABLE END TO THE IRAN-IRAQ WAR AND GREATER  
STABILITY IN THE GULF REGION;

-- THE ELIMINATION OF STATE SPONSORED TERRORISM AND  
SUBVERSION AND,

-- THE SAFE RETURN OF OUR--AND OTHERS'--HOSTAGES.

WESTERN INTERESTS IN IRAN

--- IRAN REPRESENTS A KEY STATE IN A REGION OF VITAL  
IMPORTANCE TO THE WEST.

--- IT IS THREATENED BY SOVIET MILITARY AND POLITICAL  
INFLUENCE ALONG ITS BORDERS AND, POTENTIALLY, INTERNALLY.

--- THE GROWING COSTS OF THE IRAN-IRAQ WAR INCREASE  
IRANIAN VULNERABILITY TO SOVIET PENETRATION. THE  
FINANCIAL CRISIS IN WHICH IRAN FINDS ITSELF NOW GIVES  
IMPETUS TO THOSE IRANISMS INTERESTED IN BOLSTERING  
SOVIET-IRAN RELATIONS. AS THE WAR CONTINUES, THE GROWING  
NEXUS BETWEEN THE IRANIAN REVOLUTIONARY GUARDS AND  
EASTERN BLOC ARMS SUPPLIERS IS ESPECIALLY WORRISOME.

--- THE WEST CANNOT ACQUIESCE IN THE SOVIET DOMINATION OF  
IRAN. SUCH A DEVELOPMENT WOULD FUNDAMENTALLY UNDERMINE  
FRIENDLY ARAB STATES IN THE GULF REGION AND DRAMATICALLY  
SHIFT THE GLOBAL BALANCE OF POWER TOWARD THE SOVIET UNION.

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# SECRET

page 2

-- THE PRESIDENT IS CONVINCED THAT THE MOST EFFECTIVE MEANS OF PREVENTING SUCH AN EXPANSION OF SOVIET INFLUENCE DEPENDS ON THE EVOLUTION OF A GOVERNMENT IN IRAN WILLING AND ABLE TO WORK WITH THE US AS WELL AS OTHER WESTERN COUNTRIES.

-- BRINGING SUCH CONDITIONS ABOUT REQUIRED A SLOW AND NECESSARILY SECRET POLICY INITIATIVE BY THE US AND PRAGMATIC LEADERS IN IRAN TO DEVELOP MUTUAL TRUST AND POLICY REORIENTATION WHICH WOULD PERMIT THE EVENTUAL RESUMPTION OF NORMAL RELATIONS. THIS IS WHAT THE US HAS BEEN ATTEMPTING TO ACCOMPLISH OVER THE PAST EIGHTEEN MONTHS.

## CONDITIONS FOR DIALOGUE

-- THE US TOOK STEPS WHICH DEMONSTRATED SUPPORT FOR THOSE IN IRAN WHO ARE WILLING TO TAKE THE RISKS OF REOPENING A DIALOGUE. THESE INCLUDED THE TRANSFER OF VERY LIMITED QUANTITIES OF DEFENSIVE ARMAMENTS.

---- THE SUM TOTAL OF THIS US ASSISTANCE WOULD FIT IN ONE LARGE TRANSPORT AIRCRAFT.

---- THERE IS NO TRUTH TO PRESS REPORTS ALLEGING US USE OF DANISH OR SPANISH MERCHANT SHIPS, USE OF ITALIAN PORTS, OR MANY OTHER FABRICATIONS.

-- AT THE SAME TIME, WE MADE CLEAR THAT IRAN MUST DEMONSTRATE ITS OPPOSITION TO INTERNATIONAL TERRORISM AS A NECESSARY PREREQUISITE TO PROGRESS IN OUR BILATERAL RELATIONSHIP.

-- WE ALSO ASKED IRAN TO USE ITS HUMANITARIAN INFLUENCE IN LEBANON TO SECURE THE RELEASE OF ALL HOSTAGES--US AND OTHER-- HELD THERE.

- BASED UPON THE GRADUAL MATURING OF MUTUAL CONFIDENCE, THE PRESIDENT DECIDED TO ELEVATE THE LEVEL OF CONTACTS.

-- HE ASKED HIS FORMER NATIONAL SECURITY ADVISOR, ROBERT MCFARLANE, TO TRAVEL SECRETLY TO IRAN IN MAY 1986 TO REAFFIRM OUR INTERESTS AND PREREQUISITES FOR A NORMAL RELATIONSHIP. MCFARLANE WAS TREATED WITH CIVILITY AND MET WITH SENIOR IRANIAN OFFICIALS.

## IRAN-IRAQ WAR

-- A FUNDAMENTAL US MOTIVATION FOR THIS DIALOGUE WITH IRAN IS TO FIND WAYS TO HELP BRING ABOUT AN HONORABLE END TO THE IRAN-IRAQ WAR.

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- OVER THE PAST TWO YEARS, WE WATCHED IRAN'S CONTINUED COMMITMENT TO THE WAR AS IT PREPARED AND CONDUCTED RENEWED OFFENSES AGAINST IRAQ. SPILLOVER OF THE WAR TO THIRD PARTIES SUCH AS KUWAIT AND SAUDI ARABIA ALSO SEEMED INCREASINGLY LIKELY. MOREOVER, AN ESCALATION OF THE TANKER WAR INCREASINGLY THREATENED THE STABILITY OF THE INTERNATIONAL PETROLEUM MARKET, DESPITE INTERNATIONAL EFFORTS TO PERSUADE IRAN AND IRAQ TO REFRAIN FROM STRIKES AGAINST SHIPPING IN THE GULF.

-- OUR DIPLOMATIC MISSIONS IN BAGHDAD AND WASHINGTON PROVIDED US WITH READY MECHANISMS FOR DIALOGUE WITH THE GOVERNMENT OF IRAQ REGARDING THE WAR.

-- WE CONCLUDED THAT EVEN WITHOUT DIPLOMATIC REPRESENTATION A DIALOGUE WITH IRAN MIGHT IMPROVE OUR ABILITY TO FIND SOME HONORABLE MEANS FOR BRINGING ABOUT A MEDIATED SETTLEMENT OF THE WAR.

## TERRORISM

-- FROM THE EARLIEST CONTACT, AMERICAN REPRESENTATIVES STRESSED THE ABSOLUTE NECESSITY FOR IRAN TO END ITS SUPPORT FOR TERRORISM.

-- WE STRESSED THAT AMERICA HAS NOT CONCEDED, NOR WILL IT CONCEDE TO THE DEMANDS OF TERRORISTS.

-- OUR POLICY REMAINS ONE OF NO CONCESSIONS TO TERRORISTS.

-- US ACTIONS AGAINST LIBYA, SYRIA, AND THE ACHILLE LAURO PIRATES CLEARLY DEMONSTRATE WHAT MEASURES WE ARE PREPARED TO TAKE WHEN SUCH ACTIONS ARE APPROPRIATE.

-- THE GOVERNMENT OF IRAN KNOWS, THE WORLD SHOULD KNOW, THAT WE CANNOT AND WILL NOT PAY RANSOM TO THOSE WHO PRACTICE TERRORISM.

## RESULTS OF THE DIALOGUE.

-- IRANIAN STATEMENTS OPPOSING INTERNATIONAL TERRORISM INCLUDING HIJACKING.

-- IRANIAN PRESSURE ON ISLAMIC JIHAD HELPED SECURE FREEDOM FOR AMERICAN AND FRENCH HOSTAGES. IRANIAN EFFORT CONTINUES.

-- PRAGMATIC FORCES INSIDE THE GOVERNMENT OF IRAN HAVE INCREASED PRESSURE ON RADICALS TO DESIST IN SUPPORT FOR TERRORISM AND SUBVERSION.

-- IRANIAN LEADERS RECOGNIZE THAT US CAN HELP IRAN RESIST SOVIET PRESSURES AND BLANDISHMENTS.



# SECRET

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## WESTERN RELATIONS WITH IRAN

- THROUGHOUT THE SEVEN-YEAR EXISTENCE OF THE ISLAMIC REPUBLIC, IRAN HAS MAINTAINED SOME FORM OF DIPLOMATIC RELATIONS AND COMMUNICATION WITH ALL MAJOR WESTERN COUNTRIES EXCEPT THE US.
- DESPITE THE WAR, EVEN IRAQ MAINTAINS DIPLOMATIC RELATIONS WITH IRAN.
- NOTWITHSTANDING US EFFORTS TO STOP THE FLOW OF ARMS SALES TO IRAN IN ORDER TO ENCOURAGE IRAN TO SETTLE ITS WAR WITH IRAQ, EASTERN AND WESTERN EUROPEAN COUNTRIES SELL SUBSTANTIAL AMOUNTS OF MILITARY EQUIPMENT TO IRAN.
- OUTSIDE OF EUROPE, CHINA HAS RECENTLY BECOME IRAN'S LARGEST SUPPLIER OF MILITARY EQUIPMENT.
- IRAN ALSO PURCHASES MILITARY EQUIPMENT FROM NORTH KOREA, CHILE, SYRIA, LIBYA
- THIS PATTERN OF COMMERCE CLEARLY ILLUSTRATES THE WIDESPREAD MILITARY TRADE WHICH IRAN CONDUCTS WITH COUNTRIES OF THE WEST AND EAST.

## CONCLUSION

- THE US RECOGNIZES THE IMPORTANCE OF IRAN IN THE REGION AND THE ISLAMIC WORLD.
- MOREOVER, THE EMERGENCE OF LEADERS IN IRAN WILLING TO CHANGE IRAN'S UNACCEPTABLE INTERNATIONAL BEHAVIOR AND SEEK A NORMAL RELATIONSHIP WITH THE INTERNATIONAL COMMUNITY CANNOT BE IGNORED BY THE US OR THE WEST.
- TO THAT END, THE US CHOSE TO FIND WAYS TO REINFORCE THIS TREND THROUGH DIALOGUE AND THE SLOW AND PAINFUL PROCESS OF CONFIDENCE BUILDING. ONLY VERY LIMITED ARMS TRANSFERS WERE APPROVED. THESE DID NOT AFFECT THE BALANCE BETWEEN IRAQ AND IRAN.
- THE PRESIDENT HAS MADE CLEAR THE IMPORTANCE THE US ATTACHES TO A STABLE RELATIONSHIP WITH IRAN AND THE BENEFITS WHICH CAN ACCURE TO THE WEST SHOULD SUCH A SITUATION EVOLVE.
- THE PRESIDENT WILL PERSEVERE IN HIS EFFORTS TO PURSUE THIS DIALOGUE IN PURSUIT OF THE GOALS HE BELIEVES CAN BE ACHIEVED. /

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ACC	REF	DATE 22 May 1986
FILE 20-1RAW 1-3-USA		
PRESS CONFERENCE BY IRAN		

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At a press conference this afternoon, Said Rajaie-Khorassani, Permanent Representative of Iran, described what happened two weeks ago when he was detained for two hours at the Alexander's department store in Manhattan on a charge of having attempted to steal a raincoat.

On the evening of Wednesday, 7 May, Mr. Rajaie-Khorassani said he visited the men's section at Alexander's. After trying on a few raincoats, he had put one on and walked across the section to a three-sided mirror in order to check the back and shoulders. He had put his hands in his pockets but they did not reach the bottom of the pockets. The raincoat was too large.

He was walking back to the racks to return the coat when a middle-aged lady who introduced herself as a store detective had stopped him. A man in uniform had appeared and had invited him to go to the store's security office. They started walking towards the escalator. Mr. Rajaie-Khorassani said he had introduced himself and had asked the two security persons what the problem was. They told him not to worry. He noticed that the gentleman seemed tense and worried.

Upon reaching the security room in the lower level, Mr. Rajaie-Khorassani said he was searched. At that point, he had produced his United Nations identification card and had stated that his detention was illegal and improper. The security personnel did not listen to what he had to say and he had insisted that a policeman be called.

The store had closed when an agent of the Federal Bureau of Investigation (FBI) introduced himself, Mr. Rajaie-Khorassani continued. The agent seemed to know the Ambassador's background, knew that he was returning from China and welcomed him back. The agent had expressed astonishment at the situation and had said that it was embarrassing. The FBI agent had asked the Ambassador not to worry and had said he that he would handle things.

Mr. Rajaie-Khorassani said that, interestingly, the agent had stated that "we know you". "I know you have certain opinions about the United States", and "we should talk these things over".

Mr. Rajaie-Khorassani said the FBI agent left the room for a little more than five minutes to meet with the store's chief of security and returned with a bunch of tags, which he said the security people had claimed Mr. Rajaie-Khorassani had dropped on the floor. At that point, he said, he became convinced that this was a "set-up". He recalled that, while trying on the raincoat, he had collected the tags in his hand while putting his hand in the pocket because they were hanging from the sleeves. So the tags should have been on the sleeve or in the pocket, but not on the floor.

(more)

Iranian Briefing

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22 May 1986

While he was being detained, Mr. Rajaie-Khorassani said the coat was taken from his presence and later brought back. Meanwhile, the FBI agent had tried using the "carrot and stick approach". The agent had accused Mr. Rajaie-Khorassani of wearing the coat. When the Ambassador had asked to speak to the security officer, the agent had said it was his job and he would handle it.

Emerging from the store, the agent had told the Ambassador that they would have to co-operate; he was sure the Ambassador would not like the matter to come before the press or before his colleagues in Teheran. Mr. Rajaie-Khorassani said he had responded that he had no reason to be fearful.

The agent had invited Mr. Rajaie-Khorassani to his car, asked if he could give him a ride, and offered coffee. The Ambassador said he had declined and said he only wanted to bid good-bye. He felt outraged and wanted immediately to inform the Secretary-General of the "slandorous situation" of being detained for two hours, without reason, with no witness and no law. On the whole, Mr. Rajaie-Khorassani said, the agent had been courteous, but it was the implications that were disturbing.

After the incident, the Ambassador said he went home, said his prayers, and then spoke to Iqbal Riza, from the Office of the Secretary-General, at his home number and asked to see the Secretary-General. Mr. Riza had told him that the Secretary-General was preparing to leave on a visit, and a meeting could be arranged only if the matter was very, very urgent. Mr. Rajaie-Khorassani said he had replied that politically it was not important but on a personal level it was absolutely important and if a meeting with the Secretary-General was not convenient then he would like to meet Mr. Riza. The two had met at Headquarters, and Mr. Riza had advised that the liaison for such matters was usually through the protocol officer and there was no need to rush to the Secretary-General.

The next day, Mr. Rajaie-Khorassani went on to say, he had reported the details to the Protocol and Liaison Service. He said the FBI officer had called and asked for a lunch meeting but Mr. Rajaie-Khorassani had said he would do nothing until he had consulted his lawyer. He declined to give the officer the name of the lawyer. Last Monday, Mr. Rajaie-Khorassani said, he had received another call from the officer "to negotiate".

Mr. Rajaie-Khorassani decided that he could either co-operate with the officer, or prepare for the worst. He opted for the second choice.

He had expected the matter to be handled by the New York City Police. Since it was not a federal issue, he was a bit surprised when the FBI agent entered the store. He believed that the agent should have resolved the matter on the spot and should not have requested lunch appointments and further meetings.

Why had the Ambassador not reported the event of 7 May promptly when it had happened? a correspondent asked. Mr. Rajaie-Khorassani replied that he had not called a press conference because it was not a pleasant situation to be brought up by himself. The FBI agent had promised to handle the matter and

(more)

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Mr. Rajaie-Khorassani had not expected that the event would be exploited. If it was exploited, he was prepared to promptly come before the press. He had reported the matter to the United Nations.

To another question, he said the punishment for stealing under Islam was the chopping off of hands, but a judicial process was required to prove guilt. At the same time, if an allegation was found to be false, then those making allegations had to be immediately punished.

Asked if he felt lucky being in the United States, the tradition of chopping off hands if convicted did not exist, Mr. Rajaie-Khorassani said that eventuality could never come about because the allegations were absolutely false.

When asked, Mr. Rajaie-Khorassani declined to name the FBI agent. The Bureau itself knew who he was and if it wanted to discipline him, it was their business.

Why had he not taken off the raincoat as he was being led off? Mr. Rajaie-Khorassani replied that he was still a distance away from the raincoat racks on his way back from the three-sided mirror when he was stopped and asked to proceed downstairs.

What did the Ambassador think the FBI man was trying to do? He said the intention might have been to pressurize him, to maintain a connection and later to use blackmail. He had never been an FBI agent and so it was better for him not to guess. The approach was very suspicious. He could not say if the agent had been acting on his own or on the instruction of superiors.

Mr. Rajaie-Khorassani thought that the workers in the store must know him. Passers-by often commented on the interviews they saw on television. He had shopped in Alexander's and the store had his tax exemption forms. The certainty that he was known led to the implication that the incident was probably a set-up. On the other hand, he said, a worker in Alexander's probably did not have a reason to set him up. At the very least, there had been a misunderstanding. There was definitely an attempt by the FBI officer to exploit the situation, he said.

Had Mr. Rajaie-Khorassani stolen suits on two other occasions as reported? The Ambassador said that was the first time he was being accused of theft. The allegations were false. He felt the police and the store should explain whether it was a misunderstanding or whether he had been mistaken for somebody else.

To yet another query, Mr. Rajaie-Khorassani said that he still had the choice to bring the matter up before the Committee on Relations with the Host Country.

In one word, did he try to "swipe" a raincoat from Alexander's? That was absurd, Mr. Rajaie-Khorassani responded. Would he go back to Alexander's to shop? He might or he might not, he replied, it would not solve any problem.

(more)

Iranian Briefing

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22 May 1986

There could be political implications behind the incident, he said, replying to another question, but he could not venture to pass a strong judgement about anything. He did not know if the FBI agent could act as he did without instructions from higher up. It would be "too optimistic" to think that the agent had acted only on his own initiative.

To yet another question, he said he would not overrule that the United States Government was involved. He had not been very friendly to the United States in the Security Council and the General Assembly; in fact, he had been a "nuisance" to the United States.

Answering yet another question, Mr. Rajaie-Khorassani said this was the first such experience in his life. He had already reported the incident to Teheran. Asked why he had not used his diplomatic immunity when he was detained, Mr. Rajaie-Khorassani said he had not felt it was wrong to talk. After all, he had nothing to hide. To a final question, he answered that he had made no attempt to assault anybody during the entire incident.

\* \* \* \* \*

EXTERNAL AFFAIRS



AFFAIRES EXTÉRIEURES

ACC	DATE	FILE
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BIO NA		

TO  
A The Under-Secretary of State  
for External Affairs, Ottawa (GMR)

SECURITY UNCLASSIFIED  
Sécurité

FROM  
De The Canadian Embassy, STOCKHOLM

DATE 27 January, 1986

REFERENCE  
Référence

NUMBER  
Numéro -012-

SUBJECT  
Sujet IRAN: US HOSTAGES

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FEB 6 1986

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ENCLOSURES  
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OSLO

Swedish press has recently "discovered" the role played by the Swedish Embassy in assisting a US diplomat during the Tehran hostage crisis. We gather their report is based in the main on information from a television documentary recently shown on the PBS network in the United States.

2. Attached are copies of the press reports together with office translations of the salient passages. You will note the references to passports "smuggled" into Iran in Canadian diplomatic bags.

The Embassy

Translation - Expressen 22/1 1986

x/

Henry Lee Schatz found his way to Cecilia Lithander's flat since they knew each other. Schatz had his office in the same building as where Lithander lived. She hid Schatz with the permission of the Ambassador and the Foreign Office. Schatz stayed two weeks in Lithander's flat. Then he found out about the other five American diplomats being safe in the Canadian Embassy. Schatz then wanted to join his compatriots partly because of the stress of being alone and "partly because the Canadians could help the Americans get out of the country."

Schatz was smuggled into the Canadian Embassy after 14 days. How it was done is a secret (not known).

"The Americans hid in the Canadian Embassy during November 1979 and January 1980. Then they received forged Canadian passports prepared by the CIA headquarters in Langley, Virginia. The passports were brought into Iran by diplomatic courier."

Expressen 23/1

gives another version. Schatz's office was in the same building as the Swedish Embassy. He ran up to the Swedes, and the Ambassador decided that Lithander was to take care of Schatz in her flat. The Ambassador considered her flat the most suitable because it was situated only a few kilometres from the Embassy.

x/ Schatz was Agricultural Attaché

Svenska Dagbladet - 22/1 1986

"One night Schatz was taken across to the Canadian Embassy who managed to get him out of Iran with the help of CIA who had forged a passport."

Svd 23/1-86

## Iran

# Svenska gömde USA- diplomat



Departementssekreterare Cecilia Lithander gömde under gisslandramat en amerikansk diplomat i sin lägenhet i Teheran.

### "En obesjungen hjältinna"...

Så kallas departementssekreterare Cecilia Lithander, 41, på UD:s rättsavdelning i en film om gisslandramat i Teheran 1979.

Den uppmärksammade filmen visades i amerikansk TV på onsdagen.

Cecilia Lithander arbetade 1979 på svenska ambassaden, som låg intill den amerikanska. När Khomeiny-anhängare stormade USA:s ambassad hann några amerikaner fly.

Bland dem jordbruksattachén Henry Lee Schatz. Han lyckades ta sig in på svenska ambassaden utan att demonstranterna såg det. Därifrån smugglades han - under egen fara och fara för även dem som hjälpte honom - till Cecilia Lithanders privata lägenhet.

### Falskt pass

I den hölls han gömd av Cecilia Lithander i två veckor. En natt fördes han över till kanadensiska ambassaden som, med hjälp av CIA, ordnade ett förfalskat pass på vilket stod Henry Lee Schatz i Iran.

Gisslandramat varade som bekant i 444 dagar.

I dag vill Cecilia Lithander inte tala om sin insats.

SvD uppmärksammade 1980 flyktindramat. Svenska UD vägrade då att kommentera saken och attityden i dag är densamma.

Svensk ambassadör i Teheran var Kaj Sundberg (nu i Bryssel). I filmen hävdas att svenska ambassaden vägrade att hjälpa fem andra amerikaner, som höll sig dolda på brittiska ambassaden och ville till den svenska.

- Ett absurt påstående, säger Kaj Sundberg till SvD. För det första fick vi ingen förfrågan. För det andra låg britternas ambassad två kilometer bort från den svenska. Vi befann oss "mitt i gröten" bland tusentals demonstranter. Ingen skulle ha kommit på tanken att under de våldsamt antiamerikanska stämningar som rådde försöka föra över fem amerikaner till oss. Vi har inte svikit några amerikaner som det tydligen görs gällande.

Kaj Sundberg var en av fyra utländska diplomater som tilläts besöka gisslan och användes som kontaktpunkter mellan Iran och USA. De andra tre var Syriens och Algeriets ambassadörer samt Frankrikes chargé d'affaires i Teheran.

**Omar Magnergård**



# Dramatiskt svenskt dubbelspel i Iran



Den svenske ambassadören Kaj Sundberg (inringad) agerade som en informell medlare mellan amerikanerna och iranierna under ambassadraftat i Teheran 1979. Därför tilläts inte fem amerikaner, ett tillflykt till den svenska ambassaden. Men samtidigt gömde svenskan Cecilia Lithander den amerikanske jordbruksattachén i sin privata lägenhet.



— Cecilia Lithander är en av ambassadraftats obesjunga hjältar, var en kommentar i ett amerikanskt TV-program om händelserna i Teheran. Programmet sändes i går.

## ”Opartistiske medlaren” gömde flygende amerikan

■ Den svenske ambassaden i Teheran spelade ett dubbelspel när iranierna ockuperade USA:s ambassad i staden 1979.

Diplomaten Cecilia Lithander, i dag 41 år, gömde i största hemlighet den amerikanske jordbruksattachén Henry Lee Schatz i sin privata lägenhet.

■ Samtidigt var ambassadör Kaj Sundberg en informell medlare mellan iranierna och amerikanerna på den ockuperade ambassaden.

Sundbergs roll medförde att de svenska diplomaterna inte gav sina amerikanska kolleger hjälp fullt ut. Fem amerikaner hade nämligen flytt till den brittiska ambassaden i Teheran, men där fick de inte stanna. Amerikanerna undersökte då under hand om de i stället kunde få skydd på den svenska ambassaden.

Svaret blev nej. Kaj Sundberg vågade inte riskera sin ställning som ”medlare” — eller ”kontaktman”, som Expressens UD-källor vill kalla honom.

### Villkorlig fara

Efter tre dagar tvingades de fem diplomaterna att lämna

brittiska ambassaden. Situationen för dem var mycket allvarig. Inte bara den svenska, utan också Nya Zeelands ambassad hade vägrat att ta emot flyktingarna.

Men samtidigt som detta pågick gömde också Cecilia Lithander, då 35 år och förste ambassadsekreterare, Henry Lee Schatz i sin privata lägenhet. — Operationen var mycket riskfylld, säger en av Expressens källor som följde händelserna. Det fanns — och finns fortfarande — många svenskar i Iran. Vi har ett stort ekonomiskt utbyte med Iran. — Situationen då var så infer-

rerad att vad som helst kunde hända.

### Kände varandra

Henry Lee Schatz hamnade i Cecilia Lithanders lägenhet därför att de var bekanta. Schatz hade sitt kontor i huset där Lithander bodde.

Hon gömde Schatz med ambassadören Kaj Sundbergs och utrikesdepartementets tillstånd. — UD gick med på det efter viss tvekan, säger en av Expressens källor. Som sagt var det ju inte utan faror.

Man övervågade om Kaj Sundberg kunde gömma amerikanen. Men det var omöjligt med tanke på hans ytterst känsliga ställning mellan iranier och amerikaner.

I två veckor fick Schatz stanna hemma hos Lithander. På dagarna skötte hon sitt arbete som vanligt medan amerikanen tryckte i lägenheten.

Så småningom fick Schatz och Lithander visa sig för de amerikanska ambassadörerna i Teheran.

Schatz ville då återvända sig med sina landsmän dels var den psykiska pressen — att gömma sig i en privatlägenhet — för stor för honom.

### Smugglades ut

— Schatz ville då återvända sig med sina landsmän dels var den psykiska pressen — att gömma sig i en privatlägenhet — för stor för honom. — Schatz ville då återvända sig med sina landsmän dels var den psykiska pressen — att gömma sig i en privatlägenhet — för stor för honom.

Cecilia Lithanders insats avslöjades i ett amerikanskt dokumentärprogram om Teherandramat i går.

Hon är en av dransas obesjunga hjältar, var en av spekterens kommentarer. Men programmet innehöll också syrliga kommentarer till

den svenska ambassadens officiella agerande. Fast amerikanerna kände inte till Kaj Sundbergs medlarroll, som Expressen kan berätta om.

### Höll allt hemligt

På UD har man ända sedan 1979 försökt hindra uppgifterna från att läcka ut.

Sådan här kanske inte är så bra för våra relationer med Iran, säger en av Expressens uppgiftslämnare.

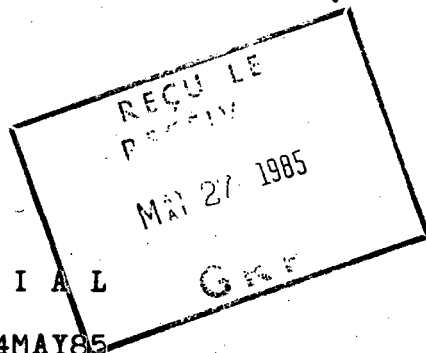
Cecilia Lithander arbetade på ambassaden 1979 - 1980. Hon tjänstgjorde sedan i Egypten och Mexiko. Hon arbetar i dag på UD i Stockholm, men har inte varit anträffbar.

UD vägrade i morse att ge några kommentarer.



Peter Kathmanar

ACC	398322	RE. DATE	1
FILE	30-IRAN-1-3-USA		DOSSIER



C O N F I D E N T I A L

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TO EXTOTT GMR

INFO FRMNY BERUT AMMAN BGHDD CAIRO JEDDA KWAIT TAVIV ALGER RABAT

TUNIS ATHNS BONN LDN PARIS ROME BNATO TOKYO MOSCO

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DISTR RBR MINA MINE MINT DMF ZSP ZSS ZSI ZSF GMRD GMT IFB GGB GMD

IMD UGB URR FPR GRP IDR IMU URR CPD

--- USA WARNS IRAN OVER HOSTAGES

BOTH WHITE HOUSE AND STATE DEPT HAVE NOW REACTED TO PRESS REPORTS

THAT PRES REAGAN IS PREPARED TO ORDER THE BOMBING OF IRANS HOLY CITY

OF QOM OR OTHER TARGETS SHOULD ANY OF FOUR USA HOSTAGES HELD BY

ISLAMIC JIHAD BE KILLED. THEIR IDENTICALLY WORDED STATEMENTS HAVE

WARNED THAT USA QUOTE QILL RESPOND WITH WHATEVER ACTION (IT DEEMS) MOST

APPROPRIATE AGAINST THOSE RESPONSIBLE FOR STATE-SPONSORED TERRORISM

UNQUOTE. MEDIA EARLIER REPORTED THAT BOMBING WAS ONE OF FOUR CONTIN-

GENCIES BEING CONSIDERED BY A SPECIAL USA ANTI TERRORIST GROUP IN

EVENT HOSTAGES (ONE OF WHOM IS NOW THUGHT TO BE IN IRAN) ARE MURDERED

IN IRAN.

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TO.  
PP CANBERRA/9197

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PP WASHINGTON/1148 TEHRAN/082 STOCKHOLM/510

FM. THE HAGUE /

C O N F I D E N T I A L

IRAN CLAIMS TRIBUNAL - DISORDER IN THE COURT

FROM FILE 920/31

START OF SUMMARY

A PHYSICAL ATTACK ON THE SWEDISH ARBITRATOR BY THE TWO IRANIAN ARBITRATORS HAS PLACED IN JEOPARDY THE FUTURE OF THE TRIBUNAL HANDLING CLAIMS BETWEEN THE UNITED STATES AND IRAN. THE UNITED STATES GOVERNMENT AND OTHER MEMBERS OF THE TRIBUNAL ARE DEEPLY CONCERNED ABOUT THE INCIDENT AND ITS IMPLICATIONS AND ARE CRITICAL OF THE TRIBUNAL PRESIDENT'S HANDLING OF THE INCIDENT.

END OF SUMMARY

YOU WILL BE AWARE FROM PRESS REPORTS OF AN INCIDENT WHICH HAS DISRUPTED THE PROCEEDINGS OF THE TRIBUNAL SET UP IN 1981 TO HANDLE CLAIMS BETWEEN THE UNITED STATES AND IRAN ARISING OUT OF THE UNITED STATES EMBASSY HOSTAGE CRISIS. THE TRIBUNAL COMPRISES THREE UNITED STATES, THREE IRANIAN AND THREE NEUTRAL ARBITRATORS -- TWO FROM SWEDEN AND ONE FROM THE NETHERLANDS.

2. WHEN THE SWEDISH JUDGE ENTERED THE TRIBUNAL ON 3 SEPTEMBER TWO OF THE IRANIAN JUDGES FELL UPON HIM -- ONE TRYING TO CHOKE HIM WITH HIS TIE WHILE THE OTHER PUNCHED HIM ON THE BACK. THE SWEDISH JUDGE WAS NOT SERIOUSLY INJURED IN THE ATTACK BUT WAS ESCORTED FROM THE COURT BY THE POLICE AND THE MEETING WAS IMMEDIATELY CANCELLED.

3. THE PRECISE REASONS FOR THE IRANIAN ATTACK WERE NOT GIVEN IN THE PRESS REPORTS AND ARE NOT CLEAR TO THOSE WITH WHOM WE HAVE DISCUSSED THE INCIDENT. ACCORDING TO THE UNITED STATES EMBASSY THE IRANIAN JUDGES HAD BEEN CRITICAL OF THE SWEDISH JUDGE FOR SOME TIME BUT NO ONE EXPECTED THIS CRITICISM TO BE TRANSLATED INTO PHYSICAL VIOLENCE.

4. FOLLOWING THE INCIDENT THE PRESIDENT OF THE TRIBUNAL, THE SECOND

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389262  
FILE 20-Iran-1-3-054

DEPARTMENT OF FOREIGN AFFAIRS  
DIPLOMATIC COMMUNICATIONS NETWORK

IN

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SWEDISH ARBITRATOR, WITHOUT CONSULTING HIS COLLEAGUES, ISSUED A LETTER STRONGLY CONDEMNING THE ATTACK AS ''UNACCEPTABLE CONDUCT'' BUT NOT SEEKING FROM THE IRANIANS AN APOLOGY OR AN ASSURANCE THAT SUCH INCIDENTS WOULD NOT OCCUR AGAIN. THE OTHER MEMBERS OF THE TRIBUNAL AND, ACCORDING TO THE UNITED STATES EMBASSY, THE UNITED STATES GOVERNMENT ARE VERY CRITICAL OF THE PRESIDENT'S HANDLING OF THE MATTER.

5. THE UNITED STATES IS ALSO DEEPLY CONCERNED ABOUT THE IMPLICATIONS OF THE INCIDENT FOR THE FUTURE OF THE TRIBUNAL. THEIR CONCERN IS BOTH FOR THE PHYSICAL SECURITY OF THE PEOPLE INVOLVED IN THE TRIBUNAL AND FOR THE VIABILITY OF THE PROCESS FOR WHICH THE TRIBUNAL WAS ESTABLISHED. WE WERE TOLD BY THE UNITED STATES EMBASSY THAT THE IRANIAN JUDGES HAD BEEN CONDUCTING A FORM OF GUERRILLA WARFARE INSIDE THE TRIBUNAL SINCE ITS ESTABLISHMENT BUT THE TRIBUNAL HAD BEEN MAKING PROGRESS. ONE IRANIAN JUDGE IN PARTICULAR, KASHANI, HAD BEEN BEHAVING IN A MOST IMPROPER AND UNJUDICIAL MANNER EITHER FROM PERSONAL MOTIVES OR ON INSTRUCTIONS FROM TEHRAN AND IT WAS HE WHO LED THE ATTACK ON THE SWEDISH JUDGE. AFTER THE INCIDENT KASHANI IS REPORTED TO HAVE SAID THAT HE SAW NOTHING PARTICULARLY IMPROPER IN HIS ACTION -- ''IT HAPPENS EVERY DAY IN THE MAJLIS''-- AND WOULD DO IT AGAIN IF HE CONSIDERED IT NECESSARY. THE UNITED STATES ASSESSMENT IS THAT KASHANI HAS BEEN ACTING ON HIS OWN INITIATIVE AND HAS BEEN UNDER THREAT OF BEING WITHDRAWN BY THE IRANIAN GOVERNMENT. HE IS DETERMINED TO GO OUT IN WHAT HE SEES AS A BLAZE OF GLORY AND IF HE IS WITHDRAWN TO ENSURE THAT THE TRIBUNAL IS DESTROYED.

6. MEETINGS OF THE TRIBUNAL HAS BEEN SUSPENDED UNTIL 14 SEPTEMBER. ACCORDING TO THE UNITED STATES EMBASSY THE TROUBLE IS BY NO MEANS OVER AND IT IS DOUBTFUL THAT THE TRIBUNAL OR AT LEAST THE SWEDISH ARBITRATOR, WILL BE PREPARED TO SIT AGAIN UNTIL SOME FORM OF ASSURANCE IS GIVEN BY THE IRANIANS THAT THERE WILL BE NO FURTHER INCIDENT OF THIS KIND. THE UNITED STATES EMBASSY CONSIDERS THAT THERE ARE GOOD REASONS FOR THE IRANIAN GOVERNMENT TO BE INTERESTED IN CONTINUING THE PROCESS OF THE TRIBUNAL.

ACTION: FOREIGN AFFAIRS  
ONA

PRIME MINISTER  
DEP DEFENCE

FOREIGN MINISTER  
DEP P M AND CABINET

MIN DEFENCE  
JIO

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DIPLOMATIC COMMUNICATIONS NETWORK

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ISPP	FAS(IRSAM)	IH	FAS(ECO)	FAREP-A		
FAREP-M	FAREP-P	FAREP-S				

ALGIERS AMMAN BAGHDAD BRASILIA BRUSSELS BUENOS AIRES CAIRO  
CARACAS COPENHAGEN DAMASCUS HONOLULU JEDDAH KINGSTON LONDON  
MEXICO CITY MOSCOW OTTAWA PEKING SANTIAGO DE CHILE TEL AVIV  
TOKYO UN NEW YORK WELLINGTON

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DIPLOMATIC COMMUNICATIONS NETWORK

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# Business Day

The New York Times

## From The Hague Tribunal: Major Settlements Between Iran and U.S. Companies

Company	Amount (\$ millions)	Date
R.J. Reynolds	\$36.0	Aug. '84
General Motors	20.0	Aug. '84
Reading & Bates	15.0	Dec. '83
American International Group	10.0	Dec. '83
Pfizer Inc.	7.6	Feb. '83
E. R. Squibb & Sons	7.4	Feb. '83
ITT Corporation	6.1	May '83
E. Systems Inc.	5.0	Dec. '83
Timber Purchase Co.	6.0	Aug. '83
Williams Brothers International	6.0	March '83
Tippett, Abbott, McCarthy & Stratton	5.8	June '84

Company	Amount (\$ millions)	Date
Esso Africa Inc.	5.4	May '83
Warner Lambert	3.6	April '83
Gould Marketing	3.6	June '84
Carrier Corporation*	3.0	June '83
Sperry Corporation	2.8	Sept. '82
General Electric	2.7	March '83
General Tire	2.4	Sept. '83
Pan American	2.1	Dec. '83
Philip Morris Inc.	2.0	Sept. '82
Berkford	1.4	Jan. '83
Honeywell Information Systems	0.8	July '82

\* With Overseas Private Investment Corporation  
Source: Medley's Librarian Report, named claims

United Press International

## A Slow Pace for Iran Claims

### But Tribunal Called Helpful

By NICHOLAS D. KRISTOF

When two Iranian judges pummeled a Swedish colleague two months ago at the Iran-United States Claims Tribunal in The Hague, they apparently were expressing a dissatisfaction that many participants in the process share.

Perhaps inevitably, nobody is very happy with the pace of the claims tribunal, which has the chore of mopping up after one of the most frustrating episodes in American history. The tribunal's task really began five years ago today, when at 4 A.M., Eastern standard time, Iran announced that it would withdraw all its money from United States banks.

After predawn meetings with Administration officials, President Carter froze all Iranian assets in American banks, including their branches abroad.

Over the next 14 months these assets furnished most of the chips in the bargaining to release the Americans being held hostage in Teheran. After the hostages were released and the assets unfrozen, \$1 billion remained in a special account from which the tribunal could make awards.

In its decisions, some lawyers say, the tribunal is making significant contributions to international law. In particular, it has held that Iran must fully compensate foreigners whose property it expropriated. This shores up a traditional rule of international law that has been under growing attack in the last two decades.

Of the 3,848 claims filed — all but a few brought by Americans against Iran — the great majority are still undecided. One claimant alone prepared nearly 800 pounds of documents, and so far the tribunal has pared relatively little from the mountain of paper. Fewer than a third of the Americans' 518 large claims,

those for more than \$250,000, have been resolved. And the smaller claims, which outnumber the large ones by 5 to 1, have hardly been touched.

So far about half of the American claims to come before the tribunal have been dismissed, and few claimants have been awarded nearly as much as they sought. But Arthur W. Rovine, formerly the American agent at the tribunal and now a lawyer in the New York office of Baker & McKenzie, said that still fewer would have succeeded in American courts.

In United States courts Iran could have used the sovereign immunity and "act of state" defenses — which generally make it difficult to win against a foreign government — but those defenses are not available before the tribunal.

The panel has awarded \$306 million to Americans, almost all of which has been paid out of the \$1 billion fund. In the meantime, more than \$400 million has accumulated in interest, which is paid in a separate account. Iran cannot withdraw the interest income,

Continued on Page D5

*Kenra - Any idea what file this should go on? Wilson*

WEDNESDAY, NOVEMBER 14, 1984

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# A Slow Pace for Iran Claims

Continued From First Business Page

and the interest will probably be used to replenish the fund when it sinks to \$500 million. Iran is obligated to replenish the fund when it slips below that level.

The biggest award so far has gone to R.J. Reynolds Tobacco International, a unit of R.J. Reynolds Industries, which recovered \$36 million plus \$13.8 million in interest.

The Starrett Housing Corporation has also succeeded before the tribunal, and experts are now assessing its loss for the tribunal so that an award can be made.

## Great Sense of Frustration

"There's a great sense of frustration with the pace of the proceedings," said Michael Silverman, a lawyer in the Washington firm of Surrey & Morse who has argued several cases in The Hague. He said the proceedings could drag out for another decade.

Further delays resulted when Judge Nils Mangard was attacked on Sept. 3, the first day after the summer recess. The two Iranian judges, Mahmoud Kashani and Shafei Shafeiei, reportedly lay in wait for the Swedish jurist in front of the meeting room. Mr. Kashani was said to have grabbed Mr. Mangard's collar and shaken him while Mr. Shafeiei pummelled the 69-year-old Mr. Mangard on the back. Witnesses reportedly intervened, and Judge Mangard, though shaken, was unhurt.

"If Mangard ever dares to enter the tribunal chamber again," Mr. Kashani was quoted as saying, "either his corpse or mine will leave it, rolling down the stairs."

## Incompetence and Favoritism

The Iranians had accused Judge Mangard of incompetence and of continually siding with the Americans. Although the Iranians had been unhappy with all their colleagues, special animosity was reserved for Mr. Mangard. The tribunal consists of three Iranian judges, three American judges and three judges of other nationalities. The Iranian judges almost always vote for the Iranian side and the American judges usually vote for the American side, so the neutral judges often cast the decisive votes and consequently are under great pressure.

The proceedings were suspended after the attack, and the United States has formally requested the removal of Mr. Kashani and Mr. Shafeiei. But the Iranians reportedly want to arrange a deal under which the two Iranian judges would be replaced if Mr. Mangard and the Dutch judge, Willem Riphagen, were also changed.

Two semimonthly publications that report voluminously on the tribunal, the Iranian Assets Litigation Reporter and Mealey's Litigation Report: Iranian Claims, have reported that Iran has already chosen replacements for its two judges. They are said to be Hamid Bahrami of the Bureau of International Legal Services in Teheran and a Judge Mostafavi of a public court in Teheran. Mr. Mostafavi's first name is not known.

Michael P. Mealey, publisher of his Litigation Report, which is available for \$1,200 a year, said he had been told by sources in Teheran that the replacements would be ready to begin work within two weeks. William Keough, editor of the Iranian Assets Litigation Reporter, which costs \$2,000 a year, said the replacements might arrive later, because the Iranians want to delay the proceedings.

## Wait Until December Seen

Another theory, offered by Mr. Rovine, the former American agent, is that the Iranians are waiting until December. Judge Mangard has long been expected to submit a letter of resignation then, effective next May or June, and so the Iranians could assert that they had succeeded in ejecting the Swedish jurist, Mr. Rovine said.

Notwithstanding the delays, and an emphasis on compromise that exasperates some American lawyers, the tribunal will leave a mark on international law, most experts say. In particular, dispute has focused on the measure of compensation for American companies whose holdings were expropriated.

"This has been a very controversial area of international law for several decades, and I think their decisions will be enormously influential," said Brice Claggett, a Washington lawyer who has represented several companies before the tribunal, and who is now writing two law journal articles on the subject.

The traditional rule in international

law is that expropriation must be accompanied by "prompt, adequate and effective compensation." But some prominent lawyers argue that the situation has changed, because of the development of a "new international economic order" and passage of several resolutions in the United Nations that seem to permit less compensation. So some scholars now argue either that the "prompt, adequate and effective" test is outdated, or that compensation can be adequate even if it is less than the market value.

## Custom and Precedent

Because international law is molded loosely by custom and precedents, experts say the tribunal's findings will be important evidence that the old test is still good law. The basis of assessment that the tribunal has favored is "going concern value." This standard, which includes a company's potential for profits and the good will it has built up, is roughly its fair market value before expropriation.

But some lawyers say the panel's decisions are not as useful as they might be, because the opinions are short and contain little background and analysis.

In another important area of international law, the tribunal has had to decide whether dual nationals, of both the United States and Iran, can bring claims against Iran. Following a number of precedents, the panel said that dual nationals could bring such claims if their "dominant and effective" nationality is American. Thus someone who is nominally also Iranian could succeed against Iran if he is more closely associated with the United States. Lawyers say this decision has outraged Iran's Government and has been a significant reason for the ill will directed at the tribunal.

## Japan Steel Gains

TOKYO, Nov. 13 (AP) — Japan's major steelmakers returned to profitability in the first half of the latest fiscal year amid strong exports, good domestic demand and lower costs, according to results released today for the six-month period ended Sept. 30.



# U.S. Firms Win Some, Lose Some at Tribunal Arbitrating \$5 Billion in Claims Against Iran

By JAMES B. STEWART and PETER TRUETT  
Staff Reporters of THE WALL STREET JOURNAL

THE HAGUE, the Netherlands—Nils Mangard has made a career of resolving international disputes, but in September he became the victim of one. The 69-year-old Swedish lawyer, one of nine arbitrators on the U.S.-Iran Claims Tribunal, was seized in the lobby of the tribunal building here by two of his Iranian colleagues. Witnesses say the Iranians twisted his arm, punched him and tried to choke him with his necktie until, bruised and shaken, he was freed by onlookers.

Mr. Mangard, alleges one of the Iranian arbitrators who attacked him, "is an agent of the U.S. government" who always rules in favor of the U.S. Less than a month before the assault, Mr. Mangard had written an opinion awarding R.J. Reynolds Industries Inc. the full amount of a \$36 million claim against Iran plus \$13 million in interest. That award was the largest yet made by the tribunal. But following the attack on Mr. Mangard, the tribunal's work has stopped, for the time being at least.

That may suit Iran, which faces billions of dollars in claims by Americans. "The Iranians are playing this like a symphony," says John Crook, the State Department lawyer who represents U.S. interests here.

Opened for business in July 1981, the tribunal was created by the January 1981 Algiers agreement that freed American hostages in Iran and returned to Iranians billions of dollars in assets that had been frozen in the U.S. Of that money, \$1 billion was set aside for the payment of arbitrated claims, and Iran agreed to replenish the fund when it fell below \$500 million. So far, about \$300 million has been paid to settle only about 140 of the nearly 4,000 claims totaling more than \$5 billion.

## A Way to Recover

Most of that has gone to U.S. companies. After 20 years of close relations between the U.S. and Iran, American companies such as United Technologies, R.J. Reynolds, Starrett Housing Corp., General Motors Corp. and Beatrice Cos. were forced to abandon their operations after Ayatollah Ruhollah Khomeini's revolutionaries seized power in 1979. The Algiers accords deprived the companies of the right to seek damages in U.S. courts, but the Hague tribunal has given them a way to recover losses. The only large U.S. interests that managed to circumvent the tribunal are banks, which recovered billions of dollars as part of the hostage accords.

Among recent settlements with the Iranians announced by U.S. companies are Du Pont Co., for \$42 million; GTE Corp., for \$18 million; and Xerox Corp., \$7 million. GTE has a further \$5 million claim pending.

The tribunal consists of three "chambers," each manned by three arbitrators, one American, one Iranian and one from a third country. Once the tribunal has made an award, the president of the body notifies the Bank of Algiers, which holds the escrow fund, and payment is made.

The tribunal, housed in a redbrick suburban mansion that had been a hotel, is probably the only place in the world where loyal subjects of the ayatollah and U.S. citizens currently work side by side. In a hall, American secretaries in Western attire stroll past an Iranian woman, untouched by makeup, wearing a black chador and a dress that covers all but her head and hands. The Iranian men don't wear ties, which are to them a symbol of Western culture.

Despite the animosity between Iran and the U.S., the Iranians had seemed eager to settle claims in tribunal arbitration. Offi-

## Largest Unsettled U.S. Claims Against Iran

**William Bikoff and George Eisenpresser**  
individual part-owners of the  
Zarshouran copper mine. \$450 million

**Gulf Associates**  
trading concern, held equity interests in  
several Iranian corporations. \$209 million

**Brown & Root Inc.,**  
a subsidiary of Halliburton Co.  
built shipyards and  
naval bases in Iran. \$178 million.

**Sedco Inc.**  
oil drilling. \$175 million

**Santa Fe International Corp.**  
oil drilling. \$168 million

**American Telephone & Telegraph Co.**  
telecommunications facilities. \$69 million

cials here cite as an example a claim by Air La Carte Inc., an American firm, against Iran National Airlines Corp. The companies agreed to a \$416,085 settlement. The officials believe that Iran feared attachment of its airplanes in foreign airports. In other cases, Iran appears to have settled in order to renew business with certain companies, such as General Motors. Iran since has resumed truck-parts purchases from GM.

But other proceedings, such as those involving R.J. Reynolds, have turned into procedural quagmires—"Alice in Wonderland goes to law school," an American official says facetiously.

## Two Reynolds Claims

Reynolds had two claims before the tribunal. One case involved Sea-Land Service Inc., a former subsidiary since sold by Reynolds. Sea-Land had a shipping facility in Iran that was seized in the revolution. Reynolds submitted a claim for \$42 million. The second claim involved Reynolds's sales of cigarettes on credit to the Iranian state cigarette monopoly, from which Reynolds demanded \$36 million. In neither case were the facts disputed. "They were straightforward, summary judgment cases," says Arthur Rovine, a State Department lawyer who formerly represented U.S. interests at the tribunal.

At the first hearing in the Sea-Land case in 1981, the Iranians began procedural maneuvering, including requests for extensions, that delayed the proceedings for more than a year. Americans attribute much of the delay to Gunnar Lagergren, also a Swede, who had presided over Chamber One, the tribunal group assigned to the Sea-Land case. Mr. Lagergren also served, until recently, as president of the full tribunal.

In one decision that especially galled the Americans, Mr. Lagergren ruled in favor of the Iranians when they rejected a Farsi translator because he was a member of the Bahai faith, persecuted in Iran. Yet the Iranians often had asked for and received delays because they said they lacked translators. "Lagergren's goal has been to keep the Iranians at the tribunal, whatever the cost," says a participant. "His dream is to bring peace between Iran and the U.S. and thereby keep the Iranians from tipping toward the USSR."

Mr. Lagergren responds: "I believe it is important that the Iranians are still here. The Americans always say, 'Go faster, go faster.' But these are complex cases. Besides the 4,000 cases here, the Iranians have thousands more in other countries. And they've lost many of the lawyers. It wouldn't be fair to push them."

The Iranians also employed delaying tactics in Chamber Three, assigned to the

Reynolds cigarette case. Mr. Mangard, the Swede who was later assaulted, presided over Chamber Three, and he was less inclined than Mr. Lagergren has been to grant the Iranian's repeated requests for extensions. In this case, too, the amount owed Reynolds for cigarettes shipped to Iran seemed to be clearly established by Iranian documents. But the Iranians dragged out the proceedings with countercharges of smuggling against Reynolds.

By May 1982, hearings in both Reynolds cases finally ended. At this point the Iranians began to step up their pressure on Mr. Lagergren and Mr. Mangard, who have cast the deciding votes when the U.S. and Iranian votes canceled each other out. At meetings, the Iranian arbitrators would "rant, or throw a screaming fit and walk out," according to one participant. Says Mr. Crook, the State Department lawyer at the tribunal: "You have these distinguished, elderly European gentlemen. Suddenly, the Iranians scream at them: 'You're the enemy. You're corrupt and depraved. You're biased.' They wilt under these attacks."

The rhetoric became more heated last spring, when the tribunal ruled that American citizens of Iranian origin could pursue claims at the tribunal. Iranian Prime Minister Mir Hossein Mousavi, in a speech, denounced the tribunal and warned that Iran "shall not hesitate to take any legitimate action that it might deem appropriate to achieve justice and, to attain this goal, it shall pay whatever price necessary."

## Tough Words, Unclear Meaning

Some arbitrators interpreted this as a threat. "I was terrified," says one non-Iranian arbitrator. Mohammad K. Eshragh, the chief Iranian lawyer at the tribunal, denies that the statement was meant as a threat. Nevertheless, two days later, Mr. Lagergren announced that he would resign his \$160,000-a-year post. He left in October.

That led to Iranian demands that all arbitrators be replaced with representatives of Third World countries. Months of talks on this and related issues failed to bring agreement. So, under the tribunal's rules, the Dutch government named a replacement for Mr. Lagergren, Karl-Heinz Bockstiegel, a West German.

Meanwhile, Mr. Mangard, the Swedish arbitrator in the Reynolds cigarette matter, became increasingly concerned over the tribunal's inaction, which he thought invited contempt for it by all parties. No contested case had been decided by Mr. Mangard's group since last December. So Mr. Mangard determined to decide the Reynolds claim, and in Reynolds's favor. The award came on Aug. 6, more than 2½ years after the claim had been filed. Also on Aug. 6, Mr. Lagergren issued his opinion in the Sea-Land case, awarding the company only \$750,000 of the \$42 million it sought. H. Bartow Farr, Reynolds's deputy general counsel, says the company is "appalled."

## Reasons for Resumption

That decision favorable to Iran failed to dissipate the Iranians' anger over the outcome of the cigarette dispute. On Sept. 3, a few weeks after the Reynolds awards, Mr. Mangard was assaulted. Mr. Lagergren annoyed the Americans by refusing to expel the Iranian attackers, Mahmoud Kashani and Shafei Shafeiei; he simply suspended the work of the tribunal. More recently, however, Hague sources say the two Iranians have been replaced by their government.

For this and other reasons, the tribunal may yet resume its work. The Iranians have incentives to stay. Their departure could lead to default awards against them that might deplete the claims fund. Iran itself hopes to present and win an \$11 billion claim against the U.S. for allegedly failing to deliver military equipment that Iran paid for before the revolution.

But Americans are becoming frustrated and pessimistic. One arbitrator already has resigned and another

M... Shift to Benefit Tobacco





WITH THE COMPLIMENTS  
OF THE  
PERMANENT MISSION  
OF CANADA

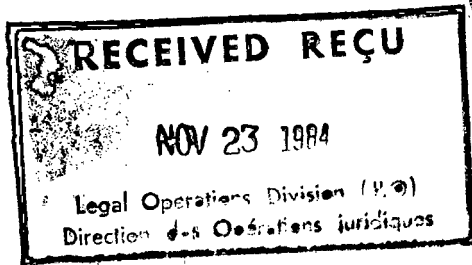
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*JLO*  
*DMcRae*  
AVEC LES HOMMAGES  
DE  
LA MISSION  
PERMANENTE DU CANADA

aux Nations Unies,  
New York

*A: JLO/Gaudreau*

*Don McRae*  
*and*  
*file*

Richard Saint-Martin  
Conseiller



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**INWARD CABLEGRAM**

O. TR7808 MJWO  
TOR 19.51 02.10.83

O. TR7808 1310 2.10.83 CLA

TO.  
RR CANBERRA/5975

RP.  
RR WASHINGTON/1074 UN NEW YORK/417

FM. TEHRAN /

ACC \_\_\_\_\_ Ref. 831107  
FILE 20-Iran-1-3-USA

**R E S T R I C T E D**

**IRAN : US - IRANIAN DELEGATION TO UNGA**

FILE 221/9

FOREIGN MINISTER VELAYATI LEFT FOR UNGA A FEW DAYS AGO WITH -  
FOR AN IRANIAN - SOME MORE THAN USUALLY CONSTRUCTIVE REMARKS ABOUT  
THE UN.

2. HOWEVER, DEPUTY FOREIGN MINISTER SHEIKHOISLAM, A PRINCIPAL  
THEORETICIAN AT MFA, WAS CRITICAL OF AMERICAN APPROACH TO THE IRANIAN  
DELEGATION IN A CONVERSATION WITH CHARGE ON 28 SEPTEMBER. HE SAID  
THAT THEY HAD REFUSED A VISA FOR HIM AND ANY OTHERS WHO HAD BEEN  
INVOLVED IN THE HOSTAGE CRISIS. HE SAID THAT, ALTHOUGH THE U.S.  
ACTION WAS NOT UNEXPECTED, IT AMOUNTED TO INTERFERENCE IN IRANIAN  
AFFAIRS TO DICTATE WHO WOULD OR WOULD NOT BE A PART OF IRAN'S  
DELEGATION TO UNGA.

**ACTION: FOREIGN AFFAIRS**  
ONA

PRIME MINISTER  
JIO

FOREIGN MINISTER

DEP P M AND CABINET

.../2

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IN

DEPARTMENT OF FOREIGN AFFAIRS  
DIPLOMATIC COMMUNICATIONS NETWORK

IN

GAM

RESTRICTED

INFO: CN  
COPY NO. 1

INWARD CABLEGRAM

O.TR6392 RHOW  
TOR 23.50 16.01.83

O.TR6392 1515 15.1.83 CLA

TO.  
RR CANBERRA/4739

RP.  
RR WASHINGTON/946

FM. TEHRAN /

R E S T R I C T E D

IRAN : U.S. RELATIONS  
FROM FILE 221/5/3

SUMMARY.

CDN EYES ONLY  
AUSTRALIAN MFA MATERIAL  
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ACC	REF	DATE
		830214
FILE	20-iran-1-3-USA	
DOSSIER		

PARLIAMENTARY SPEAKER RAFSANJANI RECENTLY CRITICISED U.S. POLICIES IN THE REGION. IRONICALLY, SOME OF HIS REMARKS WERE APPARENTLY TAKEN BY SOME AS A SIGN OF IMPROVING RELATIONS WITH THE U.S. THE FACT THAT PRIME MINISTER MOUSAVI CHOSE TO DISPEL ANY SUCH SUGGESTION WAS PROBABLY MORE FOR DOMESTIC REASONS THAN BECAUSE OF ANY RISK OF SERIOUS MISUNDERSTANDING IN THE WEST. (RESTRICTED).

1. FOLLOWING IS THE OFFICIAL IRANIAN NEWS AGENCY ICNA) REPORT OF REMARKS MADE ON 7 JANUARY BY THE SPEAKER OF THE PARLIAMENT AND KHOMEINI'S REPRESENTATIVE ON THE SUPREME DEFENCE COUNCIL, RAFSANJANI, ON U.S. MILITARY INTERESTS IN THE PERSIAN GULF AND THE RAPID DEPLOYMENT FORCE:-

BEGINS:

CHANGING THE SUBJECT TO THE AMERICAN RAPID DEPLOYMENT FORCES, THE REPRESENTATIVE OF IMAM KHOMEINI IN THE SUPREME DEFENCE COUNCIL SAID THAT JUST AS IMAM KHOMEINI HAD SAID, WHAT RIGHT DID THE U.S HAVE TO CONSIDER ANY POINT IN THE WORLD AS VITAL TO ITS INTERESTS.

'HOW CAN THEY JUSTIFY ALL THESE FORCES? WHAT ARE THEY HERE FOR? DOES THE U.S. FEAR KUWAIT SAUDI ARABIAN BAHRAIN QATAR AND NORTH YEMEN OR DOES IT FEAR EGYPT, SOMALIA, PAKISTAN, TURKEY OR EVEN INDIA...YOU JUSTIFY THE PRESENCE OF YOUR FORCES IN THE REGION WITH THE LOGIC THAT YOU WANT TO SECURE YOUR VITAL INTERESTS...IS OUR OIL YOUR VITAL INTEREST? COME AND ACT AS A HUMAN BEING, BUY OUR OIL AS A HUMAN BEING, AND SELL YOUR PRODUCTS AS A HUMAN BEING. THEN WE WILL DEAL WITH YOU LIKE A HUMAN BEING. WHAT IS THIS THAT THE U.S. IS IMPOSING ITS ANIMAL LOGIC ON THE WORLD AND IS DOING THE MOST OPPRESSIVE ACTS WITH TOTAL IMPUDENCE AND ON THE OTHER HAND THE

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2-O.TR6392

COUNTRIES OF THE REGION ARE SITTING AND ACCEPTING THIS (LOGIC)...

'THE PRESENCE OF THE U.S. MILITARY COMMAND CENTRE IN THE PERSIAN GULF REGION AND THE SEA OF OMAN IS AIMED AT A WAR WITH THE ISLAMIC REPUBLIC OF IRAN...AND IT IS NOT BECAUSE OF THE SOVIET UNION BECAUSE THE ISSUE OF THE SOVIET UNION HAS ALWAYS BEEN THERE THEREFORE THE ONLY ISSUE IS THE ISLAMIC REPUBLIC AND THE U.S. WANTS TO TAKE THE COUNTRIES OF THE REGION UNDER ITS COVER AND GIVE THEM ENCOURAGEMENT.

BUT WE WILL TELL THEM (THE RULERS OF THE REGION) THAT THEY SHOULD NOT PUT THEIR CONFIDENCE IN THE PRESENCE OF THE U.S. FORCES. THE U.S. WITH ITS MORE THAN 400,000 TROOPS COULD NOT DO A DAMN THING IN VIETNAM AND IT COULD NOT DO A DAMN THING ANYWHERE ELSE IN THE WORLD...YOU (THE RULERS OF THE REGION) SHOULD TRY TO GET ALONG WITH YOUR PEOPLE AND YOU DON'T NEED AMERICAN MARINES AND WARPLANES.'

ENDS:

2. WHAT WAS IN FACT A RATHER INDICENTAL SUGGESTION BY RAFSANJANI THAT IRAN WOULD BE PREPARED TO HAVE DEALINGS WITH THE U.S. IF IT WERE TO BEHAVE AS A 'HUMAN BEING' WAS APPARENTLY SEIZED UPON BY THE WESTERN MEDIA AS A SIGN OF IMPROVING RELATIONS BETWEEN THE TWO COUNTRIES. ON 10 JANUARY PRIME MINISTER MOUSAVI CLARIFIED RAFSANJANI'S REMARKS CLAIMING THAT THEY HAD BEEN MIS-QUOTED AND HAD BEEN TAKEN OUT OF CONTEXT BY THE 'POISONOUS IMPERIALIST MEDIA' AND SAID THAT IRAN HAVING RELATIONS WITH THE USA WOULD BE LIKE THE LAMB GIVING ITSELF UP TO THE WOLF AND THAT 'THE INNATE AGGRESSIVENESS OF THE U.S. WILL IN NO WAY LET IT DEAL WITH ANY COUNTRY SINCERELY AND CORRECTLY.' MOUSAVI ALSO ISSUED THE ASSURANCE THAT RAFSANJANI WAS STILL ON OF 'THE MOST ANTI-U.S. OF THE CLERGY'.

COMMENT:

3. THE IRANIAN GOVERNMENT COULD HARDLY FEAR THAT THERE COULD BE ANY ROOM FOR MISUNDERSTANDING IN THE WEST ON ITS ATTITUDE TOWARDS THE U.S. THE CLARIFICATION OF RAFSANJANI'S REMARKS ON U.S./IRANIAN RELATIONS WAS PROBABLY MADE FOR DOMESTIC REASONS. IT MAY HAVE BEEN TO FORESTALL ANY CRITICISM OF RAFSANJANI OR ON THE OTHER HAND TO DELIBERATELY EMBARRASS HIM.

ACTION: FOREIGN AFFAIRS  
ONA

PRIME MINISTER  
DEP DEFENCE

FOREIGN MINISTER  
DEP P M AND CABINET

MIN DEFENCE  
JIO

.../3

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IN

DEPARTMENT OF FOREIGN AFFAIRS  
DIPLOMATIC COMMUNICATIONS NETWORK

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251 *key* to send return to  
*6 AM / Junke*

INFO: OTTAWA  
COPY NO. 1

INWARD CABLEGRAM

O. TR6059 RHOW  
TOR 22.12 04.11.82

O. TR6059 1420 4.11.82 CLA

TO.  
PP CANBERRA/4449

RP.  
PP WASHINGTON/910

FM. TEHRAN /

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FILE 20-Iran-1-3-USA

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IRAN/U.S. - MFA NOTE

MF FILE 221/5/3 221/4/1

IRANIAN FOREIGN MINISTRY HAS SENT AN OFFICIAL NOTE TO ALL DIPLOMATIC MISSIONS AND INTERNATIONAL ORGANISATIONS RESIDENT IN TEHRAN MARKING THE FOURTH ANNIVERSARY OF THE OCCUPATION OF THE U.S. EMBASSY, AN OCCASION DESCRIBED IN THE NOTE AS THE "HEROIC AND REVOLUTIONARY MOVEMENT OF THE MOSLEM STUDENTS FOLLOWING THE LINE OF THE IMAM IN REVEALING THE SECRETS AND ABOLISHING THE BASE OF ESPIONAGE OF AMERICAN IMPERIALISM IN IRAN". THE SUBSTANCE OF THE MINISTRY'S NOTE IS AS FOLLOWS:

"ACCESS TO MACHINES AND AUTHENTIC DOCUMENTS AND PAPERS OF ESPIONAGE PRESENT IN THE FORMER AMERICAN EMBASSY IN TEHRAN PROVES THE CLAIM THAT THE SO-CALLED EMBASSY WAS A CENTRE FOR SPYING. A FEW COPIES OF THE DOCUMENTS WHICH HAVE BEEN COMPILED SO FAR AND WHICH SHOW THE ESPIONAGE OPERATIONS AND PLANNING OF THE SO-CALLED EMBASSY, AS WELL AS ITS INTERFERENCE IN THE INTERNAL AFFAIRS OF THE ISLAMIC REPUBLIC OF IRAN, ARE BEING SENT HERewith SO THAT ALL DOUBTS ABOUT SPYING ASSIGNMENTS OF THE SO-CALLED DIPLOMATS OF THE FORMER AMERICAN EMBASSY COULD BE REMOVED.

THE MINISTRY AVAILS ITSELF OF THIS OPPORTUNITY TO POINT OUT THAT THIS WORK OF THE AMERICAN GOVERNMENT, IE. CONVERTING ITS EMBASSY INTO THE SPYING BASE WHICH IS A CLEAR VIOLATION AND DISREGARD OF REGULATIONS GOVERNING INTERNATIONAL DIPLOMATIC RELATIONS, IS NOT CONFINED TO IRAN ONLY. THE AMERICAN IMPERIALISM IS, CERTAINLY, SENDING ITS SPIES UNDER THE COVER OF DIPLOMATS IN ITS SO-CALLED EMBASSIES OR, IN OTHER WORD, ITS SPYING BASES TO SEVERAL OTHER COUNTRIES AND THEREBY MAKING HUMAN VALUES OF NATIONS AND INTERESTS AND POSITION OF GOVERNMENTS AS ITS TOY."

2. THE NOTE ENCLOSED A COPY OF SOME OF THE CAPTURED DOCUMENTS PRODUCED BY THE STUDENTS OCCUPYING THE EMBASSY. (AS YOU ARE AWARE WE

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COPY NO. 1

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2-0. TR6059

HAVE BEEN PURCHASING PRIVATELY AND SENDING TO YOU COPIES OF THESE BOOKS AS THEY HAVE APPEARED OVER THE LAST YEAR, BUT THIS IS THE FIRST TIME WE HAVE RECEIVED THEM OFFICIALLY).

3. IN MORE NORMAL CIRCUMSTANCES WE WOULD NOT ACKNOWLEDGE SUCH A NOTE AND SIMPLY LET ITS ASSERTIONS PASS. HOWEVER, GIVEN AUSTRALIA'S STRONG POSITION ON THE ILLEGALITY OF THE OCCUPATION OF THE U.S. EMBASSY AND OUR BILATERAL RELATIONS WITH THE U.S. YOU MAY WISH US TO MAKE A STRONGER RESPONSE INCLUDING ONE OR MORE OF EITHER REJECTING THE NOTE, SENDING BACK THE BOOKS OR REITERATING OUR POSITION ON THE ILLEGAL SEIZURE OF THE EMBASSY. WE HAVE NOT BEEN ABLE TO ASCERTAIN WHAT THE OTHER EMBASSIES WILL DO, NOT ALL HAVING YET RECEIVED THE NOTE. MOST WILL NO DOUBT REFER THE MATTER TO CAPITALS FOR CONSIDERATION, AND POSSIBLY DISCUSS IT WITH U.S. AUTHORITIES.

GRATEFUL YOUR ADVICE.

ACTION: FOREIGN AFFAIRS  
ONA

PRIME MINISTER  
DEP DEFENCE

FOREIGN MINISTER  
DEP P M AND CABINET

MIN DEFENCE  
JIO

ACTION: ANZ  
AME

JBAH  
JBAM

SEC	DEPSEC-A	DEPSEC-B	PPU	LA	EX
MCO	PA	FAS(SEP)	FAS(NSA)	SA	
FAS(EANZ)	CN	FAS(DN)	NUC	DEF	DPR
FAS(IOAME)	IO	FAS(ECO)	FAS(LT)		
FAS(MFS)	FAREP-M	FAREP-P	FAREP-S		

ALGIERS AMMAN BAGHDAD BONN BRUSSELS CAIRO DAMASCUS GENEVA  
JEDDAH LONDON MALTA MEXICO CITY MOSCOW OTTAWA PARIS EMB  
TEL AVIV UN NEW YORK

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Michel Pellerin

INFO: OTTAWA  
COPY NO. 1

# INWARD CABLEGRAM

O.TR5792 LGBO  
TOR 19.30 06.09.82

O.TR5792 1140 6.9.82 UNC

TO.  
RR CANBERRA/4219

RP.  
RR WASHINGTON/865 MOSCOW/101

FM. TEHRAN / FILE 221/5/1, 221/5/3

# NE

ACC	RE	DATE
		821126
FILE	DOSSIER	
20-Iran-1-3-USA		
20-Iran-1-3		

~~U N C L A S S I F I E D~~

IRAN : FOREIGN RELATIONS : USA AND USSR

FROM FILE 221/5/1, 221/5/3

(SUMMARY)

IN AN INTERVIEW WITH THE AUTHORITATIVE 'ISLAMIC REPUBLIC' NEWSPAPER ON 5 SEPTEMBER, FOREIGN MINISTER VELAYATI COMPARED IRAN'S RELATIONS WITH THE USA AND USSR.

2. USA : VELAYATI SAID THE USA WAS 'ON THE TOP OF THE LIST OF COUNTRIES AT WAR AGAINST IRAN.' IRAQ'S ATTACKS ON IRAN HAD BEEN INCITED BY THE UNITED STATES. IRAN HAD NO REASON TO HAVE NORMAL RELATIONS WITH THE USA WHICH WAS THE GREAT SATAN AND IRAN'S MAIN ENEMY. IRAN STRONGLY OPPOSED THE AGGRESSION AND COVETOUSNESS OF THE USA.

3. USSR : IRAN'S RELATIONS WITH THE USSR WERE 'NORMAL AND REGULAR'. IRAN OBSERVED GOOD NEIGHBOURLY RELATIONS WITH THE USSR BUT THAT DID NOT IMPLY THAT IRAN ENDORSED WHATEVER THE USSR DID, NOR THAT IRAN RELIED ON THE USSR. RELATIONS WITH THE USSR WERE BASED ON MAINTAINING MUTUAL RESPECT, NON-INTERFERENCE IN EACH OTHER'S DOMESTIC AFFAIRS AND RESPECT FOR EACH OTHER'S SOVEREIGNTY. IRAN WAS COMPLETELY OPPOSED TO THE USSR'S POLICY IN AFGHANISTAN AND WOULD CONTINUE ITS OPPOSITION WITHOUT WAVERING AS LONG AS RUSSIAN TROOPS WERE IN AFGHANISTAN TO INTERFERE WITH AFGHANISTAN'S INTERNAL AFFAIRS.

4. ASKED ABOUT RELATIONS WITH THOSE COUNTRIES WHICH WERE 'DEPENDENT ON EITHER OF THE TWO SUPER POWERS', VELAYATI SAID THAT THERE WERE FEW COUNTRIES WHICH WERE SO INDEPENDENT THAT THE MOSLEM REVOLUTIONARY NATION OF IRAN APPROVED OF THEM. ONE OF THE FACTORS WHICH DETERMINED IRAN'S RELATIONS WITH OTHER COUNTRIES WAS THE EXTENT OF THEIR DEPENDENCE ON EITHER OF THE SUPERPOWERS. IRAN TENDED TO HAVE CLOSER RELATIONS WITH COUNTRIES WHICH WERE LESS DEPENDENT ON EITHER OF THE POWERFUL BLOCS.

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2-0.TR5792

ACTION: FOREIGN AFFAIRS  
ONA

PRIME MINISTER  
DEP DEFENCE

FOREIGN MINISTER  
DEP P M AND CABINET

MIN DEFENCE  
JIO

ACTION: ANZ  
EUR  
AME

JBAH  
JBAK  
JBBBA  
JBAM

SEC	DEPSEC-B	LA	EX	MCO	PA
FAS(SEP)	FAS(NSA)	NA	SA	FAS(EANZ)	
CN	FAS(DN)	NUC	DEF	DPR	FAS(IOAME)
FAS(ECO)	ER	OEE	FAS(LT)	FAREP-M	
FAREP-P	FAREP-S				

ALGIERS AMMAN BAGHDAD BEIRUT BELGRADE BERLIN BONN BRUSSELS  
CAIRO DAMASCUS GENEVA HANOI JEDDAH LONDON MALTA MEXICO CITY  
OTTAWA PARIS EMB PEKING TEL AVIV UN NEW YORK WARSAW

DEPARTMENT OF FOREIGN AFFAIRS  
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INFO: CN  
COPY NO. 1

# INWARD CABLEGRAM

O.TR5775 PDPO  
TOR 18.03 05.09.82

O.TR5775 1030 5.9.82 UNC

TO.  
RR CANBERRA/4203

RP.  
RR CAIRO/215 TEL AVIV/109 WASHINGTON/859  
RR DAMASCUS/139 AMMAN/058 JEDDAH/279

FM. TEHRAN /

~~U N C L A S S I F I E D~~

IRAN : UNITED STATES PROPOSAL ON PALESTINIANS

FROM FILE 221/5

CDN EYES ONLY  
AUSTRALIAN MFA MATERIAL  
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ACC	REF	DATE
—		821115
FILE	20-Iran-1-3-USA	
DOSSIER		

FOLLOWING IS TEXT OF IRANIAN FOREIGN MINISTRY STATEMENT  
ON THE UNITED STATES PROPOSAL ON PALESTINIANS, FROM THE OFFICIAL  
ISLAMIC REPUBLIC NEWS AGENCY 3 SEPTEMBER:

IRAN HAS URGED WORLD MUSLIMS TO ABORT WASHINGTON'S  
'THREATENING CONSPIRACY' FOR TRYING TO SETTLE THE  
PALESTINIANS IN A PART OF THEIR OCCUPIED LANDS UNDER  
THE SOVEREIGNTY OF KING HUSSEIN OF JORDAN. IT SAID  
THE PROPOSAL HAD BEEN A SCHEME FOR EXPANDING THE  
DOMINATION OF 'THE UNITED STATES AND THE RACIST  
ZIONISTS' OVER THE PEOPLES OF THE REGION AND THEREBY  
PAVE THE WAY FOR FRESH MACHINATIONS AGAINST THE  
MUSLIM PEOPLE.

A FOREIGN MINISTRY COMMUNIQUE PUBLISHED HERE TODAY  
SAID THAT THE 'CRIMINAL UNITED STATES HAD PROPOUNDED  
THE SCHEME AT THE THRESHOLD OF THE ARAB SUMMIT  
CONFERENCE IN FEZ IN ORDER TO PROVIDE THE REACTIONARY  
GOVERNMENTS WITH AN EXCUSE TO CHECK THE INCREASING  
ANTAGONISM TO WASHINGTON BY MUSLIMS AND ARAB PROGRESSIVE  
FORCES.'

THE ANNOUNCEMENT ALSO WARNED 'THE COUNTRIES PROMOTING  
UNITED STATES GOALS AGAINST IMPLEMENTING IMPERIALIST  
SCHEMES IN THE REGION', AND THAT 'THE WRATH OF THE  
MUSLIMS AND REVOLUTIONARY FORCES OF THE REGION'  
WOULD NEVER SPARE THEM.

.../2

IN

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DIPLOMATIC COMMUNICATIONS NETWORK

IN

INFO: CN  
COPY NO. 1

# INWARD CABLEGRAM

2-0.TR5775

**ACTION: FOREIGN AFFAIRS**  
ONA

PRIME MINISTER  
DEP DEFENCE

FOREIGN MINISTER  
DEP P M AND CABINET

MIN DEFENCE  
JIO

**ACTION: AME**

JCEB

SEC	DEPSEC-A	DEPSEC-B	PPU	LA	EX
MCO	PA	FAS(SEP)	FAS(NSA)	SA	
FAS(EANZ)	ANZ	EUR	CN	FAS(DN)	NUC
NPD	DEF	DPR	FAS(IOAME)	IO	
FAS(ECO)	EO	ER	OEE	FAS(LT)	
FAS(MFS)					

ALGIERS BAGHDAD BEIRUT BONN GENEVA LONDON MALTA MOSCOW  
PARIS EMB UN NEW YORK

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DEPARTMENT OF FOREIGN AFFAIRS  
DIPLOMATIC COMMUNICATIONS NETWORK

United States Department of State

Washington, D.C. 20520

SEP 2 1982

August 23, 1982

RECU  
Direction du Droit économique  
et des traités  
Ministère des Affaires extérieures

DATE	SEP - 1 1982	REF
ACC		
FILE	36-18-2-USA	DOSSIER
BY HAND	20-IRAN-1-3-USA	PAR PORTEUR
ATTN:	LAE	


Mark N. Sills, Esq.  
Head, Claims Section  
Economic Law and Treaty Division  
Department of External Affairs  
Lester Pearson Building  
125 Sussex Drive  
Ottawa, Ontario K1A 0G2  
CANADA

Dear Mr. Sills:

This will confirm that David P. Stewart, Assistant Legal Adviser for Special Functional Problems and Administrator of Iranian Claims, and I will meet with you at your office at 10 a.m. on Tuesday, August 31, to discuss the Iran-United States Claims Tribunal as well as international law questions of mutual professional interest. If other commitments require that the meeting be re-scheduled, please call me at your soonest convenience at 202/632-6686. We look forward to seeing you.

Best regards.

Very truly yours,

  
Henry Lerner  
Attorney-Adviser  
Office of Iranian Claims

cc: L/SFP - Mr. Stewart

Mr. David Klock  
Embassy Ottawa

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INWARD CABLEGRAM

O.WH14067 JAMC  
TOR 07.38 26.02.82

O.WH14067 1741 24.2.82 CLA

TO.  
RR CANBERRA/5849

RP.  
RR TEHRAN/309 LONDON/7397 THE HAGUE/445  
RR MOSCOW/1578 BONN/2007 DAMASCUS/127  
RR JEDDAH/462 ISLAMABAD/233 PARIS EMB/998

FM. WASHINGTON /

C O N F I D E N T I A L

IRAN : UNITED STATES POLICY

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ACC	REF	820331
20-IRAN-1-3-USA		
DOSSY		

SUMMARY : THERE HAS BEEN NO MOVEMENT IN UNITED STATES-IRANIAN RELATIONS, AND THE AMERICANS DO NOT EXPECT THIS SITUATION TO CHANGE IN THE FORESEEABLE FUTURE. THEY HOPE, HOWEVER, THAT OTHER WESTERN COUNTRIES WILL MAINTAIN WHAT TIES ARE POSSIBLE WITH THE TEHRAN REGIME. AMERICAN OFFICIALS BELIEVE THAT RECENT PRESS ACCOUNTS OF THE DEVELOPMENT OF SOVIET-IRANIAN RELATIONS HAVE BEEN OVERDRAWN. THEY CONSIDER THAT THE REGIME IS NOW MORE CONFIDENT OF ITS DOMESTIC POSITION, PARTLY BECAUSE OF ITS RUTHLESS SUPPRESSION OF THE LEFT. THERE IS UNLIKELY TO BE ANY RAPID DETERIORATION IN THE DEGREE OF ITS DOMESTIC SUPPORT.

2. ON 23 FEBRUARY WE ASKED LINDSTROM (COUNTRY DIRECTOR FOR IRAN, STATE DEPARTMENT) WHETHER THERE HAD BEEN ANY RECENT DEVELOPMENT IN UNITED STATES POLICY TOWARDS IRAN, AND HOW THE UNITED STATES SAW THE STABILITY OF THE PRESENT REGIME.

UNITED STATES - IRANIAN RELATIONS (UNDERLINED)

3. LINDSTROM SAID THAT THE OFFICIAL RELATIONSHIP BETWEEN THE TWO COUNTRIES REMAINED VERY DISTANT. THE ONLY AREA IN WHICH THERE WAS ANY REGULAR CONTACT WAS IN THE IMPLEMENTATION OF THE ALGIERS AGREEMENT AND THE ESTABLISHMENT OF A FUNCTIONING ARBITRATION TRIBUNAL TO CONSIDER CLAIMS ON IRANIAN ASSETS.

4. LINDSTROM SAID THAT THE TRIBUNAL WOULD MEET IN THE HAGUE ON 8 MARCH FOR THREE DAYS TO HEAR ARGUMENTS ABOUT FOUR OUTSTANDING FINANCIAL ISSUES RELATING TO INTEREST ON THE ONE BILLION DOLLAR ACCOUNT, JURISDICTION OVER CLAIMS SETTLED OUT OF COURT, RESPONSIBILITY FOR PAYMENT TO THE SETTLEMENT BANK AND INSURANCE OF THE ACCOUNT (SEE THE HAGUE'S MEMO M.TH3892 OF 23 OCTOBER). AFTER DEALING WITH THESE ISSUES THE TRIBUNAL WOULD BEGIN THE JOB OF PROCESSING CLAIMS. ONE MINOR DIFFICULTY HAD ARISEN RECENTLY WHEN THE IRANIANS HAD COMPLAINED ABOUT AN OFF-HAND REMARK MADE BY A SWEDISH

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## INWARD CABLEGRAM

2-0.WH14067

JUDGE ON THE TRIBUNAL APPARENTLY CRITICISING THE IRANIAN LEGAL SYSTEM. THE IRANIANS WERE NOW TRYING TO HAVE THIS JUDGE REMOVED FROM THE BENCH. THEY WOULD PROBABLY NOT SUCCEED, BUT THEIR EFFORTS MIGHT DELAY THINGS. FURTHER DELAYS WOULD OCCUR IF THE IRANIANS CONTINUED TO OPPOSE THE SETTLEMENT OUT OF COURT FROM A LUMP SUM ALLOCATION OF SOME 2800 SMALL CLAIMS OF LESS THAN DLRS 25,000 EACH. IF THE TRIBUNAL WERE TO DECIDE EACH OF THESE INDIVIDUALLY IT WOULD BECOME COMPLETELY UNWORKABLE. LINDSTROM SAID THAT THE IRANIANS HAD BEEN TALKING AT A TECHNICAL LEVEL DIRECTLY TO UNITED STATES OFFICIALS AT THE HAGUE. THIS WAS MUCH MORE EFFICIENT THAN DEALINGS THROUGH THE ALGERIANS AND THE SWISS AND HAD BEEN A HELP IN SPEEDING UP NEGOTIATIONS. (LINDSTROM ASKED THAT WE HOLD THIS INFORMATION CLOSELY: ANY PUBLICITY WOULD CERTAINLY CAUSE THE IRANIANS TO STOP THE PRACTICE IMMEDIATELY).

5. ON OTHER SUBJECTS, SUCH AS THE RETURN TO SWISS AND ALGERIAN CONTROL OF DIPLOMATIC PROPERTIES IN TEHRAN AND WASHINGTON RESPECTIVELY, THERE HAD BEEN NO SIGN OF A HELPFUL IRANIAN ATTITUDE. WITHIN IRAN, IT WAS STILL CLEAR THAT ANTI-AMERICANISM WAS A DRIVING FORCE OF THE REVOLUTION. IT WOULD BE A LONG TIME BEFORE IT WOULD BE POSSIBLE TO CONCEIVE OF ANY NORMALISATION OF RELATIONS.

6. IN THESE CIRCUMSTANCES, LINDSTROM SAID, THE UNITED STATES THOUGHT IT WAS IMPORTANT THAT FRIENDLY COUNTRIES SUCH AS AUSTRALIA WITH SOME DEGREE OF INFLUENCE IN TEHRAN SHOULD TRY TO MAINTAIN TIES SO THAT IRAN DID NOT BECOME SO ISOLATED THAT IT COULD ONLY TURN TO THE SOVIET UNION. THERE HAD BEEN A LOT OF ANTI-WESTERNISM IN THE REVOLUTION, BUT IT HAD BEEN TARGETED FAIRLY DIRECTLY AT THE UNITED STATES.

### SOVIET - IRANIAN RELATIONS (UNDERLINED)

7. WE ASKED LINDSTROM HOW HE ASSESSED REPORTS OF MORE ACTIVE SOVIET INVOLVEMENT IN IRAN. HE REPLIED THAT THERE HAD BEEN, AND ALWAYS WOULD BE, A FAIRLY NATURAL COMMERCIAL RELATIONSHIP BETWEEN THE TWO COUNTRIES. THERE HAD, HOWEVER, BEEN SOME MISCHIEVOUS REPORTING RECENTLY, INCLUDING A STORY IN TIME MAGAZINE THAT THE KGB WAS TRAINING IRANIAN INTELLIGENCE. THE UNITED STATES HAD NO EVIDENCE THAT THIS WAS TRUE, AND IT SEEMED HIGHLY IMPROBABLE THAT THE IRANIANS WOULD MAKE THEMSELVES VULNERABLE IN THIS WAY. IRANIANS HAD NEVER LIKED THE RUSSIANS AND HAD NO AFFINITY FOR MARXISM. THE TUDEH PARTY WAS WIDELY SEEN AS MOSCOW'S TOOL. LINDSTROM SUSPECTED THAT THE SOURCE OF THE PRESS STORIES WAS THE IRANIAN EXILE COMMUNITY.

8. LINDSTROM SAID THAT IRAN HAD BEEN SEARCHING FRANTICALLY FOR SPARE PARTS FOR ITS AMERICAN-MADE ARMS, PARTICULARLY ITS AIRCRAFT, BECAUSE OF THE UNITED STATES BAN ON ARMS SHIPMENTS TO EITHER IRAN OR IRAQ. IT HAD BEEN FORCED TO SEEK ARMS FROM EASTERN BLOC COUNTRIES AND HAD RECEIVED SOVIET-MADE TANKS THROUGH SYRIA, LIBYA AND NORTH KOREA. IT WAS NOT YET POSSIBLE TO SAY WHETHER THE SOVIET UNION WOULD BECOME A

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MAJOR ARMS SUPPLIER FOR IRAN, BUT THE IRANIANS SEEMED TO PREFER AN INDIRECT SUPPLY SYSTEM.

9. WE ASKED WHETHER THE UNITED STATES HAD ADDRESSED THE QUESTION OF WHETHER ITS OWN ARMS SUPPLIES TO IRAN COULD BE RENEWED IF THE IRAN-IRAQ WAR WERE TO END. LINDSTROM SAID THAT THE QUESTION HAD NOT YET BEEN CONSIDERED, BUT THE IRANIANS COULD PROBABLY READ THAT CONCLUSION IN TO THE UNITED STATES POSITION. THE STUMBLING BLOCK TO A FINAL CEASEFIRE IN THE WAR APPEARED TO BE KHOMEINI HIMSELF. HE SEEMED TO HAVE DEVELOPED SUCH A DEGREE OF HOSTILITY TO SADDAM HUSSEIN THAT HE WOULD WANT TO CONTINUE THE WAR UNTIL SADDAM FELL.

### IRAN AND THE GULF STATES (UNDERLINED)

10. WE ASKED HOW SERIOUSLY THE GULF STATES JUDGED THE IRANIAN THREAT TO BE. LINDSTROM SAID THAT THE SAUDIS AND THE GULF STATES THOUGHT THEY COULD HANDLE THE PROBLEM AND HAD BEEN BROUGHT CLOSER TOGETHER BY IRAN'S RECENT ACTIONS. THE ACTIVITIES OF THE SHAH HAD ALSO ALARMED THEM IN THE PAST, BUT THE SHAH HAD NEVER ATTACKED THE CONCEPT OF MONARCHY OR PLAYED UPON THE SHIA FACTOR. IT WAS IRAN'S CAPACITY AND WILLINGNESS TO APPEAL TO THE SHIAS - SO OFTEN THE ECONOMIC UNDERDOGS OF THE AREA - THAT MADE THE GULF RULERS SO NERVOUS. LINDSTROM REFERRED TO A RECENT SAUDI DECISION TO BAN ALL TRAVEL TO IRAN, AND TO REPORTS THAT SOME OF THE GULF STATES HAD FOLLOWED SUIT. THIS WOULD HAVE AN ADVERSE EFFECT ON THE SHIAS IN THE REGION BECAUSE IT WOULD PREVENT THEM FROM MAKING PILGRIMAGES TO THE TWO HOLY SITES IN IRAN. IN PARTIULAR, THE DECISION WAS LIKELY TO ANGER OLDER AND MORE CONSERVATIVE SHIAS WHO HAD OTHERWISE STAYED OUT OF POLITICS.

### THE STABILITY OF THE REGIME (UNDERLINED)

11. LINDSTROM AGREED THAT THE IRANIAN REGIME NOW APPEARED TO BE IN MUCH BETTER SHAPE THAN IT HAD SIX MONTHS AGO. IT HAD REACHED THIS POSITION BY THE RUTHLESS TACTICS IT HAD ADOPTED AGAINST THE MUJAHEDDIN WHICH SEEMED TO HAVE ENABLED IT TO DESTROY THE LEFTIST OPPOSITION EXCEPT FOR THE TUDEH PARTY, WHICH WAS NOT TECHNICALLY IN OPPOSITION. THE DECISION TO CUT OIL PRICES WAS AN INTERESTING INDICATOR OF THE REGIME'S DEGREE OF INTERNAL CONTROL AND SELF-CONFIDENCE.

12. A DEGREE OF INSTITUTIONALISATION WAS TAKING PLACE, ESPECIALLY IN THE ROLE OF THE MAJLIS. NEVERTHELESS, LINDSTROM SAID IT WAS IMPORTANT TO RECOGNISE THAT THE REVOLUTION HAD NOT YET STOPPED. REGIME ATTEMPTS TO BRING THE REVOLUTIONARY COMMITTEES AND REVILUTIONARY GUARDS UNDER GOVERNMENT CONTROL HAD NOT MET WITH ANY REAL SUCCESS. UNTIL SUCH CONTROL WAS ESTABLISHED THE REVOLUTIONARY SPIRAL COULD NOT BE SAID TO HAVE ENDED.

13. THIS DID NOT MEAN, HOWEVER, THAT THERE WERE ANY PRESENT

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CHALLENGES TO THE IRP LEADERSHIP. THE TESTS WOULD COME IN THE FUTURE OVER THREE ISSUES : THE HANDLING OF THE WAR WITH IRAQ: THE SUCCESSION ISSUE: AND ECONOMIC IMPROVEMENT. UNLESS THE ECONOMY COULD BE GOT INTO SOME SORT OF SHAPE THE PATIENCE OF EVEN THE REGIME'S SUPPORTERS IN THE LOWER STRATUM OF SOCIETY WOULD BE LOST. IT WAS IMPOSSIBLE TO PREDICT HOW THE REGIME WOULD SURVIVE THE DEATH OF KHOMEINI BECAUSE SO MANY VARIABLES WERE INVOLVED, INCLUDING WHETHER HE AS ASSASSINATED OR DIED AFTER A LONG PERIOD OF INCAPACITY. THE ELECTIONS IN APRIL FOR A COMMITTEE OF EXPERTS TO CHOOSE A SUCCESSOR OR SUCCESSORS WOULD BE VERY IMPORTANT. IF THE COMMITTEE CHOSE A WEAK OR UNPOPULAR LEADER SUCH AS MONTAZERI THERE COULD BE POPULAR UNREST. A DECISION TO NAME ONE OR MORE POPULAR LEADERS AND TO EMPHASISE NATIONAL UNITY, HOWEVER, HOWEVER, COULD STRENGTHEN THE REGIME.

ACTION: FOREIGN AFFAIRS  
ONA

PRIME MINISTER  
DEP DEFENCE  
JIO

FOREIGN MINISTER  
DEP P M AND CABINET

MIN DEFENCE  
SPEC. ADVISER TO P.M

ACTION: ANZ  
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TO  
AUnder-Secretary of State for  
External Affairs, OTTAWA (FLA)

NO.

DATE  
May 15, 1981QUANTITY  
QUANTITÉ

DESCRIPTION — DESCRIPTION

REFERENCE — RÉFÉRENCE

2

Documents from the International Court of Justice:  
No. 81/8 dated 12 May 1981 - Court's communique  
announcing that proceedings instituted before the  
Court by the United States following the seizure  
of its Embassy in Tehran has been removed from  
the Court's list.

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File

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Department of External Affairs

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MAY 26 1981  
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The Hague

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## TRANSMITTAL AND RECEIPT NOTE — NOTE D'ENVOI ET DE RÉCEPTION

TO  
À

**Under-Secretary of State for  
External Affairs, OTTAWA (FLA)**

NO.

DATE  
**May 15, 1981**

QUANTITY QUANTITÉ	DESCRIPTION — DESCRIPTION	REFERENCE — RÉFÉRENCE
2	Documents from the International Court of Justice: No. 87/8 dated 12 May 1981 - Court's communique announcing that proceedings instituted before the Court by the United States following the seizure of its Embassy in Tehran has been removed from the Court's list.	

RECEIPT ACKNOWLEDGED / ACCUSER RÉCEPTION

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**Canadian Embassy  
The Hague**

DATE

SIGNATURE



# INTERNATIONAL COURT OF JUSTICE

Peace Palace, 2517 KJ The Hague. Tel. 92 44 41. Cables: Intercourt, The Hague

Telex 32323

*Communiqué*

*unofficial  
for immediate release*

No. 81/8  
12 May 1981

## United States Diplomatic and Consular Staff in Tehran

The following information is made available to the Press by the Registry of the International Court of Justice.

The President of the International Court has today, 12 May 1981, made an Order recording the discontinuance of the proceedings instituted before the Court by the United States following the seizure of its Embassy at Tehran on 4 November 1979 and the holding of its diplomatic and consular personnel as hostages.

In the Judgment delivered in the case on 24 May 1980 (Press Communiqué No. 80/5) the Court, in response to a submission by the United States, had reserved its decision on the form and amount of the reparation due from Iran, and the case accordingly remained on the Court's list.

However, letters addressed to the Court on behalf of the United States Government on 6 April and 1 May 1981 made it clear that the United States, in consequence of the commitments entered into by it and Iran at Algiers on 19 January, desired that all currently pending proceedings before the Court relating to its claims for reparation be discontinued and that the case be removed from the list.

Those letters having been transmitted to Iran and no observations having been received from its Government, the President of the Court has now made the Order recording the discontinuance and directing that the case concerning United States Diplomatic and Consular Staff in Tehran be removed from the Court's list.



# COUR INTERNATIONALE DE JUSTICE

Palais de la Paix, 2517 KJ La Haye. Tél. 92 44 41. Télégr. Intercourt, La Haye.

Télex 32323.

**Communiqué**  
*non officiel  
pour publication immédiate*

N° 81/8

Le 12 mai 1981

## Personnel diplomatique et consulaire des Etats-Unis à Téhéran

Le Greffe de la Cour internationale de Justice met à la disposition de la presse les renseignements suivants :

Ce 12 mai 1981, le Président de la Cour internationale de Justice a pris acte par ordonnance du désistement de l'instance introduite devant la Cour par les Etats-Unis à la suite de l'occupation de leur ambassade à Téhéran le 4 novembre 1979 et de la détention en otages de membres de leur personnel diplomatique et consulaire.

Dans l'arrêt qu'elle a rendu en l'affaire le 24 mai 1980 (communiqué de presse 80/5) la Cour, sur conclusion des Etats-Unis, avait réservé sa décision sur les formes et le montant de la réparation due par l'Iran, l'affaire restant par conséquent inscrite au rôle de la Cour.

Toutefois, des lettres adressées à la Cour les 6 avril et 1<sup>er</sup> mai 1981 au nom du Gouvernement des Etats-Unis spécifient que les Etats-Unis, à la suite des engagements qu'eux-mêmes et l'Iran ont souscrits à Alger le 19 janvier 1981, désirent qu'il soit mis fin à toutes instances en cours concernant les réparations réclamées par eux et que l'affaire soit rayée du rôle.

Ces lettres ayant été transmises au Gouvernement de l'Iran, lequel n'a formulé aucune observation, le Président de la Cour a rendu l'ordonnance susvisée prenant acte du désistement et prescrivant que l'affaire relative au Personnel diplomatique et consulaire des Etats-Unis à Téhéran soit rayée du rôle de la Cour.