

Documents show Carter sanctioned Iran arms sales

by Jeffrey Steinberg

By no later than December 1979, the Jimmy Carter administration was ambitiously pursuing a policy of negotiating an arms-for-hostages deal with the Khomeini regime in Teheran.

This is one unmistakable conclusion drawn from a careful review of a series of recently declassified "secret" State Department documents released to *Executive Intelligence Review* this month under a Freedom of Information Act request filed in April 1985.

Those documents came to *EIR* as part of an FOIA request to the CIA, the State Department, the FBI, and other federal agencies, filed by Washington, D.C. attorney Bernard Fensterwald III, into the role of Dr. Cyrus Hashemi, a recently deceased Iranian arms broker and financial wheeler-dealer, who has been a central figure in the dirty underbelly of American-Iranian relations since the Feb. 1-10, 1979 fundamentalist coup that installed the Ayatollah Khomeini in power.

The background to the documents

Beginning in early 1980, this publication began receiving information from scores of Iranian exile sources indicating that Dr. Cyrus Hashemi was a leading secret intelligence agent for the Khomeini regime, in charge of the procurement of weapons for Iran in the United States. Following the July 22, 1980 assassination in a Washington, D.C. suburb of Dr. Ali Akbar Tabatabai, the leading anti-Khomeini Iranian opposition figure in the United States, *EIR* among other publications began exposing Hashemi's role in Khomeini's arms-procurement and terrorist underground.

In September 1980, Hashemi sued *EIR*, the *Washington Post*, Cable News Network, and other news organizations for their exposés of Hashemi's secret work for Khomeini. While the other co-defendants ultimately settled, *EIR* entered

into a protracted, and costly legal defense that ended in the summer of 1983, when a federal district court judge dismissed Hashemi's suit. Appeals on the case continued into 1986. It seems that the elusive Dr. Hashemi had grave misgivings about subjecting himself to days of grueling deposition by *EIR*'s attorneys.

No wonder.

In May 1984, Hashemi was indicted by a federal grand jury on charges that he, on behalf of the Iranian Naval Procurement Office in London, illegally bought and shipped American arms to the Khomeini regime in violation of the Carter administration's arms embargo of 1979. On the surface, it appeared that Hashemi decided to bow out of his libel suit against *EIR* because he was guilty as hell of the crimes charged. However, after an extensive investigation, *EIR* concluded that Hashemi was not only working for the Khomeini regime; he was, at the same time, working for the Carter administration.

According to a November 1986 article in the *Baltimore Sun* by freelance writer James Traub, "Had Hashemi ever come to trial on the arms-smuggling charges, Mr. Richardson [Hashemi's attorney Elliot Richardson, Attorney General under Richard Nixon] says he would have claimed that Carter administration officials had sanctioned his arms sales in order to enhance his credibility with his Iranian contacts."

Indeed, U.S. intelligence sources, following the Hashemi indictment, revealed to *EIR* that Hashemi had been set-up in business as part of a Carter CIA and National Security Council "covert program," and that a former assistant attorney general of the United States, J. Stanley Pottinger, had been assigned through NSC director Zbigniew Brzezinski and CIA director Admiral Stansfield Turner as Hashemi's "case officer" for the project. According to these sources,

millions of dollars in "private" bank credits were made available to Hashemi for the creation of a string of offshore banks and corporations through which he would carry out his covert arms purchases for Iran.

Sound familiar?

Hashemi's attorneys, according to Traub, went even further in drawing out the Carter connection: "Attorneys on the case, arguing that the government should be compelled to turn over classified information about Hashemi, say the evidence suggests that Hashemi was doing intelligence work for the United States. 'The word is,' says lawyer Neal Hurwitz, 'he's CIA.' Mr. Richardson, while not confirming this theory, states that 'there were other services that Hashemi had performed at the request of the U.S. government.'"

Contacted by *EIR* on March 20, Richardson stated through a secretary that he stood by the accuracy of all of the statements that he had earlier made to the *Baltimore Sun*.

To date, no former Carter administration official has ever acknowledged this report that Dr. Hashemi had been, in effect, a covert operative for the Carter White House and CIA.

However, the newly declassified documents do unquestionably confirm that, despite Jimmy Carter's foul-mouth attack on Ronald Reagan last November for the President's admissions that the Reagan administration had shipped arms to Iran in an effort to free American hostages in Lebanon, the Carter administration was pursuing the same arms-for-hostages deal beginning a month after the Nov. 1, 1979 takeover of the U.S. embassy in Teheran.

The documents

Chronologically, the first of the newly released FOIA documents is a Dec. 7, 1979 letter from J. Stanley Pottinger to Warren Christopher, deputy secretary of state under Cyrus Vance, written on the letterhead of the lawfirm Troy, Malin and Pottinger. The letter indicates an already ongoing involvement of the Pottinger-Hashemi group in the hostage negotiations at the time that the letter was written:

As I understand it, Henry Precht [Iran desk officer at the State Department's Bureau of Political-Military Affairs and a key player in the U.S. Iran policy up through August 1980] has informed you about Dr. Cyrus Hashemi and his willingness to be of assistance in the U.S. hostage matter.

The enclosed memorandum from him sets forth points which he believes are of concern to his government and which might, from Iran's viewpoint, form the basis for settlement discussions. Other than the immediate return of American hostages, he has not attempted to state the United States agenda for such a meeting.

If after reading his memorandum, you believe that his efforts can be helpful, he will come to Washington

immediately in order to discuss with you or your designee precisely how he proposes to arrange a negotiation meeting.

At the same time, Dr. Hashemi believes that the many private channels presently being used are somewhat confusing to Iranian deliberations and perhaps are counter-productive to U.S. efforts as well. He therefore wished you to know that if you have better lines of communication than the ones he offers, or if you believe his proposed efforts are not productive at this time, he will remain dormant in the matter. . . .

Although Dr. Hashemi is in daily contact with several persons at high levels of the Iranian government, please note his disclaimer here to the effect that the enclosed memorandum does not represent official views of the Iranian government.

The letter is signed, "Sincerely, J. Stanley Pottinger."

Attached to Pottinger's letter was a five-page memorandum, also dated Dec. 7, 1979, from Hashemi to Pottinger, laying out the outlines of a negotiating package for the release of the 52 American hostages. The six-point Hashemi plan would recur throughout the Carter administration's hostage release efforts no matter what "back-channels" were being pursued into Teheran.

After outlining a series of conditions, including a statement of sympathy by the Carter administration for the plight of the Iranian people under the Shah, the removal of the Shah from the United States to a "third party country," the creation of a United Nations Commission to hear evidence against the Shah and leading officials of his regime, and the lifting of the post-hostage U.S. freeze on Iranian assets and bank deposits in the United States, the Hashemi proposal stated:

6) *Spare Parts*. The United States would resume furnishing military spare parts pursuant to pre-existing agreements and programs. The post settlement, self-defense of Iran is highly dependent upon such a program.

In concluding his memorandum, Hashemi authorized Pottinger to pass the six-point plan on to the appropriate Carter administration officials:

You are authorized to submit this draft memorandum to appropriate U.S. officials for their consideration. If there is an indication that these points, and such others as may be suggested, are within the realm of discussion, I will recommend and help create a meeting between U.S. and Iranian officials. From the Iranian side, this would include the approval of Qom [referring to Khomeini himself]. If this goes forward, I believe London or the United Nations to be the best location, but am equally willing to arrange such a meeting in Teheran. Please advise."

Did the Pottinger-Hashemi communications ever reach the "appropriate" officials in the Carter administration?

Ex-Deputy Secretary of State Christopher, the recipient of the original Pottinger letter, told *EIR* in a telephone interview at his Los Angeles law office on March 19 that he "does not recall the letter, but believes that he referred the matter to Hal Saunders."

In a follow-up phone discussion the next day, Christopher admitted that he had known Pottinger through the Hashemi lawyer's former association with a Los Angeles-based law firm and through their mutual involvement with the California Bar Association. He denied that he had ever met personally with Hashemi and claimed that his active involvement in the Iran hostage negotiations did not begin until September 1980. He did, however, acknowledge that the Carter administration had been inundated with approaches by some of the very "same gunrunners the Reagan administration later dealt with," and that all of these contacts had been pursued through the Iran desk at State.

According to the next document, a six-page internal State Department communication with attachments written by Near East Affairs director Harold Saunders to Cyrus Vance, passed to the secretary through Undersecretary of State David Newsum, a meeting between Carter officials and Hashemi occurred on Jan. 2, 1980.

According to that document, Saunders and a second State Department official present at the meeting were favorably impressed both with Hashemi's proposal and with his ability to open the appropriate contacts in Teheran:

Mark Feldman and I met for more than three hours in New York this morning with Cyrus Hashemi and Stan Pottinger who arranged the meeting and with: [redacted]

In short, they offered to try to establish direct contact [redacted] to discuss release of the hostages and an investigation of Iran's grievances. They did not guarantee success. The vehicle for their proceeding is a U.S. counterproposal to the paper Cyrus Hashemi sent us through Stan Pottinger on December 7. . . .

Saunders then went on to summarize the main points raised by Dr. Hashemi in the meeting:

One of the significant mistakes the U.S. has made since the revolution is failure to establish direct contact with Khomeini. The Iranians read that as our trying to ignore Khomeini and hence the revolution. . . .

A direct approach to Khomeini is needed. [redacted] The basis of the approach should be a concrete U.S. proposal. Khomeini needs someone on the American side to deal with.

"Hashemi stated his view that Khomeini does not care about the person of the Shah. He is more inter-

ested in a judgment about the Shah's regime which would lead to return of the Shah's assets to Iran. He spoke of using the money for housing or some other use for the Iranian people. M. Hashemi [apparently a reference to Mohammed Hashemi, the older brother of Cyrus, who must have also been present at the meeting], representing Admiral Madani, also expressed strong interest in availability of spare parts for the Iranian military.

In a later section of the memo, "Elements of a U.S. Position," indicating his own recommendations, Saunders concluded, "This group is particularly interested in the resumption of the flow of spare parts for military equipment from the U.S. . . ."

In the very next paragraph, Saunders concluded:

There is, of course, the basic decision whether to put a position into this channel. After talking with the group, I conclude that they are serious, concerned about Iran's rapid drift to the left, willing to try to persuade Khomeini to release the hostages and to open the door to a better long-term relationship with the U.S.

And several paragraphs later:

Finally, if we are going to be dealing with Madani, we will have to say something about military spare parts. This will be very difficult but in my view not to be dismissed out of hand if some understanding could be reached with Iran in the context of the Soviet invasion of Afghanistan.

Underscoring his serious interest in pursuing the Hashemi connection, Saunders recommended "that we now look at formulations more specific than those we are presently using. Using the attached draft as a vehicle for decisions, you might want us to check it with Treasury, with Lloyd Cutler, with Zbig and discuss it with the President in the very near future."

In his own 10-point elaboration on the Hashemi proposal, Saunders included as point 9:

The United States is prepared to appoint a representative to discuss with Iranian representatives the current threat posed by the Soviet invasion of Afghanistan and to recommend to their governments steps that the U.S. and Iran might take in order to enhance the security of Iran, including the resumption of the supply of military spare parts by the United States to Iran.

As the second installment of this special report will show, the Saunders-Hashemi formulations from the very outset constituted the core of the American approach to all of the hostage negotiations that followed.