

Hashemi ran guns to Khomeini for Carter

by Jeffrey Steinberg

In May 1984, U. S. Attorney Rudolph Giuliani of the Southern District of New York filed an 18-count criminal indictment against Dr. Cyrus Hashemi, Arthur W. Luke, Cyrus Davari, First Gulf Bank and Trust Company, and Yorkhouse Trading Company. In the indictment, Giuliani charged that Hashemi and company, between October 1980 and November 1981, illegally shipped military equipment to the Khomeini regime in Iran in violation of the Munitions Control Act and the Carter administration's 1979 embargo order.

According to a copy of the indictment obtained by *EIR*, the equipment included: night vision systems, radar equipment, military airplane and ship spare parts, ground-to-air and sea-to-air missiles, jet engines, RPG-7 rocket launchers, howitzers, mortars, and AK-47 and M-16 automatic weapons. In virtually every instance, the Shippers Export Declarations showed the final destinations of the military hardware to be Switzerland, whereas in fact, the matériel went to Iran.

Hashemi died mysteriously

Cyrus Hashemi died under very mysterious circumstances in a London hospital on July 21, 1986. Had he ever gone to trial for the 1984 indictment, his defense would have been that his arms deals for the ayatollah had all been sanctioned by the Carter White House and by the Central Intelligence Agency.

With the release in February to this news service of declassified "secret" State Department documents from December 1979 and January 1980, ample evidence is now available in the public record corroborating Dr. Hashemi's claims.

As *EIR* reported on March 27, 1987, a Dec. 7, 1979 letter from J. Stanley Pottinger, the attorney and business partner of Cyrus Hashemi, to then-Deputy Secretary of State Warren Christopher, placed Hashemi at the service of the Carter

administration to negotiate the release of the 50 American hostages held at the U.S. embassy in Teheran. From that initial correspondence, it was clear that both Hashemi and the Carter White House were pursuing an arms-for-hostage deal.

A six-point proposal drafted by Hashemi and attached to the Dec. 7 Pottinger-to-Christopher correspondence stated in part: "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."

The Dec. 7 letter led to a Jan. 2, 1980 three-hour working session in New York City among Hashemi, Pottinger, Harold Saunders, head of the Near East Affairs section of the State Department, Mark Feldman, another State Department officer, and other unnamed individuals, apparently including Hashemi's older brother Djamshid.

According to a Jan. 2, 1980 "secret" State Department memo from Saunders to Secretary of State Cyrus Vance, also obtained by *EIR* under the Freedom of Information Act, the principal topic of discussion at that meeting was Hashemi's arms-for-hostages package. Immediately after the New York City meeting, Saunders drafted a ten-point proposal incorporating all of the points contained in the Hashemi draft. Anticipating the backlash should an arms-for-hostages deal between Carter and Khomeini ever come out publicly, Saunders recommended that the administration justify the move on the basis of the recent Soviet invasion of Afghanistan:

4. 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 understandings

could be reached with Iran in the context of the Soviet invasion of Afghanistan. You will see the formulation I suggest in the attached draft.

Saunders then concluded with two recommendations:

1. I recommend 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 to check it with Treasury, with Lloyd Cutler, with Zbig and discuss it with the President in the very near future.

2. There seems to be little to lose in passing back through this channel [Hashemi] whatever statement of the U.S. position on elements of a settlement we agree on as long as that position could complement anything Waldheim might produce. Therefore, I propose that the attached draft be reviewed carefully with an eye to telling Hashemi in the next 48 hours that it can be used as a basis for discussion by them in Qom [Khomeini's headquarters] of the elements of a settlement.

Other channels, same proposal

Not only did the Carter administration pursue an arms-for-hostage deal through the Hashemi-Pottinger route. According to the book-length chronology of the Teheran hostage crisis of the *New York Times*, in mid-January 1980, another channel of negotiations was attempted, this one directed toward then-Foreign Minister Ghotbzadeh. Despite the shift to a different back-channel to Teheran, the Hashemi six-point proposal remained the basis of the Carter administration's stance:

Accompanied by Harold Saunders, [Hamilton] Jordan took the supersonic Concorde to London on January 18. It was the first of many secret negotiating trips the 35-year-old Presidential aide would make over the coming months. . . . Jordan and Saunders traveled under assumed names when they flew on commercial aircraft and Jordan carried a disguise consisting of tinted glasses and a dark moustache. . . .

. . . The Presidential aide returned to Washington, as he later said, convinced that the United States would have to "find some way to create the right political climate in Iran in which the release of the hostages would be possible."

Jordan set forth these thoughts in a 15 page memo to Carter. The president read it, wrote "interesting ideas" in the margin and directed his aide to set up a meeting with Vice President Mondale, Vance, Brzezinski and other top foreign-policy advisers to discuss a new American approach.

The result was a six-point modified position in which the United States said for the first time that it

was prepared to work out, in advance, detailed plans for a forum to hear Iran's grievances, to release its frozen assets and to resume the shipment of military spare parts.

In fact, there were no "modifications." The original Dec. 7, 1979 Hashemi draft memorandum remained the cornerstone of Carter's negotiating stance.

Arms before hostages

As the declassified secret documents make clear, by no later than Dec. 7, 1979 the Carter administration's policy was to exchange arms and other economic concessions for the release of the American hostages.

But did any weapons ever get delivered?

Evidence largely available in the public record suggests that Carter arms shipments to the ayatollahs went through two distinct phases marked by the taking of the American hostages. Prior to the November 1979 hostage taking, the Carter administration was regularly passing arms to the "transitional government." After the hostage taking, the Carter administration shifted to covert deliveries, in which the enigmatic Dr. Hashemi apparently played a central role.

Secret Iranian office in U.S facility

The Jan. 8-14, 1980 issue of *Executive Intelligence Review* reported that an Iranian Naval Procurement Office under the direction of an active duty Iranian naval officer, Captain Siavash Setoudeh, was operating out of an Arlington, Virginia facility owned and occupied by the U.S. Office of Naval Research. The publication of that article caused quite a stir around Washington, and forced the shutting down of that Arlington facility and its return to the Iranian embassy compound, which was not finally closed by the Carter administration until April 1980.

That the Carter administration was permitting a secret Iranian arms procurement office to be housed in an ONR building should not come as a surprise.

Record of Carter support to mullahs

According to another State Department document obtained by *EIR* last year, the Carter administration was supporting the Khomeini revolution as early as December 1978—two months prior to Khomeini's return to Teheran from exile in Paris. On Dec. 13, 1978, Henry Precht, the Iran desk officer at State, wrote to Warren Christopher, Ambassador David Newsom, Harold Saunders, CIA Middle East specialist Robert Ames, Ambassador William Sullivan, and NSC Middle East desk officer Gary Sick about a dinner meeting that he had had on Dec. 12 at Dominique's restaurant on Pennsylvania Avenue with Dr. Ibrahim Yazdi, a personal representative of the ayatollah. In the meeting, Precht apparently conveyed to Yazdi that the Carter administration sympathized with the Khomeini movement to overthrow the Shah,

but, that for domestic political considerations, could not make such a sympathy public at that time.

The same Henry Precht, now on the faculty of the Fletcher School of Diplomacy at Tufts University in Boston, was the first Carter administration official to ever formally acknowledge the existence of the Setoudeh unit—despite the fact that two *EIR* journalists had conducted an on-site inspection of the Arlington office on Christmas eve 1979. In a March 17, 1987 interview with this reporter, Precht acknowledged the existence of the Setoudeh office. According to Precht, the special procurement office was established immediately after the February 1979 Khomeini revolution to help settle the dispute between Washington and Teheran over the delivery of hundreds of millions of dollars in military hardware that had been ordered and largely paid for prior to the fall of the Shah.

“The moderates felt that they were being ripped off by us.” There was “some truth” to the Iranian complaints, Precht told me, and therefore, an office was established by the revolutionary government in a secured facility in Washington to hammer out a settlement.

Precht was not specific as to the terms of those settlements, but it is probably fair to assume that arms were flowing from Washington to Teheran between February 1979 and the seizing of the American hostages in the first week of November.

Why, though, were Captain Setoudeh and his dozen-man Iranian staff still busy on Christmas eve—six weeks after the hostage taking?

Inadvertent?

According to Precht, the Setoudeh office was “inadvertently left intact” amidst the chaos and desperation that followed the embassy takeover.

Precht himself may have been unaware of all the activities set in motion following the hostage taking. He claims to only vaguely remember the Hashemi approach, is certain that he never met face-to-face with Hashemi, and generally deferred to Saunders and Christopher as the two officials who maintained the direct pipeline to Hashemi and Pottinger. Precht said that from the outset he doubted Hashemi’s bona fides. “I didn’t think that he had any strings that he could jerk and make them jingle back in Teheran.”

Others in the Carter administration seemed to have a different view of Hashemi. We have already seen Harold Saunders’ Jan. 2, 1980 upbeat evaluation.

According to a *Baltimore Sun* article from Jan. 18, 1987 by James Traub, “In October 1980, Hashemi met in New York with White House counsel Lloyd Cutler, Assistant Secretary of State Harold Saunders, and Roberts Owen, counsel to the State Department, to discuss the hostage situation. ‘He seemed to be an interesting guy with a lot of contacts,’ Mr. Cutler recalls, but says nothing came out of the meeting. Hashemi also met with Gary Sick, then the Iran expert on the National Security Council staff, and with officials of the CIA,

according to his lawyer, former Attorney General Elliot Richardson.”

Hashemi’s attorneys, as well as sources close to the Carter National Security Council and then-CIA director Stansfield Turner, have a dramatically different account of the October 1980 “discussions.”

They say that Hashemi was set up in the arms business by the Carter administration as part of the implementation of the very arms-for-hostage deal that Hashemi had been brokering from the very outset of the hostage taking in Teheran. With the 1980 presidential elections just weeks away, these sources say, Carter and Mondale were desperate to settle the hostage crisis as part of a last gasp effort to pull the elections—otherwise already lost—out of the fire.

Repeated efforts to interview key players in the Hashemi-Carter channel, including former President Carter, Harold Saunders, Gary Sick, Stanley Pottinger, and Zbigniew Brzezinski, have not yet garnered any comments, although several have tentatively committed to on-the-record interviews through their secretaries.

Continuing saga

Clearly, Hashemi’s arms trading and diplomatic activities represent a vital chapter in the continuing United States-Iran arms trade saga, now the subject of probes by congress and by special prosecutor Lawrence Walsh. As late as 1985, after his indictment in the Southern District of New York, Hashemi was still shipping arms to Iran in partnership with Canadian businessman Roy Furmark and Saudi billionaire Adnan Khashoggi—both central figures in the Reagan administration’s own arms-for-hostage fiasco with Teheran.

Moreover, when 17 individuals, including Khashoggi’s attorney Samuel Evans, and Israeli retired general Avram Bar-Am, were indicted on April 22, 1986 on charges that they attempted to ship over \$1 billion worth of arms to Iran, the key witness against the plotters was none other than Cyrus Hashemi.

That case has been postponed until the investigation by special prosecutor Walsh is completed. The defense of at least some of the 17 accused will be based on the claim that Hashemi was acting in an official capacity for the Reagan administration in negotiating the arms sales. A Sept. 16, 1986 affidavit filed by attorney Paul Grand charges that Hashemi was involved in sanctioned weapons sales and in hostage negotiations with Iran from 1980 through 1986.

For the time being, Jimmy Carter continues to parade around the Middle East denouncing Ronald Reagan for the sins of Irangate and for the “hypocrisy” of trading arms-for-hostages with the likes of Khomeini. With the release of the Carter-era secret documents at a Washington, D.C. press conference given by *EIR* on March 23, it is probably now only a matter of time before the former chief executive finds himself eating his words. If all goes well, he may very well find himself chewing on those comments before the federal grand jury and prosecutor Walsh.