

THE HOSTAGE CRISIS IN IRAN: 1979-80

I. Summary

Rarely in its history has the United States confronted a challenge as difficult, frustrating, and emotionally charged as that of freeing the hostages captured in Iran on November 4, 1979. During the long year of their captivity our extraordinary efforts to free them were joined by virtually all civilized nations and by hundreds of individuals who worked continuously, diligently, and courageously.

Throughout the ordeal that is described in this paper, certain themes are dominant:

-- From the start the United States had two overriding objectives:

- protection of the honor and vital national interests of the United States; and,
- protection of the well-being of the hostages and their safe release at the earliest possible moment.

-- The United States pursued these objectives starting from certain basic principles (e.g., no trials, no apology) and through the exercise of flexible diplomacy against a background of steadily increasing international economic pressure on and political isolation of Iran. This approach involved:

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- development of an international consensus and specific measures that would isolate Iran and bring home to the Iranian people and their leaders the high cost of holding our people hostage;
- identification of persons and groups who enjoyed influence with the Iranian leadership or could serve as a channel of communication to it in working out a peaceful solution; and
- pursuit of all possible humanitarian channels to establish contact with the hostages, to ease their conditions of confinement, and to enable them to communicate with their families.

-- From the outset, we faced the internal power struggle in Tehran, which prevented the emergence of responsible leadership that could speak consistently and authoritatively for Iran and communicate effectively with us about how the crisis might be resolved. Changing demands and the prolonged detention of the hostages were determined mainly by the political balance in Tehran. Throughout the crisis, we were advised that progress must await specific stages in development of Iran's new political institutions, first the December constitution, then the election of a president in January, finally the election and organization of the Parliament.

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- As the Iranian political process moved haltingly through its various stages of development, we shifted the emphasis of our approach between measures to increase Iran's isolation and steps to open the way to an agreed resolution. Only after almost a year, when a degree of political coherence had been achieved in Tehran, could there be useful discussions about a possible agreement. These discussions covered terms the United States had been willing to accept for the release of the hostages.
- For the most part, the terms were developed from positions established during the first three months of the crisis. Most of the terms that formed the basis of the final proposals we made in November 1980-January 1981 were essentially those set forth in November and December 1979 and elaborated in January 1980, when the first systematic effort to negotiate a scenario for release of the hostages began. Where the content of a possible agreement changed, it was to deal with changing circumstances in the volatile and complex revolutionary environment in Iran.
- The crisis in U.S. relations with Iran disrupted extensive and complex financial, business, and commercial relationships between U.S. firms and individuals and their Iranian counterparts. This has resulted in significant losses and sacrifice on both sides.

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- The effort to free the hostages has involved hundreds of thousands of hours by officials in the U.S. Government, including the President and his most senior advisors. There has been an equally massive devotion of energy by the families of the hostages, private American citizens, and dedicated officials and citizens of other nations.
- Rarely has an event so gripped the attention of the world in peacetime and rarely has the world been so united in its outrage at a violation of elementary principles of religion, international law, and common decency.

II. Background

American foreign policy since World War II has consistently recognized the strategic, political, and economic importance of Iran. Each American Administration has sought to develop close relations with the Iranian Government and the Iranian people to strengthen that country and to protect vital American interests in the Middle East. During the three decades after the war, the United States assisted materially in developing Iran's economic and military strength through aid programs and commercial ties. Great numbers of young Iranians were educated in the United States to return home to participate in their nation's development.

The Iranian revolution of February 1979 profoundly affected U.S. relations with Iran. The closeness of our association with

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the government of the Shah produced deep suspicion and hostility among the revolutionary leadership. Iran's new leaders tended to attack all past U.S. actions, disregarding the positive contributions we had made to Iranian development. They charged that the United States had imposed on Iran since 1953 a government that was oppressive and corrupt, that consistently violated human rights, and that was insensitive to the traditional values of Iran's Islamic society.

The United States determined shortly after the success of the revolution to attempt to establish a new relationship based on the changing realities in Iran. We recognized that the unstable political and economic conditions in Iran would make it difficult for the Provisional Government of Prime Minister Barzagan to deal effectively with the United States. But the judgment was made that our substantial interests in Iran warranted maintaining a presence and attempting to build a new relationship.

Our Embassy staff in Tehran was instructed to proceed cautiously in seeking opportunities for a better relationship. The official staff was small--cut from over 1400 civilian and military personnel before the revolution to about 70 men and women in November 1979. Thirteen of the staff were Marine Guards, and many of the remainder were occupied primarily in cleaning up the residue from our relationship with the previous regime, straightening out hundreds of disrupted contracts, seeking access to U.S. facilities occupied by revolutionary groups, disposing of property, and packing and shipping household goods.

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Dealing with the complex military program, which had fallen from an annual level of payments of about \$3 billion to zero, was a major issue on our agenda with the new leadership. Iranian orders for two Spruance ships, 160 F-16 and seven AWACs aircraft and other major equipment had been cancelled.

We were aware that it would not be productive to attempt to move faster in our overall relationship than the Iranians wished to move with us. In the complex and fluid revolutionary environment, we sought to be open to contacts with all Iranians. Our posture was one of readiness to respond to Iranian initiatives and openness to any signs of Iranian desire to resolve the many commercial, military, and political problems that complicated our relationship. As the Secretary of State told the Iranian Foreign Minister in New York in October 1979, the United States wanted a relationship with Iran based on "mutual respect, equality and friendship."

Security at the American Embassy was a problem throughout this period. The Embassy was attacked on February 14, 1979, after which the Iranian Deputy Prime Minister personally led a group of revolutionary guards to obtain the release of the captured Embassy personnel. Those informal guards remained as the "protection" for the Embassy premises. Our Charge d'Affaires pressed to have the informal force replaced by uniformed Iranian police more directly responsive to the central government, and this transfer was achieved in late August. Subsequently the Embassy premises were patrolled by an external force of about

15 uniformed policemen. Effective working-level contacts were established with the area police office and the area's contingent of revolutionary guards. During the spring and summer extensive physical improvements were completed in the Embassy buildings to enhance protection for our staff. Security conditions were not ideal, but were sufficiently improved by early September to permit the Embassy to resume near normal consular operations. Many Iranians, including leaders of the government and of minority groups, had been urging us to reopen our visa office on a more normal basis.

Throughout the eight months of the Provisional Government, our relations with Iranian authorities were generally characterized by tension and their great sensitivity to criticism. Some Iranian leaders asserted that criticism of them in the U.S. press was directed by the U.S. Government, and many of them appeared to believe that the United States was determined to bring down the new revolutionary government. In fact our policy was to seek where possible to strengthen the institutional structure in Iran.

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In an effort to cooperate in restoring Iran's economic health, in the spring of 1979 we cautiously began to advise American businessmen to resume contacts with their Iranian partners in order to resolve the many complex commercial disputes. We wanted to see a resumption in the flow of spare parts and components for Iran's industrial establishment as a means of helping the Iranian labor force return to work. A restored economy could support increased political stability. From March to November 1979 Iran's oil sales to the U.S. were maintained at about pre-revolution levels.

Some limited success was achieved in the search for solutions to bilateral problems during this period, but strong suspicions and hostility persisted on the Iranian side.

III. Admission of the Shah to the United States and Seizure of the Embassy.

The Shah left Iran on January 16. Before he left, we told him that he would be welcome if he chose to come to the United States. Instead, he decided to remain first in Egypt and then in Morocco. After the revolution had succeeded, there were

approaches on behalf of the Shah regarding his possible residence in the United States. At that time, against the background of the February 14 attack on the Embassy, we were concerned about the effect of his arrival in the United States on American personnel in Iran. Word was passed to the Shah that there would be risks for our Embassy staff if he came to the United States at that time. The Shah left Morocco in March, and after a brief sojourn in the Bahamas, settled in Mexico. During the summer, there was contingency consideration of a possible later move to the United States, but the subject was set aside.

In late September and October, the Department of State was advised that the former Shah's health was deteriorating and that he would require diagnosis and treatment of a kind available only in the United States and in a few other countries that were not willing to admit him. After tentatively concluding that humanitarian considerations strongly supported admitting the Shah for this purpose, the United States instructed its Charge in Tehran to inform the Iranian Prime Minister and Foreign Minister before a final decision was made. He did so on October 21, presenting a detailed description of the Shah's medical condition and requesting adequate security protection for the Embassy. The Iranian leadership indicated that the Shah's travel to the United States would produce a sharp reaction in Iran, but they assured the Charge that protection for the Embassy would be

provided. Based on that assurance, the improved physical security of the Embassy, and the increased security precautions taken by the Embassy staff, the United States decided to admit the Shah for medical treatment. As the President said later, it would have been inconsistent with the humane tradition of the United States to deny a sick man access to vitally needed American medical treatment. The Shah arrived in New York on October 23. Iran's assurances of protection were twice reaffirmed by the Iranian leadership after our first approach. The Iranians had, during earlier attacks of threatening demonstrations, showed themselves willing and able to defend our Embassy staff and premises.

The initial public reaction in Iran to the Shah's arrival in the United States seemed controlled and moderate. Gradually, however, Iranian leaders, including the Ayatollah Khomeini, sharpened their criticism of the United States for having admitted the Shah. This criticism coincided with attacks on the Provisional Government by its internal opponents of the extreme left and right. Nevertheless, during a large demonstration against the United States in Tehran on November 1, the Embassy was adequately protected.

On November 4, at about noon, possibly 3,000 young Iranians swarmed over the Embassy walls and threatened to burn the Embassy Chancery where most of the employees had taken refuge. The Embassy staff was able to hold out against the assault for over 3 1/2 hours, while making repeated calls for assistance to the Iranian police

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and political leadership. Our Charge, L. Bruce Laingen, Political Counselor Victor Tomseth, and Security Officer Michael Howland were at the moment of the attack returning from the Foreign Ministry where they sought to obtain assistance for the besieged Embassy staff. The Provisional Government was unwilling or unable to fulfill the assurances of protection it had given and had fulfilled for almost two weeks.

In Washington, Department of State officers kept open telephone lines with the Embassy staff and other Americans in Tehran during the attack. The Department was also in continuous contact with the Iranian Embassy in Washington and our Embassies in third countries in efforts to lift the Embassy siege and to free our diplomats.

From the first word of the attack, the Department has maintained a Working Group on 24-hour duty monitoring all aspects of the crisis. The President, key Cabinet members, senior officials, staff members, and hostage families have since spent hundreds of thousands of hours in a continuous effort to free the hostages. The breadth and persistence of this effort may be unprecedented in peacetime diplomacy.

Imprisoned with 61 Embassy staff in the compound were two Americans who happened to be visitors at the time of the attack. Some Embassy personnel were trapped during the assault in the separate consular building or in other offices in the city. All of these, with the exception of six persons, were captured within a few days by the militants and confined in the Embassy compound with the other hostages. The six others remained free in Tehran,

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moving between various locations, until they were given protection by the Ambassador and Embassy staff of Canada.

During the first 48 hours, there appeared to be a possibility that the Iranian leadership would assert its authority and free the hostages from the control of the militants. The Foreign Minister indicated that such a move was underway in a conversation with Charge Laingen on the first day of the attack. During this period, several Ambassadors in Tehran attempted to use their personal influence to obtain the release of the hostages. State Department officers made direct telephone contacts with Iranian leaders to urge release.

By November 6, it became apparent that the Iranian authorities were unwilling to free the hostages, especially after Ayatollah Khomeini had endorsed the taking of the Embassy by the militants. Faced with Iran's refusal to meet its responsibilities, the President decided to send two special envoys to Iran to meet with Ayatollah Khomeini in order to seek release of the hostages and to work toward solutions to serious U.S.-Iranian problems. The President selected former Attorney General Ramsey Clark, who had a long and close association with many of the new Iranian leaders and who had met with Khomeini in Paris early in 1979. Mr. Clark was accompanied by William Miller, Staff Director of the Senate Committee on Intelligence, who had served in Iran as a Foreign Service Officer in the 1950's and 1960's and who also knew many of the Iranian revolutionary leaders. The Iranian Government

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initially indicated that it would receive the Clark-Miller mission. However, as Mr. Clark was about to board a commercial flight from Istanbul to Tehran on November 7, he was informed that the Iranian Government had decided, on instruction from Ayatollah Khomeini, that he should not come to Iran and that no officials in Tehran should have discussions with American representatives. This barrier to direct communications was only rarely breached and was a serious obstacle to our diplomacy throughout the crisis.

In all of our dealings with Iran after the revolution we faced a political situation marked by sharp divisions and contests for power. The Ayatollah Khomeini was clearly the dominant figure. It was also clear that he did not wish to impose his will on the various factions until they could be brought together into a broad consensus. He saw in the establishment of the constitution and of the institutions under that constitution a framework within which decisions could be made and responsibilities shared.

Because of the internal political struggle, Iranians were terribly fearful of any direct contact with the United States. Those who had contact or received messages from the United States were often quick to announce the fact publicly and to distance themselves from the U.S. position. There were some who saw very early the desirability of resolving the hostage question, but who had only limited influence on the leadership. The United States faced a situation in which, for many months, those with

whom we dealt were themselves seeking to penetrate the political framework and convince the leadership.

The political struggle was basically, but not exclusively, between those who saw Iran's revolution in modern terms and those who saw it in more conservative Islamic terms. There were groups representing a spectrum from left to right. Within the Islamic group there were contests for power between individuals. The only element on which all agreed--or professed to agree--was a strong antipathy toward the United States because of its past association with the Shah. It was in that atmosphere that the United States was required to resolve the hostage crisis.

IV. The First Stage of Diplomatic Efforts: Setting Basic Principles (November--mid-December).

On November 6, the Bazargan Government resigned and power was assumed by the Revolutionary Council. It became evident that no political group in Iran was prepared to challenge the insistence by the militants that the Shah and his assets be returned in exchange for the hostages. The United States had explained to the Iranian authorities that, in the absence of an extradition treaty, it was impossible for the United States to consider legal proceedings to extradite the former Shah. Despite this fact, each of the contending political factions in Iran was unable or unwilling to oppose the demands of the militants. The militants consistently affirmed that they would take instructions only from the Ayatollah Khomeini directly, and he refused to issue orders to free the

hostages. Since we had no means of directly influencing either the Ayatollah or the militants, we had to concentrate on reaching persons who could influence them indirectly.

Anti-American feelings whipped up by the official media were extremely strong in Tehran in the first weeks of the crisis. Emotional rallies and demonstrations around the Embassy appeared to pose a serious risk to the safety of the hostages, and the hostile attitudes of Iranian leaders made rational consideration of U.S. overtures virtually impossible.

From the outset of the crisis, the President established two equal and overriding goals for American policy:

- protection of the honor and vital interests of the United States; and
- protection of the well-being of the hostages and their safe release at the earliest possible moment.

These objectives remained constant throughout the crisis.

In implementing them, we sought to develop three basic approaches:

- the development of an international consensus and specific measures that would isolate Iran and bring home to the Iranian people and their leaders the high cost of holding our diplomats;
- the identification of persons and groups who enjoyed special influence with the Iranian leadership; and
- the pursuit of all possible humanitarian channels to establish contact with the hostages and to ease their conditions of confinement.

In our multilateral efforts, the United States was very early in touch with the highest levels of all governments with which we have diplomatic relations. Throughout the crisis these contacts were repeated when special requirements arose. Support for our position was quick, strong, and virtually unanimous. At that stage, only the Governments of North Korea, Vietnam, and Albania supported the Iranian position. Virtually all other governments, either publicly or privately, made known their firm opposition to the Iranian violation of international law and religious norms of conduct. Some governments sent private messages to the Iranian leadership. Some instructed their Ambassadors in Tehran to work for the hostages' release. Others who were not represented in Tehran instructed their UN Ambassadors to contact the Iranian representatives. Iran's isolation on the hostage issue was tangible evidence of the damage being done to Iran and its revolution.

These approaches were of special value to the United States when it was unable to have effective exchanges itself with Iran's leaders. During those early days, although Department of State officers spoke daily with members of the Revolutionary Council and the militants, there were no productive conversations.

We were also in close touch immediately after the Embassy seizure with Secretary General Waldheim to explore through his offices possible means of ending the crisis. The President of the Security Council, after consultations with the Council membership, issued on November 9 a statement expressing the

Council's profound concern over the detention of American diplomats and urging that they be released without delay and given protection.

The President met with members of hostage families on November 9 and later they joined him in issuing an appeal to all Americans to exercise restraint toward Iran and Iranians and to do nothing that would endanger the hostages. The judgment was made that every effort would be made to free the hostages through diplomatic means to avoid endangering their lives.

On November 12, then Acting Foreign Minister Bani-Sadr stipulated three Iranian demands for release of the hostages:

- admit that the property of the Shah was stolen;
- cease interference in Iranian affairs; and
- extradite the Shah to Iran for a "fair trial."

Subsequently, Bani-Sadr was to modify these demands to:

- return of the Shah's assets;
- an end to interference in Iran's affairs; and
- an apology for past U.S. "crimes" against Iran.

The United States responded by making clear on repeated occasions that its courts were open to Iran to pursue the Shah's wealth; that we would not intervene internally in Iran; but that we would not make an apology for so-called "crimes." There was, of course, no assurance that meeting the Iranian demands would result in release of the hostages.

By November 17, the United States worked out with Secretary General Waldheim four points that he conveyed to the Iranian

authorities that day. These points made clear our desire to end the crisis on a fair basis:

1. We required release of all personnel held in Tehran.
2. We suggested the establishment of an international commission to inquire into allegations of violations of human rights in Iran under the previous regime.
3. We indicated that the courts of the United States would be available to the Government of Iran to hear its claims for return of the assets it believed had been illegally taken out of Iran.
4. We proposed an affirmation by the Government of Iran and the United States of their intention to abide strictly by the Declaration on Principles of International Law Concerning Friendly Relations and Cooperation Among States in Accordance with the Charter of the United Nations, and by the provisions of the Vienna Convention on Diplomatic Relations.

During this early period and later, the United States was in touch with a wide range of individuals, both American and foreign, believed to have useful connections in Tehran. These included Islamic religious leaders, American and foreign clerics, journalists, international human rights advocates, businessmen, academic leaders, and jurists. Throughout the crisis, many people volunteered their services as intermediaries, but only some had useful ties with key Iranians. At any particular moment after the first weeks of the crisis we were normally in touch with at least 15 channels to the Iranian leadership. The reports and

views of these contacts were regularly considered in reaching our own decisions.

On November 17, Ayatollah Khomeini directed the militants to release the women and Black hostages who were not considered "spies." Thirteen hostages were released and flown to Germany for medical examination prior to their return home. Unfortunately, this potentially positive development was counterbalanced by statements by Iranian officials threatening that the remaining hostages would be placed on trial for espionage and subversion. The United States made clear in public and private communications with the Iranian authorities that a trial or any other steps that could endanger the well-being of the hostages would be viewed by the United States with utmost gravity and could cause severe consequences for Iran. In late November, the President met with his advisors at Camp David to consider the threat of a hostage trial. He authorized a very blunt, private warning to the Iranians against pursuing that course. Subsequently, the President told the first meeting of hostage families on December 7 that Iran had been warned that the United States would interrupt its commerce if Iran took steps to try any of the hostages. In the weeks that followed, talk of a trial began to subside in Iran.

For several weeks after the hostages were taken, the United States had only a very limited idea of their conditions of confinement and the character of their captors. We knew from a visit to the hostages on November 10 by the Papal Nuncio, the Ambassadors of Sweden, Algeria, and Syria, and the Charge of France that the

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hostages were bound and not allowed to speak. Even more graphic descriptions of harsh confinement were given by the released 13 hostages. The captors had made threats to kill the hostages and we did not know whether those threats would be carried out. We did not know, in fact, whether all the hostages were alive. In an effort to pressure the Iranians to improve the conditions of the hostages, we informed all governments of the cruel conditions of detention. The international criticism that followed led, we believe, to improved conditions starting in December.

After the Embassy seizure, several international agencies with which we were in touch immediately attempted to provide humanitarian assistance. On November 11, the Pope made a personal appeal to Ayatollah Khomeini, and was rebuffed. The International Red Cross sought but was denied its usual role of providing humanitarian services to prisoners. During this period we had daily telephone contact with the captors in the compound, in which they agreed to take down short messages from the hostage families and to relay them to the individual hostages. We learned from the 13 who were released that none of these messages was delivered. The Iranians never gave a complete and accurate accounting for the hostages, and throughout the crisis mail delivery to and from the hostages was irregular and severely restricted. When clergymen were allowed to conduct services for the hostages at Christmas, there were seven hostages whom they did not see.

As the international consensus against Iran grew stronger and the level of frustration in this country and abroad increased,

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it became important to convey tangible signals of the seriousness of the crisis to Iran. To assure that Iran could not use the "oil weapon" against us, on November 12 the President ordered the cessation of all U.S. oil purchases from Iran. The Iranian Government then stated that Iranian deposits would be immediately withdrawn from U.S. financial institutions. In order to prevent economic disruption and to protect legitimate claimants, the President directed on November 14 that all Iranian assets, including deposits in U.S. banks and their foreign branches and subsidiaries, be frozen. The President's order was based on his finding that the "situation in Iran" was a threat to the United States. It was clear that the freeze could be lifted once the hostages were released in the context of arrangements that would prevent economic disruption and protect American interests.

Iran, also on November 14, closed its airspace to U.S. aircraft. (Pan American, the only U.S. line serving Iran, had suspended flights at the outset of the crisis.) During this initial period also, the shipment of all military equipment to Iran was halted and virtually all U.S. trade with Iran ceased. Other nations were not prepared at that time to take the significant step of invoking economic sanctions against Iran.

By mid-November basic U.S. principles for ending the crisis had been established and the Iranians were aware of them. However, the absence of any centralized authority in Tehran apparently made the Iranians incapable of considering and acting on those principles.

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As the crisis continued into late November, the United States recognized that no decisive Iranian action was likely until after the completion of the principal religious ceremonies of Moharram on November 29 and 30, and the national referendum for a new constitution on December 2. It appeared possible that an opportunity for obtaining release of the hostages might open just after those events. When there was no indication in early December of Iranian movement toward a settlement, the UN Security Council on December 4 unanimously adopted Resolution 457, calling on Iran to release the hostages immediately, to provide them protection, and to allow them to leave the country, and further calling on Iran and the United States to resolve peacefully the remaining issues between them and requesting the Secretary General to lend his good offices. The United States accepted the resolution, but Iran flatly rejected it.

On November 29, the United States applied to the International Court of Justice for a ruling that Iran's seizure and holding of the hostages violated international law and that they should be immediately released. The Court heard the case on December 10 and issued an interim order on December 15 that Iran should immediately release all the hostages, afford them full protection, and restore to the United States its diplomatic premises in Iran. The order was issued unanimously by the Court's 15 judges, whose nationalities include all of the major regions of the world. Iran rejected the order and refused to comply with its terms.

The situation around the Embassy in Iran remained volatile and dangerous, with frequent anti-American demonstrations.

Other Embassies considered themselves threatened, and the British Embassy was briefly occupied. Similar anti-American outbursts occurred in Pakistan and Libya, where mobs attacked American Embassies. During the attack in Pakistan four U.S. Government employees were killed.

On December 15, the Shah left the United States for Panama, thus removing the ostensible cause for the occupation of the Embassy. However, there was no change in the Iranian refusal to release the hostages. Thus, at mid-December the United States had enunciated basic principles for a settlement, but there was no movement by Iran to resolve the crisis, and there appeared to be little prospect for an early solution.

V. The Second Stage: Moving Toward Sanctions (Mid-December-mid-January).

The United States sought to apply additional pressure in order to persuade the Iranians that it did not serve their interests to continue to hold the hostages. The President directed on December 12 that the Iranian diplomatic and consular staffs in the United States be cut to a total of 35 persons. Iran was not directed to close its Embassy and consulates entirely because the United States wished to keep open a possible channel to Tehran and also to allow necessary consular services to be performed for the thousands of Iranians living in this country.

On December 24, our Ambassador to the UN wrote to the President of the UN Security Council, noting the earlier actions

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of the Council and the World Court and asking the Council to meet at an early date to consider measures designed to induce Iran to comply with its international obligations. The Secretary of State had visited European capitals earlier in December to underline for our allies the gravity of the situation and to build support for the U.S. position.

On December 31, the Security Council adopted a second Resolution, number 461. Adopted by a vote of 11-0 with four abstentions, that Resolution reaffirmed Resolution 457 and decided that the Council would meet on January 7, 1980, to review the situation and to adopt effective measures under Articles 39 and 41 (sanctions) of the Charter in the event of continued Iranian noncompliance with the earlier resolution. The Soviet Union abstained on Resolution 461, moving away from its prior support of the U.S. position as a result of new tensions between it and the United States arising out of the Soviet invasion of Afghanistan on December 27. The Soviets continued on rare occasions to state their formal opposition to the holding of hostages, but Soviet propoganda shifted to attempts to exacerbate tensions between the United States and Iran and to portray the United States as the offending party in the crisis. Even before the invasion of Afghanistan, the Soviet desire to maintain a good relationship with Iran had caused the Eastern Bloc countries to refuse to participate in any combined initiatives of the diplomatic corps in Tehran.

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Following the second UN resolution, Secretary General Waldheim visited Tehran in an effort to persuade the Iranian authorities to move toward a settlement. Prior to his departure, the United States gave him on December 31 a five-point statement of the U.S. position--again emphasizing our readiness to reach a reasonable and peaceful solution to the issue. The five points were:

1. That all U.S. personnel must be released from Iran prior to the institution of any international tribunal.
2. That the United States was prepared to work out in advance a firm understanding on arrangements for the airing of Iranian grievances before an appropriate forum after the hostages had been released.
3. That the United States would not object to any Iranian suits in U.S. courts to recover assets allegedly taken illegally from Iran by the former Shah.
4. That the United States would affirm jointly with Iran its intention to abide by the Declaration on Principles of International Law Concerning Friendly Relations and Cooperation Among States in Accordance with the Charter of the United Nations, and by the provisions of the Vienna Convention on Diplomatic Relations. The United States stated that it accepted the present government of Iran as the legitimate authority in Iran and reaffirmed the view that the people of Iran had the right to determine their own form of government.

5. That the United States was willing, once the hostages were safely released, to seek in accordance with the UN Charter a resolution of all issues between the United States and Iran.

When he arrived in Tehran, the Secretary General encountered large and hostile demonstrations against the UN and the United States. Although he met with Iranian leaders on several occasions, he was not able to persuade them to change their positions. On January 7, the Secretary General reported to the Security Council that the Iranians were not yet ready to release the hostages but that a commission of international inquiry to hear Iran's grievances might help to defuse the situation. On January 11, as the Security Council was preparing to vote on a resolution on economic sanctions, Iran asked that consideration be given to the establishment of a commission of inquiry that could help improve the atmosphere for resolution of the crisis. The United States agreed to defer the Security Council vote until January 13 to give the Secretary General time to explore the Iranian position. When it became clear that the Iranian proposal was not directly linked to release of the hostages, the Security Council moved to consider a sanctions resolution. The resolution imposing sanctions on Iran gained 10 votes but was vetoed by the USSR.

The United States indicated that it wished nonetheless to proceed with sanctions and urged its allies to do the same. Members of the European Community and Japan responded that the imposition of sanctions without a UN resolution would be legally

difficult for them. Our allies asked the United States to delay imposition of sanctions until after the election of an Iranian President on January 29 and possible consideration of the hostage crisis by the Islamic Conference at the end of the month. As these developments seemed to hold some hope for movement on the crisis, the United States agreed to defer action on sanctions.

After Secretary General Waldheim had returned from Tehran and met with the President, it seemed that a more complete statement of the U.S. position might help to convince the Iranians that we were willing to agree to a mutually honorable end to the crisis. The pressures applied to Iran and the indications of probable further measures appeared to be having some effect. The Soviet invasion of Afghanistan and the resulting threat to Iran gave the Iranians an additional reason to seek a way out of the crisis. Several intermediaries suggested U.S. positions that might create greater flexibility in Tehran. The President reviewed the existing situation and these proposals with his advisors and decided to refine the earlier U.S. position. The President approved the following six-point statement:

1. The safe and immediate departure from Iran of all U.S. employees of the Embassy in Tehran and other Americans held hostage is essential to a resolution of other issues.

2. The United States understands and sympathizes with the grievances felt by many Iranian citizens concerning the practices of the former regime. The United States is prepared to work out in advance firm understandings on a forum in which those grievances

may subsequently be aired, so that the hostages could be released with confidence that those grievances will be heard in an appropriate forum after the release has taken place. The United States will not concur in any hearing that involves the hostages. The United States is prepared to cooperate in seeking through the auspices of the UN to establish such a forum or commission to hear Iran's grievances and to produce a report on them. The U.S. Government will cooperate with such a group in accordance with its laws, international law, and the Charter of the UN.

3. The U.S. Government will facilitate any legal action brought by the Government of Iran in courts of the United States to account for assets within the custody or control of the former Shah that may be judged to belong to the national treasury of Iran by advising the courts, and other interested parties, that the U.S. Government recognizes the right of the Government of Iran to bring such claims before the courts and to request the courts' assistance in obtaining information about such assets from financial institutions and other parties.

4. Once the hostages are safely released, the United States is prepared to lift the freeze of Iranian assets and to facilitate normal commercial relations between the two countries, on the understanding that Iran will meet its financial obligations to U.S. nationals and that the arrangements to be worked out will protect the legitimate interests of U.S. banks and other claimants. The United States is prepared to appoint members of a working group to reach agreement on those arrangements.

5. 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 United States 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.

6. The U.S. Administration is prepared to make a statement at an appropriate moment that it understands the grievances felt by the people of Iran, and that it respects the integrity of Iran, and the right of the people of Iran to choose their own form of government. The U.S. Government recognizes the Government of the Islamic Republic of Iran as the legal government of Iran. The United States reaffirms that the people of Iran have the right to determine their own form of government.

The text of these points was given to the Secretary General and to other intermediaries, who transmitted them to Iranian leaders. The proposals made in November, December 1980 and January 1981 did not deviate substantially from these positions. But in January 1980 they drew no response from Tehran. There appeared to be no one in Iran at that time capable of responding meaningfully to the U.S. position.

On January 29, the six Americans who had been hiding with the Canadians departed Iran through the Tehran airport using assumed identities. Canada then closed its Embassy and withdrew all personnel. The presence of "the six" in Iran had been known to

several journalists for some weeks, but fortunately they accepted the importance of keeping the information confidential. The return of the six Americans on January 31 was greeted with an outpouring of American joy and gratitude for the courageous assistance of the Canadian Ambassador and his staff. Iranians reacted sharply, complaining of a "violation of international law"; in retaliation the Foreign Ministry severely limited our contacts with Bruce Laingen and his colleagues held in the Foreign Ministry.

VI. The Third Stage: Development of a Scenario for Release (January/-April).

About one week after the Soviet veto of the sanctions resolution, the United States finally made contact with two intermediaries who enjoyed special ties of confidence with persons in the Iranian leadership. A series of meetings, some 60 hours of discussions in all, were held in London, Washington, Paris, and Switzerland to design a scenario that would secure the safe release of the hostages and at the same time assure that Iran received an appropriate international hearing for its asserted grievances. The President closely monitored and approved each of the steps taken in formulating and implementing the scenario.

The scenario was developed over several weeks in January and February, and we were assured that it had been fully discussed in the Revolutionary Council and accepted by all significant elements of the Iranian leadership. It involved the UN's dispatch of a

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five-man fact-finding commission to Iran to hear Iran's grievances and allow an early solution to the crisis. The scenario was laid out in a series of steps--each agreed to by the United States and Iran--that would permit each side to assure itself of the performance of the other as the scenario moved toward its final steps. The United States briefed UN authorities on the scenario, and they agreed to join in its implementation.

A five-man UN Commission was selected under the co-chairmanship of Andres Aguilar of Venezuela and Mohammed Bedjaoui of Algeria, and including Adib Daoudi of Syria, Harry W. Jayewardene of Sri Lanka, and Louis Edmond Petitti of France. They arrived in Tehran on February 23. On the same day, Ayatollah Khomeini announced that the fate of the hostages should be decided by the Iranian Parliament, which was to be elected in March. His announcement, which was not part of the agreed scenario, was the first indication that he had not fully approved the plan. Nevertheless, the Commission members began their work on the review of Iran's grievances, receiving documents and hearing testimony assembled by the Iranian authorities. The scenario called for the Commission to visit each of the hostages and for the hostages subsequently to be transferred to the authority of the Iranian Government. Again, the Ayatollah departed from the agreed scenario. Even after the militants had grudgingly announced their willingness to yield control of the hostages to the Revolutionary Council and the Council had issued a statement accepting that offer, the Ayatollah on March 10 called

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on the militants to prevent the Commission from seeing the hostages until after it had completed its report and made it public, and after the Iranian people had approved the Commission's findings. These were, of course, impossible conditions for the Commission.

As the Commission was unable to complete its agreed mandate by seeing the hostages and obtaining their transfer, it departed from Tehran on March 11, promising to return and to finish its report when conditions were more appropriate for it to perform its full mandate. During the weeks that followed, it was unclear whether or how the Commission might resume its work and reactivate the scenario.

Meanwhile, in Panama, the Shah, who was scheduled for surgery for the removal of his spleen, was becoming increasingly uneasy. Panama had given Iran's lawyers until late March to make the case for extradition of the Shah to Iran. The Shah, advised by his doctors that he needed urgent medical treatment, and displeased with a dispute between doctors in Panama, decided to reject the urging of the United States that he remain in Panama and instead accepted the longstanding offer of President Sadat to settle in Egypt. He departed for Egypt on March 23, where a few days later he underwent surgery. The decision to go to Egypt was the Shah's own choice in consultation with his physicians.

The atmosphere in Tehran was further confused at this time by the publication in the Iranian press of a false letter allegedly from President Carter to Ayatollah Khomeini. President Bani-Sadr revealed to the Iranian public the content of two authentic letters

delivered by the Swiss from the United States, urging that the Iranian Government take custody of the hostages from the militants as a step toward their final release. On March 31, we received word that the Revolutionary Council was again attempting to deal with the hostage question.

On April 1, we learned that President Bani-Sadr had announced that the hostages would be transferred to government control if the United States would refrain from propaganda, provocation, or claims against Iran. Swiss Ambassador Probst telephoned the White House to deliver the news early in the morning of April 1. President Carter went on television a short time later to welcome the announcement and to say that we would again delay the imposition of sanctions in light of this positive development. The assurances sought by Bani-Sadr were passed to him and accepted as satisfactory. President Carter knew that there were no binding guarantees, but he sought to make sure that the Iranians understood that we wanted our people protected and released under peaceful and honorable conditions. A few days later, a minority of the faction-ridden Revolutionary Council undercut Bani-Sadr and prevented the transfer of the hostages.

During this period, the United States had established effective communications through intermediaries with responsible Iranian officials and reached agreement with them on a basis for ending the crisis. But it had been unable to reach the other, more powerful political group, the religious leadership, which

had blocked the agreed solution. The divisions within Iran continued to frustrate a resolution of the problem.

VII. The Fourth Stage: Maximum Pressure and the Rescue Mission (April--May).

It became plain in early April that the internal power struggle in Iran was preventing an early end to the crisis. The United States had made concerted efforts to resolve the matter through negotiations, which had failed because of the absence of centralized authority within Iran. A contest for control of the new Parliament stalled any constructive steps by the Iranian leadership to resolve the problem. With political divisiveness growing within Iran, it was the judgment of the Administration that precise and very firm action had to be taken to end the crisis before the hostages were further endangered.

Accordingly, on April 7 the President announced a series of actions against Iran which the United States had considered in the past but withheld in the interest of obtaining a negotiated release of the hostages. First, the United States broke diplomatic relations with Iran and declared all Iranian diplomatic and consular personnel and military trainees persona non grata, obliging them to leave the United States.

Second, the United States put into effect official economic sanctions in accordance with the provisions of the resolution vetoed in the UN Security Council on January 13. This provided

a legal barrier to the shipment of U.S. goods--with the exception of food and medicine--to Iran. Trade between the United States and Iran had already come to a virtual halt because of political uncertainties, the pressure of public opinion, and the freezing of Iran's assets.

Third, the United States ordered a formal inventory of the assets of the Iranian Government frozen by the November order and of all claims against Iran, with the purpose of designing a possible program for handling the claims.

Fourth, all visas held by Iranian citizens were invalidated. The President directed that no new visas would be issued except for compelling and proven humanitarian reasons or where the U.S. national interest required. The United States earlier had directed that all Iranian applications for new visas be subjected to a special security check to prevent potential terrorists from reaching the United States.

On April 17, as a further indication of U.S. determination to demonstrate to Iran the cost of holding hostages, the President announced additional measures against Iran:

-- All financial transfers to Iran were prohibited, with the exception of those licensed by Treasury or those related to gathering news.

-- All imports from Iran to the United States were banned.

-- American citizens were prohibited from traveling to Iran, with the exception of journalists and persons expressly authorized by the Secretaries of State and Treasury.

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In addition, the President mentioned other steps that might be taken--including legislation for processing of claims against Iran, prohibition of shipments of food and medicine, and interruption of Iran's access to international communications--if progress were not made toward release of the hostages.

During these weeks, the President and his advisors were also considering the feasibility of a rescue mission. The possibility of mounting a rescue mission had been explored from the outset of the crisis, and planning and practice for a rescue attempt were placed in motion early in November 1979. The planners faced a difficult set of circumstances, including the rapidly changing Iranian political scene, uncertainty about the captors' intentions and their capabilities, the hostility of Iranians toward the United States, and the harsh environment and distances to be covered.

By the end of November, planning and operations had progressed to the point that mission commanders had developed confidence in their ability to proceed with the rescue. The commanders recognized that substantial additional practice was needed, and they conducted training missions in the western United States throughout December. By January, helicopters and other equipment had been transferred

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to ships in the area and final landing sites selected. In early February the mission commanders concluded they had the capability to mount a successful rescue. There was a delay of several weeks, however, because diplomatic activity still held a serious prospect for obtaining the release of the hostages.

By April, when that diplomatic activity seemed blocked, the commanders of the joint task force recommended April 24 as the day for the rescue. The President personally approved the plan on April 11.

The mission began with 8 helicopters flying toward the staging point in the eastern desert. Two helicopters were lost en route. The failure of the third helicopter at the staging point necessitated a decision to terminate the mission. In the attempt eight airmen lost their lives and five others were seriously injured.

The rescue mission was planned as a precise action in Tehran to pick up the hostages, both in the Embassy compound and in the Foreign Ministry, and to remove them safely from Iran. No attack on the Iranian Government or on units not involved in holding the hostages was planned. However, the Iranian Government reaction to the mission was to describe it as an effort to overthrow the revolutionary regime.

Diplomatic discussions concerning the release of the hostages were naturally stalled in the immediate aftermath of the abortive rescue mission. Tehran was again agitated by anti-U.S. demonstrations. Considerable effort was required to secure the return of the bodies of the eight deceased servicemen to their families

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in the United States. Archbishop Hillarion Capucci, who had travelled to Iran in February to visit some of the hostages in the compound and again at Easter with American clergy, was helpful in arranging for the release of the bodies.

The reaction of the militants to the rescue mission was to threaten the lives of the hostages, to transfer them to separate locations in Iran, and to interrupt the very limited movement of mail to the families. Previously, there had been some slight improvement in contacts with the hostages. There were TV films of the religious services at Eastern, and on April 14, for the first time, all of the hostages were visited by the Red Cross and allowed to send brief messages to their families. After April, no outsiders were permitted to visit the hostages until Christmas.

From the beginning of the crisis, volunteers, including hostage family members, worked with the Iran Working Group to maintain contacts with the widely scattered families of the hostages and to keep them informed of developments to the maximum extent possible. In April, the family members formed the Family Liaison Action Group (FLAG), which as its first act sent a delegation on April 22 to Europe to seek the support of European leaders for freeing the hostages. Later, FLAG sent appeals to the Islamic Conference. FLAG met regularly with the President and the Secretary of State and helped to organize meetings of hostage families throughout the United States. These efforts successfully emphasized the humanitarian interest in release of the hostages and provided important moral support to the deeply

concerned families around the country. Without question, the steadfast performance of these troubled families during months of intense emotional strain was magnificent. These families were true heroes of the efforts to free the hostages.

On May 24, 1980, the International Court of Justice ruled conclusively in the United States' favor in its case against Iran. The Court issued a final judgment unanimously confirming that Iran's takeover of the Embassy and continued holding of hostages were inadmissible in a civilized international order and could not be justified by past or current grievances, real or imagined. The Court noted that the holding of the hostages "is unique and of particular gravity." It also unanimously decided that no hostage could be placed on trial or required to be a witness.

By a majority of 12-3, the Court decided that Iran has an obligation to make reparation to the United States for the injuries suffered as a result of the hostage seizure. The United States immediately called on the Iranians to comply with the Court's judgment and redoubled its efforts in the UN to ensure that all nations recognized the justice of its efforts to free the hostages.

Meanwhile, during April the United States had been in touch with the countries of the European Community and Japan about their imposition of sanctions on Iran. Their sanctions were agreed to on May 17, and went into effect shortly thereafter. The measures varied in details between countries, but their general effect was to make it increasingly difficult for Iran to purchase needed supplies from abroad. In addition, Iran's demand for higher oil

prices led its Japanese and Western European customers to cease purchases of Iranian oil. This reduction in oil sales and available income dealt a significant blow to the Iranian economy.

The freeze of Iranian assets continued during this period, as it did throughout the crisis. In implementing the freeze, Treasury sought to maximize its impact on Iran by limiting exceptions to hardship, health, and hunger situations. At the same time, attempts were made to minimize harm to U.S. commercial interests. Thus, for example, licenses were issued allowing payments of up to \$500,000 out of blocked funds to small U.S. entities whose existence might otherwise have been threatened and to authorize Iran to bring previously unblocked money into the United States to pay obligations to United States persons and entities. In order to avoid hardships and the development of new irritants that could adversely affect the hostage issue, Treasury also allowed Iran to bring in new money to provide for the support of Iranian students here. The overall impact of the freeze, however, was severely to curtail economic contact between Iran and the United States. This caused significant problems for banks and businesses that had previously been active in Iran.

In the first month of the freeze, regulations were adopted permitting the filing of litigation against Iran; and over 200 lawsuits were filed here and abroad. These suits generally asserted monetary claims against Iran or its entities and sought to attach various assets. The regulations allowed the lawsuits, but prohibited the entry of judgments affecting the frozen assets;

and we urged judges to defer action on these lawsuits pending resolution of the hostage crisis. This position was not accepted by all judges, and rulings have been made by lower courts on issues in some of the lawsuits. The resolution of these lawsuits and the claims underlying them remain an issue between Iran and the United States.

VIII. The Fifth Stage: The Buildup of Pressure and Diplomatic Activity (May--August).

At the end of May the Administration conducted a comprehensive review of past and possible new efforts to free the hostages. The Iranians steadfastly maintained that the new Parliament would determine Iran's position on the hostage question. The new Parliament had not yet been organized, nor had a Prime Minister and Cabinet been appointed to lead a new government. The political infighting in Iran foretold that such fundamental political decisions would be reached only with great difficulty.

In these circumstances the President decided that U.S. measures in the succeeding weeks should emphasize:

-- Assuring that the sanctions were strictly applied and allowing time for their effect to sink in and for the Iranians to perceive that it was increasingly in their interest to end the crisis.

-- Intensifying diplomatic activity and contacts by other parties to explain to the Iranians the harsh consequences for Iran and its revolution of allowing the hostage crisis to continue.

-- Playing down the public diplomacy aspect of our crisis management in order to give the Iranians time and a certain degree

of calm to work out a reasonable way out of the crisis.

This approach was pursued throughout the summer, but especially in June, when there was a marked increase in the number of contacts with Iranian leaders and foreign diplomatic sources in Tehran. After the rescue mission Iranian spokesmen began again to demand that some or all of the hostages be placed on trial. We emphasized in our diplomatic contacts and those of our intermediaries our total opposition to any procedure that would endanger or humiliate the hostages in violation of international law. Apparently in response to this message, the threats of trial subsided.

In early June the Iranians convened an international conference to air evidence of "U.S. complicity" with the Shah's regime and alleged efforts to bring down the revolutionary government. We refused to validate passports for a group of Americans who wished to travel to the conference on the ground that it was strictly a propaganda device, unlikely to make any progress toward a fair resolution of the crisis. That judgment proved to be correct.

In June, European Socialist leaders in touch with the United States sought to persuade the Iranian authorities to release the hostages. Messrs. Kreisky of Austria, Palme of Sweden, and Gonzales of Spain traveled to Iran to attempt to convince the Iranians of the harm being done to their country by the continuing crisis. Similar arguments were put to the Iranian Foreign Minister when he met with the Socialist International in Oslo.

Throughout the summer, the atmosphere did slowly and haltingly improve, despite Iranian accusations in July of American backing

for a military coup. There were fewer and smaller mobs in front of the Embassy, and Iranian rhetoric generally subsided. On July 11, hostage Richard Queen was suddenly released by the Iranian authorities for humanitarian reasons. Queen had been stricken by multiple sclerosis during his captivity and was returned home to a heartfelt national welcome.

On July 23, an Iranian who opposed the Khomeini regime was assassinated in Bethesda, and three Americans associated with Iranian revolutionaries in this country were linked to the attack. Several days later, at the end of clashing pro- and anti-Khomeini demonstrations in Washington, about 200 Iranian students were arrested. Their refusal to cooperate with the police and immigration authorities led to scuffles as they were arrested and to their detention for about 10 days. Television and news reports of the students' arrests again fanned anti-American feelings in Iran and led to large demonstrations against the United States. That response quickly subsided, however, when the students finally decided to cooperate with the authorities and were released.

On July 27, the Shah died in Cairo--thus removing entirely the original stimulus that triggered the seizure of the Embassy. However, there was no change in the Iranian position, which had shifted from demands for the return of the Shah to a generalized "attack on imperialism."

At the end of this stage, sanctions were clearly hurting the Iranian economy, which was already weakened by the revolutionary turmoil. President Bani-Sadr, an economist, acknowledged that

the sanctions had added 25 percent or more to the high rate of inflation. Iran's industrial establishment was operating at less than 30 percent of normal. The continued freeze of Iranian assets (in excess of \$9 billion) and the virtual cutoff in Iran's oil income were creating serious problems for Iran's banking and fiscal systems. Plainly, even to many hardline revolutionaries, the disadvantages to Iran of continuing to hold the hostages were beginning to be apparent.

IX. The Sixth Stage: Intensified Diplomatic Exchanges (Mid-August--January).

By mid-August, after months of bitter political struggle, the necessary Iranian political structure for dealing with the hostage crisis seemed to be in place. The Parliament had been organized and Ali Akbar Hashemi Rafsanjani was named President or Speaker. Mohammed Ali Rajai was approved as Prime Minister, along with a majority of his Cabinet. There were expectations that the Parliament would soon turn its attention to the hostages. The United States decided that the moment was ripe for more direct and intensive diplomacy.

The first of a series of personal letters from U.S. officials to the new Iranian leaders was sent in August. In an initiative that originated in the House of Representatives, 187 members signed a letter to Rafsanjani urging that the new Parliament give priority attention to the hostages. Speaker Rafsanjani's oral reply, while critical of the Congressional approach, held out some prospect for further exchanges. Accordingly, a second Congressional letter signed by Congressmen Gilman and Hamilton was sent on September 15.

Throughout the crisis, the Administration had kept the Congress fully informed of developments. The President, Secretary, Deputy Secretary, and other officers met regularly with Senators and Congressmen to share assessments of events. The Congress clearly understood the difficulty and delicacy of the complex situation and was helpful and fully supportive of the efforts pursued by the Executive Branch to gain freedom for the hostages. The long months of the hostage crisis showed how effectively Congress and the Executive Branch can cooperate to protect the national interest.

On their own initiative, the families of the hostages wrote to Speaker Rafsanjani on September 13, urging that the Parliament consider release of the hostages on humanitarian grounds and offering to meet with him for discussions. Like the Congressional letters, this one was read to the Parliament, but there was no response.

The Secretary of State wrote to Prime Minister Rajai on August 31 and again on September 30. In addition, papers spelling out the U.S. general position on the basic elements of a settlement along the lines of the January six-point paper were conveyed to key Iranian leaders during September.

In August and early September, it became evident that the political situation in Tehran was beginning to coalesce and lines of authority were becoming clearer. Concurrently, the view that holding the hostages was more of a liability

than a benefit appeared to gain strength among the Iranian leadership. The early widespread support for holding the hostages was outweighed by the very heavy price Iran was paying economically and in terms of international isolation. The judgment that the revolution was more endangered than helped by the hostage situation seemed increasingly to be accepted.

On September 12 Khomeini stated briefly in a speech on a larger subject the conditions that the Parliament should set for the release of the hostages. These were:

- return of frozen assets;
- return of property taken illegally by the Shah;
- cancellation of financial claims against Iran; and
- a pledge not to interfere in Iran's internal affairs.

Although broadly stated and not precisely defined, these conditions provided the structure for an agreement. An additional step was the establishment of a Commission in the Parliament to recommend to the Parliament the conditions for the hostages' release.

In private contacts in mid-September we were able to clarify and explain in greater detail our position on the various conditions outlined by Khomeini. Further exchanges were envisioned to try to expedite the process in Tehran to permit the hostages to be returned as promptly as possible. However, before further exchanges could be arranged, positive movement on the hostage issue was sharply interrupted in late September by the Iraqi

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military strike against Iran and the outbreak of hostilities between the two countries.

The Iraq-Iran conflict had two effects on the hostage situation, one immediate and one more delayed. In the short term, the Iranian leadership shifted its attention almost exclusively to the war, and its interest in a resolution of the hostage situation was concomitantly reduced. However, as the war continued, the costs of holding the hostages were starkly felt by Iran. The combination of diplomatic isolation, an economy severely strained by sanctions, the draw-down of financial reserves which were not replenished by much reduced oil sales, and the general unavailability of military resupply, all dramatized for Iran the high price it was paying for holding the hostages.

Although the hostilities had interrupted the momentum that was building on the hostage issue, we continued to press for release. We attempted to reinforce those in Tehran who were arguing that the war demonstrated Iran's need to resolve the hostage crisis and end its international isolation. During October we sent a number of indirect messages to the Iranian leadership, which stressed that a resolution of the issue was to our mutual benefit and refined further the actions we would be willing to take in the context of a general settlement of the

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hostage issue. With increasing frequency as the U.S. elections drew closer, Iranian leaders spoke in more positive terms of release.

Prime Minister Rajai visited New York on October 16-19. During the Prime Minister's effort to focus world attention on Iran's grievances in its conflict with Iraq, numerous interlocutors told him that Iran could not expect support from the world community as long as it continued to hold the hostages.

Illustrating the importance to Iran of a prompt resolution of the hostage crisis, the Parliament's Commission completed its work despite the war with Iraq and reported to the full Parliament during the last week of October. The Majlis (Parliament) held several closed sessions without reaching a decision. When a vote was scheduled for October 30, hard-line members blocked the session by preventing a quorum. Finally, on November 2 the Majlis adopted the Commission's recommendations elaborating Khomeini's conditions for releasing the hostages.

The Majlis Resolution demanded that the U.S.:

- pledge not to interfere in the affairs of Iran;
- lift the freeze on Iranian assets and put all these assets at the disposal of Iran;
- cancel all economic and financial sanctions against Iran, cancel all U.S. claims against Iran, and assume financial responsibility for any claims made against Iran:

-- return to Iran the assets of the Shah and his close relatives.

In return, Iran would release the hostages gradually as the U.S. implemented the stipulated conditions. If the U.S. did not meet Iranian demands, the hostages would be tried.

In a public statement that was conveyed to Iranian officials by the Swiss, the President termed the Majlis action of taking a position "a significant development" and a positive basis for moving toward an honorable and peaceful solution to the crisis. He said we would not be influenced by the impending U.S. elections in dealing with the issue and any action we took would be consistent with our vital national interests and national honor and in full accordance with our laws and Constitution. Deputy Secretary of State Christopher and a small team of advisors began at once to formulate a U.S. response to the Majlis Resolution.

A Committee headed by Minister of State for Executive Affairs Nabavi was also established in the office of Prime Minister Rajai to deal with all aspects of the hostage crisis. In the initial stages, this group had little flexibility and saw its role as the strict implementation of the Majlis Resolution as if it were a binding law. Rajai designated Algeria as the sole contact for communications between Iran and the U.S. on the hostage issue. On November 3, Algerian Ambassador Malek delivered the official text of the Majlis Resolution to the State Department.

Following the passage of the Majlis Resolution, the militant captors met with Khomeini and told him they wished to turn over custody of the hostages to the Government. Khomeini praised their revolutionary act and agreed to the transfer. Despite conflicting reports in the weeks that followed, the Government did not publicly acknowledge that it had definitely assumed custody of all of the hostages until early January.

On November 10 Mr. Christopher and his team flew to Algiers to deliver the U.S. response and to explain it in detail so that the Algerian representatives would be prepared to answer the questions of the authorities in Tehran.

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During this period we sought through the Swiss and Algerians to arrange for pastoral visits at Christmas to the hostages. Although at first our requests were turned aside, on Christmas Eve the Papal Nuncio and three Iranian clergymen were allowed to visit the hostages and TV films were made. On Christmas day the Algerian Ambassador in Tehran was allowed to see each of the 52 hostages and to collect TV tapes, photographs and messages for the families. These were the first contacts the hostages had had with an outsider since April.

On December 28 Rajai made public the Iranian response and, in part, the U.S. position of December 4, adding his own comments.

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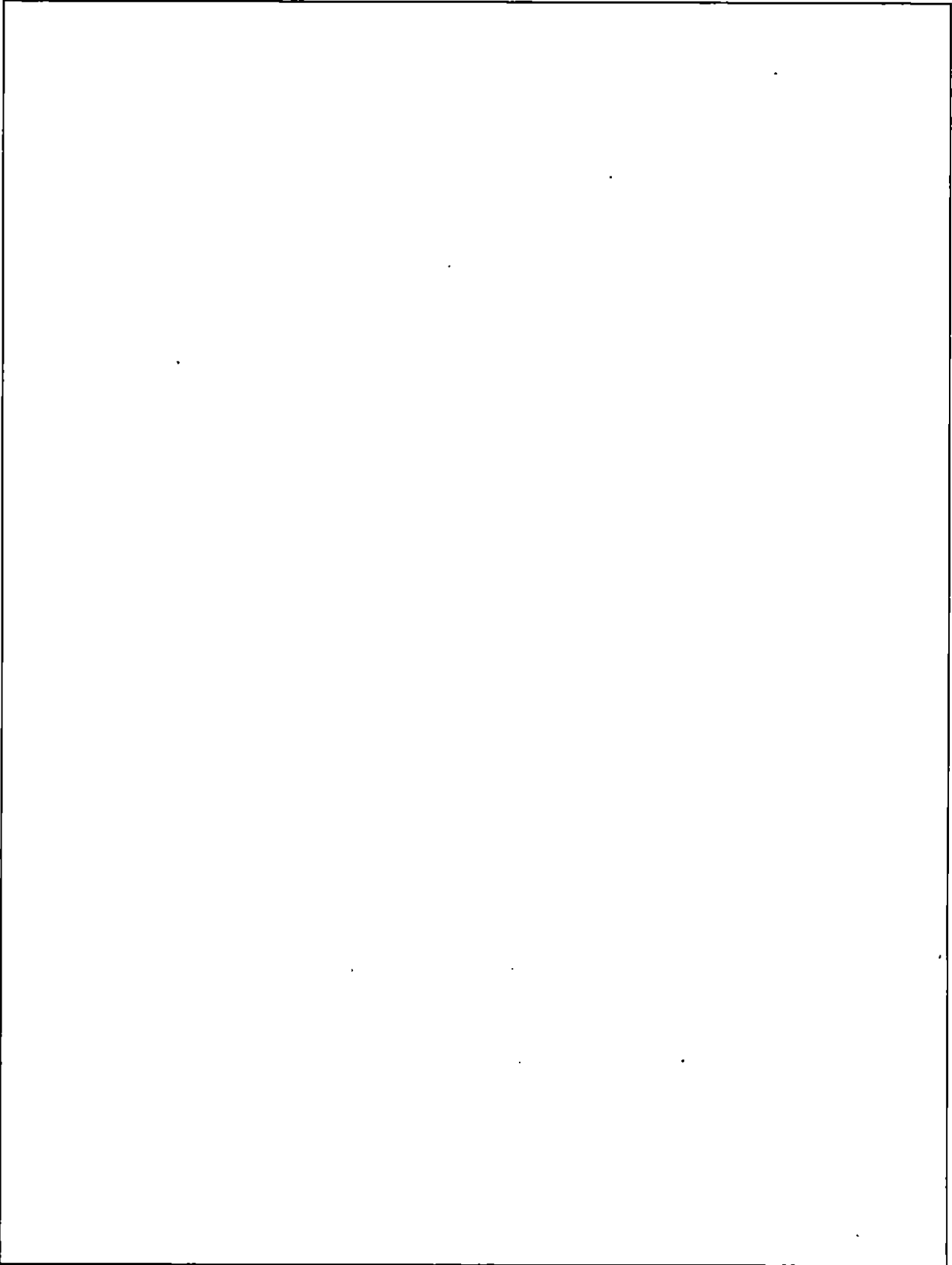
To remove any confusion we released to the press on December 29
the text of our position.

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Throughout this crisis the U.S. has remained faithful to fundamental principles. We have obtained the safe release of the hostages and we have preserved national honor and national interests. We have not paid ransom; the money consigned to Iran is its own property. We did not agree to the return of the Shah's wealth, except insofar as U.S. courts upheld Iranian claims to the property. We have agreed to block the transfer of any properties belonging to the Shah's estate that may be located here while U.S. courts determine legal ownership. We

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told Iran, as we would any other country, that we would inform the U.S. courts of our position that claims by Iran seeking recovery of the Shah's assets are not legally barred here by sovereign immunity or by the act of state doctrine.

The good offices of Algeria during the final state of discussions was of crucial importance. The Algerian intermediaries carried out their responsibilities in a thoroughly professional and fair manner. The Governments of Algeria and of our protecting power, Switzerland, whose diplomats worked tirelessly throughout the crisis, have made a major and vital contribution to the settlement of this crisis.

X. The Future (Contingent on ultimate successful outcome)

The United States retains an interest in the preservation of Iran's territorial integrity and in the development of institutions in Iran that will permit stable government by leaders chosen by the Iranian people. There is no other route to political stability in post-revolution Iran. We want to see an Iran that is independent and strong and able to enjoy respect among the nations of the world through adherence to standards of international law and accepted conduct between nations.

At the same time, we realize that many Iranians believe they have serious grievances against the United States, just as many Americans believe they have been seriously wronged by Iran. The bitterness that exists on both sides will require much time to heal. But both countries share important mutual interests. Both want to see Iran preserve its integrity and avoid the fate

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of Afghanistan. The people of both Iran and the United States want to see Iran develop the free and effective political and economic institutions that will enable the country to realize its vast potential.

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