

PREM19

76

IRAN

(Internal Situation)

(Part 1)

5B
P30

PREM 19/76



PART 1 ends:-

MODBA to PM

10/12/79

PART 2 begins:-

MODBA to FW (S)

11/12/79

Iran

PRIME MINISTER

Freezing of Iranian Assets

I told Lord Carrington's office that you might wish to talk to him again this evening about the freezing of Iranian assets. The Foreign and Commonwealth Secretary was on the point of going home when I rang. His office said that he was rather tired. Since there seemed little prospect of there being new information to discuss before tomorrow morning, I did not press the point.

As regards tomorrow's meeting, it has proved impossible to find a time which is possible for the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer earlier than 1700 tomorrow afternoon. Although this is rather late, it has the advantage that we will be able to gather more information about the views of European Governments. Instructions have gone to our Embassies this evening to approach the Governments to which they are accredited at a high level tomorrow morning to inquire about the way ideas are developing.

The fixing of the meeting at 1700 has meant that we have had to postpone the resumed discussion of oil problems carried forward from last week. However, the Secretary of State for Energy will be attending the meeting and will be able to brief you on what happened at the I.E.A. meeting in Paris today.

10 December 1979

Amis

GRS 300

UNCLASSIFIED

FROM KUWAIT 101030Z DEC

TO PRIORITY FCC

TELNO 359⁵¹⁶ OF 10/12/79,

INFO WASHINGTON, TEHRAN, JEDDA, ABU DHABI, DUBAI, EEC POSTS,
BERNE, TOKYO, UKDEL OECD.

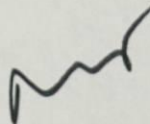
IRANIAN ASSETS.

1. TODAY'S LOCAL PAPERS CARRY THE TEXT OF A SHARPLY CRITICAL INTERVIEW WHICH ATIQUI, THE KUWAITI FINANCE MINISTER, HAS GIVEN THE MIDDLE EAST ECONOMIC SURVEY. TFOLLOWING ARE EXCERPT:

(I) THE US MOVE (I.E. THE FREEZE) HAD IMPLICATIONS OF A MOST DANGEROUS AND SERIOUS KIND. "PERHAPS THE UNITED STATES WOULD HAVE AN EXCUSE FOR RETALIATING AGAINST THE IRANIANS BY HOLDING THEIR AMBASSADOR OR SOMETHING LIKE THAT, BUT NOT FOR FREEZING THEIR MONEY."

(II) THE REASSURANCES WHICH THE US HAD GIVEN WERE OF "NO USE". "THE WEST TELLS US THAT THE ASSETS OF THE GULF COUNTRIES ARE SAFE BUT ONCE CONFIDENCE IS SHAKEN, IT IS VERY DIFFICULT TO RESTORE IT AND MEDIA CAMPAIGNS IN THE US DO NOT GENERALLY DISTINGUISH BETWEEN IRANIANS AND ARABS. THEY JUST LUMP THEM ALL TOGETHER AS OIL PRODUCERS AND PETRO-DOLLAR HOLDERS AND CALL FOR THEM TO GET OUT OF THE US. HOW CAN YOU RESTORE CONFIDENCE IN THESE CIRCUMSTANCES?"

(III) ASKED IF HE THOUGHT THAT THE US FREEZE WOULD REINFORCE THE TENDENCY AMONG CASH-SURPLUS OIL EXPORTERS TO REDUCE OIL OUTPUT RATHER THAN PILE UP ADDITIONAL ASSETS IN THE WEST, THE MINISTER REPLIED: "YES, I DO"



/(iv)

(IV) THE MOST SERIOUS IMPLICATION OF THE FREEZE CONCERNED THE INTERPRETATION OF NATIONAL SECURITY. "WHICH IS TO BE THE AUTHORITY TO DECIDE ABOUT NATIONAL SECURITY? EACH COUNTRY HAS A VERY VAGUE DEFINITION OF THIS. IT SEEMS ANYONE CAN REPUDIATE DEBTS AND FREEZE ASSETS ON THE GROUNDS OF NATIONAL SECURITY. IF THE US WITH ITS PRE-EMINENT POSITION IN THE WORLD CAN DO THIS, WHAT ABOUT EVERYONE ELSE? THIS IS REALLY SOMETHING SHOCKING."

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PS/MR HURD
PS/FUS
SIR A DUFF
MR FIGG
MR J C NOBERLY

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IRAN: ADVANCE COPIES

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PS
 PS/SIR I. GILMOUR
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 MR J C MOBERLY
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 MR F R-BARRATT TREASURY

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Prime Minister

11.12.

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 TO IMMEDIATE F C O
 TELEGRAM NUMBER 1815 OF 10 DECEMBER
 INFO IMMEDIATE TEHRAN
 INFO PRIORITY WASHINGTON AND EEC POSTS

IMMEDIATE

ans

MY TEL NO 1775: US EMBASSY TEHRAN

1. I HAD ANOTHER TALK TO WALDHEIM AND URQUHART THIS MORNING. THEY CONFIRMED THAT THE MEDIA REPORTS OF ENVOYS FROM EUROPEAN AND OTHER COUNTRIES ARRIVING IN TEHRAN WERE NONSENSE IN SO FAR AS THE UN SECRETARIAT WAS CONCERNED. IT WAS TRUE THAT WALDHEIM HOPED TO MAKE USE OF YAMINI, THE NEW UNDP REPRESENTATIVE IN TEHRAN, AND THAT THE FOREIGN MINISTER OF SRI LANKA WOULD BE SEEING QOTBZADEH AND WOULD REPORT BACK TO HIM.

2. WALDHEIM HAD ANOTHER TELEPHONE CONVERSATION WITH QOTBZADEH OVER THE WEEKEND. THE LATTER HAD SAID THAT NEUTRAL OBSERVERS COULD SEE THE HOSTAGES. OTHERWISE THERE HAD BEEN NOTHING REMARKABLE IN THE CONVERSATION. WALDHEIM'S INTERPRETATION OF QOTBZADEH'S RECENT ANNOUNCEMENT OF AN INTERNATIONAL COMMISSION

2. WALDHEIM HAD ANOTHER TELEPHONE CONVERSATION WITH QOTBZADEH OVER THE WEEKEND. THE LATTER HAD SAID THAT NEUTRAL OBSERVERS COULD SEE THE HOSTAGES. OTHERWISE THERE HAD BEEN NOTHING REMARKABLE IN THE CONVERSATION. WALDHEIM'S INTERPRETATION OF QOTBZADEH'S RECENT ANNOUNCEMENT OF AN INTERNATIONAL COMMISSION TO EXAMINE US GOVERNMENT POLICY TOWARDS IRAN OVER THE PAST 25 YEARS WAS THAT THIS MIGHT BE AN ATTEMPT BY THE IRANIANS TO GET OFF THE HOOK OF TRYING THE HOSTAGES IE THEY COULD ARGUE WITHIN IRAN THAT THEY WERE TRYING THE US GOVERNMENT INSTEAD. MY FRENCH COLLEAGUE, WHO WAS PRESENT, AGREED WITH ALACRITY TO THIS INTERPRETATION.

3. WHEN I WAS ALONE WITH URQUHART HE SAID THAT WALDHEIM FELT A BIT WORRIED THAT HE WAS NOT BEING SEEN TO BE DOING ENOUGH - OBVIOUSLY BY THE AMERICANS. I SAID THAT I THOUGHT THAT HE WAS DOING EVERYTHING POSSIBLE AND THAT HE SHOULD KEEP HIS CHANNELS OF COMMUNICATION OPEN WITH THE MINIMUM OF PUBLICITY.

PARSONS

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cc Master Set

10 DOWNING STREET

From the Private Secretary

10 December 1979

Dear George.

The Prime Minister held a meeting at 1800 hours this evening to discuss the response which the Government might make to the United States proposals that we should take action to freeze Iranian assets in London. The following were present: the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Trade, the Attorney General, the Governor and Deputy Governor of the Bank of England, and Sir Robert Armstrong.

The Prime Minister first reported briefly on her meeting with Mr. Vance earlier today. Mr. Vance had handed over a copy of an Opinion by Mr. Patrick Neill, QC, which suggested that the Government did have powers under the 1947 Exchange Control Act to implement the freezing of Iranian assets with US banks located in London. This was contrary to the advice which she had been given in her briefing. She asked the Attorney General for his advice on Mr. Neill's Opinion.

The Attorney General said that he had now had an opportunity to study the Opinion, and had concluded that it was probably wrong. His own view was that, if the Government were to use the 1947 powers as a purely political action, the courts would be likely to regard it as ultra vires. He could not be certain of this, but he felt there was a more than even probability that they would. Mr. Neill had cited the fact that the 1947 Act had been used to block the Rhodesian balances in 1965. But there had been an economic basis for this action, and it was not purely political as it would be if we were now to move against Iran. The test as to whether use of the 1947 Act was legal was whether the motivation was economic; if we were to freeze the Iranian assets, when so far they had shown no intention of defaulting or withdrawing their funds, the action would be taken as entirely political. It had been argued that, in order to minimise the repercussions of an order freezing Iranian assets, such an order should make it clear that its object was to secure the freeing of the American hostages. But to do this would make the objective transparently political and make it all the more likely that the order would be overturned in the courts. If it

/was acceptable

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- 2 -

was accepted that we did not have powers to freeze the Iranian assets, primary legislation would, of course, be required. But if we were to propose the necessary legislation, the Iranians would presumably immediately withdraw their funds in anticipation.

The Governor said that, even if it were possible to freeze the Iranian assets, there were powerful economic arguments against any move in this direction. He of course understood why the US Administration was putting pressure upon us to take action: apart from wanting our general support, most of Iran's monetary assets were located in US and UK banks in London, whereas American claims on Iran were with US banks in New York. But if we were now to take action when we had no direct quarrel with the Iranians, this would result in grave risks for the UK as a banking centre and for the international financial system. Other countries would lose confidence in sterling as a reserve currency and would take their assets elsewhere. There were reports from Kuwait that the Kuwaitis thought the American action was quite improper and there was a danger that that they would switch their assets out of dollars. If European Governments were to take any action in support of the Americans, it would seem far better to act on trade with Iran rather than hit at the payments mechanism which could have much wider ramifications.

The Chancellor added that there were reports from our Embassy in Jeddah that the Saudis would be greatly worried by any freezing of Iranian assets on our part or by any other European government. The Secretary of State for Trade pointed out that the oil producers might also react to further freezing of Iranian assets by keeping more oil in the ground. This point was particularly relevant with the meeting of OPEC Ministers coming up on 17 December.

The Governor went on to say that even if the Government did not take up Mr. Vance's proposals, the existing Presidential order could very well soon cause serious difficulties for us. He had in mind a situation where the courts found in favour of an Iranian trying to withdraw his funds from a US bank, and that bank refusing to agree the withdrawal. If that happened, the bank in question would be in default under British banking law. In that situation, he would have to refuse the bank a licence under the new Banking Act. This would mean that US banks would have to go elsewhere, which would be damaging to them but also to the UK.

The Foreign and Commonwealth Secretary said that, while it was clear that there were many difficulties in our trying to follow the US lead, there was none the less a real political problem. It would be very hard for the US Administration to understand if we did nothing tangible to assist them in their current situation. The Prime Minister said that she also

/was most

was most concerned about our doing nothing to help. But on the face of it, we did not have the powers to freeze the assets as the US Administration would like us to do. Moreover, even if we had the powers and were to act, this would endanger the lives of UK citizens in Iran. She understood that there were some 300 non-diplomats there; and it could well be difficult to withdraw our Embassy staff except gradually. If they were to try to leave all at once, the Iranians would probably prevent it. We ought to consider what else we could do to help the Americans; and whatever our reaction to Mr. Vance, it was most important that we should concert with the French and the Germans. It would be necessary to reach an agreed position in time for the quadripartite dinner on Wednesday night.

In conclusion, the Prime Minister said that Ministers should reconvene tomorrow to reconsider the options. In the meantime, the FCO should sound out the Germans and the French on their respective positions; the Governor should obtain a report on the discussion between central bankers and Mr. Volcker which was scheduled for later this evening, and should try to obtain further information on the German position from Governor Pohl; the Attorney General should give further thought to the legal aspects; and further consideration should be given to what possible action other than freezing assets might be taken.

I am sending copies of this letter to the Private Secretaries to the Chancellor of the Exchequer, the Secretary of State for Trade, the Attorney General, the Governor of the Bank of England, and Sir Robert Armstrong.

Now on,

Tim Lantieri

G.G.H. Walden, Esq.,
Foreign and Commonwealth Office.

GB

PRIME MINISTER

Mr. Howell is in Paris and so won't be able to attend the 6 o'clock meeting.

The UK oil imports from Iran in the first 9 months of 1979 totalled 4 million tonnes - 5% of total UK requirements. In 1980, the oil companies are reckoning on getting just 2% of the UK's requirements from Iran.

BP's exposure is a good deal greater than this because of their need to supply their affiliates in third countries. They are currently buying 350,000 barrels per day from Iran, 20% of their crude requirements worldwide. But, as Mr. Laidlaw told you, they think that this amount is under threat. Shell are currently buying 200,000 barrels per day from Iran -- 4% of their worldwide requirements.

In case Mr. Nott cannot attend - he has a television recording to make at about that time - the following are latest figures *for* ~~of~~ exports to Iran:-

1978	£751 million
1979	£220 million
1980	The figure is expected to be somewhat higher than in 1979

12

10 December 1979

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10 DOWNING STREET

From the Private Secretary

10 December 1979

Dear George

I enclose a record of this morning's conversation between the Prime Minister and Mr. Vance.

I am sending copies of this letter and enclosure to Tony Battishill (HM Treasury), Bill Beckett (Law Officers' Department), Stuart Hampson (Department of Trade), Bill Burroughs (Department of Energy) and Martin Vile (Cabinet Office).

Yours ever

Michael Alexander

George Walden, Esq.,
Foreign and Commonwealth Office.

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[Handwritten initials]

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cc Master Set.

12

Rhodesia Situation Part II

N. Ireland Situation Part 5

USA: Visit of Mr Vance

RECORD OF A DISCUSSION BETWEEN THE PRIME MINISTER AND THE UNITED STATES SECRETARY OF STATE, MR. CYRUS VANCE, AT 10 DOWNING STREET, ON MONDAY, 10 DECEMBER, 1979 AT 1030 HOURS

Present:

The Prime Minister
The Foreign and Commonwealth
Secretary
Mr. Michael Alexander

Mr. Vance
His Excellency The Honourable
Kingman Brewster

The Prime Minister asked to be brought up to date on the present situation. Mr. Vance said that the Iranian Foreign Minister, Mr. Qotzbadeh, would be sending a new representative to the United Nations in New York in the next day or so. There would then be discussions of further UN action with the aim that the UN, or the Secretary General, should set up a Commission to investigate the violation of human rights in Iran under the last regime. So far there was nothing new to report on the hostages. Mr. Qotzbadeh was taking the line that the fate of the hostages would be discussed when the Iranian representative returned to Tehran. The United States would be putting their case to the International Court of Justice in the Hague today. The Iranians did not intend to appear. A decision would probably be handed down within a few days. It was a foregone conclusion that the Court would grant interim relief and state that the hostages should be released. It was equally clear that the Court's judgment would be ignored.

Mr. Vance said that he was in daily contact with Yasser Arafat. The PLO had throughout been extremely helpful. They had been the principle force in bringing about the release of the thirteen hostages, and were continuing to play an active role. Arafat was having

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- 2 -

difficulty in deciding whether or not he should himself go to Iran to make a personal appeal to Khomeini. Crown Prince Fahd of Saudi Arabia was pressing him to do so. But for the moment he was saying that the odds in favour of success were not good enough.

Mr. Vance expressed profound gratitude on his own behalf and that of President Carter for what the British Government had done since the crisis began both in giving shelter to US staff and in other ways.

Mr. Vance said that the President was determined to exercise every peaceful means to secure the release of the hostages. The consequences of any other course of action both for the hostages and for everyone else could only be very grave. But the President did not wish the situation to become frozen into a stalemate. His strategy was to keep up the economic pressure on the Iranian regime. The pressure was already having effect. This was clear from the anxiety of the Iranians to secure the termination of the freeze on Iranian assets as part of any package solution. It was also clear from the fact that the Iranians had said that they wished to maintain relations with the United States. They could not do without spare parts from America for their oil industry and for the armed forces. There was no question of economic pressure bringing about collapse of the regime but the constricting effect was real.

The question which now faced US administration was how best to increase the economic pressure. They thought the answer lay in collective action. It would be essential at some stage to seek Chapter VII sanctions. These would flow naturally from the fact that the Iranians would soon be in defiance both of the Security Council resolution and a judgement on the International Court. Pending such action, it would be extremely helpful if America's allies could freeze Iranian assets in the way that the Americans had done. It was the cleanest and simplest way of approaching the problem. The justification would be that the Iranian Government was holding hostages in defiance of a Security Council resolution and, shortly, of a judgement of the International Court. It would be made clear that the freeze would be lifted as soon as the

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American hostages were freed. President Carter considered that collective action on these lines would have a strong effect.

Mr. Vance said that a possible alternative approach was to exploit the existence of cross default clauses in existing loans to Iran. This was the approach preferred by the Swiss and Italian Governments. The Prime Minister asked whether Iran was in default with the US banks because Iranian assets in the United States had been blocked. If so this default was a rather artificial one. Mr. Vance said that both kinds of default existed. It was because of the points the Prime Minister had made that he preferred a freeze. The Prime Minister said that the effects of the freeze on the banking system world wide could be devastating. It was the sort of action that had in the past only been taken in time of war. The British Government would have to pass legislation to take the necessary powers. Mr. Vance said that he had received advice that HM Treasury did have powers under existing instruments to freeze assets. (He gave the Prime Minister a copy of an opinion to this effect by Mr. Patrick Neill QC.) The Foreign and Commonwealth Secretary said that the advice he had received was that the Government had no powers at present to take the sort of action that the American Government had in mind. The difficulty about legislating to take the powers would be that the Iranians would withdraw all their assets before the legislation had been passed. It was agreed that the question of the Government's powers should be looked at urgently in the light of Mr. Neill's opinion.

Mr. Vance said that there was a meeting of international bankers going on in Basle at which the question of a freeze was being discussed. The Prime Minister said that this would be useful. It was essential to have the views of the banking community since uninformed decisions taken by politicians might cause lasting damage to the system as a whole. She was also concerned about the possibility of general Arab confidence in the banks being undermined with the result that they would be more inclined than ever to keep their oil in the ground. Mr. Vance said that he was confident that other Arab Governments would understand so long as a freeze was explicitly linked to the fate of the hostages, to the Security Council resolution

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and to the World Court's judgement. Mr. Brewster said that from his contacts with the Governor of the Bank of England and with the Treasury Solicitor he judged that they also thought that there would be fewer problems in taking action against ^{the} assets if such action were tied to the release of the hostages.

The Foreign and Commonwealth Secretary said that the British Government were anxious to do what they could and he personally considered that, if at all possible, we should respond to the US request for action against the assets. He did not exclude taking such action alone but he very much hoped it would be possible to do this in conjunction with the Nine. Britain was already the number two target of the Iranian Government. We did not wish to place our own people in Iran at even greater risk.

The Prime Minister agreed that every effort should be made to bring pressure on the Iranian regime. The alternatives were difficult to contemplate. But she also hoped that it would be possible to act in conjunction with others. She asked about the reactions that Mr. Vance had received so far. Mr. Vance said he would be talking to the Heads of Government in Paris, Rome and Bonn in the next 24 hours and to the Japanese Foreign Minister later in the day. The Japanese had been very unhelpful. They had been helping the Iranians to evade the effects of action taken by the US Government so far. He intended to speak very bluntly to the Japanese Foreign Minister. The Prime Minister said that she hoped the Germans and French would join in taking action.

Asked about the state of the hostages, Mr. Vance said that from all that he had heard they were in a bad state. They had been exposed to a sophisticated form of brainwashing. He did not know whether the hostages were all in the compound.

The Prime Minister asked Mr. Vance whether food supplies from the United States to Iran had been stopped. Mr. Vance replied that no food was going to Iran from East coast ports but some grain was still being shipped from the West coast.

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- 5 -

Rhodesia

The Prime Minister told Mr. Vance that it would be very awkward for her if when she arrived in Washington there was a British Governor in Salisbury but US sanctions against Rhodesia were still in operation. Mr. Vance indicated that he understood the point.

Arms for the Royal Ulster Constabulary

The Prime Minister said that she attached great importance to the issue by the US Government of licences for the supply of Ruger pistols to the Royal Ulster Constabulary. Mr. Vance said that President Carter would take no decision until he had discussed the matter with the Prime Minister.

The meeting ended at 1115.

Pms

10 December 1979

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OPINION

I am asked to advise the United States Government on the questions set out below:-

Question 1: Can the United Kingdom Government under existing statutory powers freeze Iranian assets here?

The assets to which the question is directed are cash balances held by banks in London to the credit of the Central Bank of Iran, Iranian banks and other Iranians. In my opinion the United Kingdom Government has the necessary power under Section 5 of the Exchange Control Act, 1947 which provides as follows:-

"5. Payments in the United Kingdom

except with the permission of the Treasury, no person shall do any of the following things in the United Kingdom, that is to say -

- (a) make any payment to or for the credit of a person resident outside the Scheduled Territories; or
- (b) make any payment to or for the credit of a person resident in the Scheduled Territories by order or on behalf of a person resident outside the Scheduled Territories; or
- (c) place any sum to the credit of any person resident outside the Scheduled Territories

The section opens with the words "except with the permission of the Treasury" The United Kingdom Government has recently by a group of Statutory Instruments (S.I. 1979 Nos. 1331-8) given

● general permission under this and other provisions of the 1947 Act. An exception was made in the case of Rhodesian residents. A further exception could be created covering the payments to or for the credit of Iranian residents.

Question 2: Can the United Kingdom Government under existing statutory powers prohibit payment overseas by overseas branches of British banks to or for the credit of Iranian residents?

The United Kingdom Government has the necessary power under Section 6(1) of the Exchange Control Act, 1947 which provides as follows:

"6. Payments outside the United Kingdom

(1) except with the permission of the Treasury, no person resident in the United Kingdom shall, subject to the provisions of this section, make any payment outside the United Kingdom to or for the credit of a person resident outside the Scheduled Territories".

Here again it would be necessary to create an exception to the general permission recently granted. If any special provisions are needed to deal with branches of banks or residence problems ample powers are given in that connection by Sections 39 and 41 of the 1947 Act.

Question 3: Is there a limitation on the purpose for which the powers given by the Exchange Control Act, 1947 may be used?

There is no express limitation appearing on the face of the two sections referred to above and there is no general limitation expressed elsewhere in the Act. No guidance is afforded by the long title to the Act which states simply "An Act to confer powers, and impose duties and restrictions, in relation to gold, currency, payments, securities, debts, and the import, export, transfer and

settlement of property and for purposes connected with the matters aforesaid". It might be urged that the powers can only be used for "exchange control purposes" but it is not easy to define what such purposes are or where economic objectives stop and political objectives begin. Support for the view that the powers are unqualified is afforded by the action taken by the United Kingdom Government when Rhodesia made its unilateral Declaration of Independence on 11th November, 1965. A whole series of retaliatory measures were taken including the rapid enactment of the Southern Rhodesia Act, 1965. Amongst the measures was an Order made under the Exchange Control Act, 1947, namely, the Exchange Control (Payments) (Amendment) Order, 1965 (S.I. 1965 No. 1940) which cut back a general permission previously given under Section 5 of the Act by the Exchange Control (Payments) Order, 1959 (S.I. 1959 No. 374). The effect was that payments to Southern Rhodesian residents became illegal in the absence of special Treasury permission. The fundamental point is that it is the 1947 Act which itself creates the statutory prohibitions. The Treasury can relax the prohibitions but does not itself create them. With this may be contrasted other United Kingdom emergency legislation which can only be activated if a specific emergency situation can be said to exist. (See the Emergency Powers Act, 1920, Section 1, and the Emergency Laws (Re-enactments and Repeals) Act, 1964, Section 2).

Question 4: What is the procedure by which the United Kingdom Government could achieve the results indicated in the answers to Questions 1 and 2?

As a practical matter it would be necessary for the Government to make and lay before Parliament a statutory instrument which cut back the permissions previously granted so as to exclude payments

made to or for the credit of Iranian residents from the benefit of those permissions. Any such statutory instrument could have immediate effect (as did the 1965 Order referred to under Question 3 above), but it would be subject to annulment by either House of Parliament within 40 days (See Section 36(2) of the 1947 Act).

F. P. Neill, Q.C.,
1 Hare Court,
Temple,
London, E.C.4.

9th December, 1979.

CITIBANK N.A.

Plaintiffs

AND

BANK MARKAZI IRAN

First Defendants

UNITED STATES OF AMERICA

Second Defendants

OPINION

THEODORE GODDARD & CO.
16 St. Martin's-le-Grand,
London, E1A 4EJ.

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FM TEHRAN 081245Z DEC 79

TO IMMEDIATE FCO

TELEGRAM NUMBER 1308 OF 8 DECEMBER

INFO IMMEDIATE WASHINGTON AND UKMIS NEW YORK

YOUR TELNO 439 TO JEDDA: US-IRAN CONFRONTATION.

1. SINCE MY TELEGRAM NO 1293, THE SITUATION HAS MOVED ON IN THAT WHAT SEEMS TO BE A MAJOR MOVEMENT OF OPPOSITION TO KHOMEINI'S CONSTITUTION HAS DEVELOPED IN AZERBAIJAN, WITH THE MUSLIM PEOPLE'S REPUBLICAN PARTY (MPRP) NOW CLEARLY IN OPPOSITION TO THE ISLAMIC REPUBLICAN PARTY (IRP). I AM STILL INCLINED TO DOUBT WHETHER SHARIAT MADARI IS OF THE STUFF OF OPPOSITION LEADER, BUT HE APPEARS TO BE READY TO BE USED BY THE AZERBAIJANI OPPOSITION MOVEMENT, PRESUMABLY IN THE HOPE THAT BY SO DOING HE WILL EITHER INDUCE A CHANGE OF HEART IN KHOMEINI OR SO UNDERMINE HIM THAT HE IS REPLACED.
2. KHOMEINI FACES OTHER PROBLEMS. THE CEASE-FIRE WITH THE KURDS IS ABOUT TO END, AND HE SEEMS NO NEARER TO CONCEDEDING THE SUBSTANCE OF THE KURDISH DEMANDS, AN AUTONOMOUS KURDESTAN WITH A REGIONAL ASSEMBLY. UNEMPLOYMENT IS RAMPANT AND THE ECONOMY SHOWS NO SIGN OF PICKING UP. EFFORTS TO REVIVE IT WILL BE HINDERED BY THE ECONOMIC MEASURES ALREADY TAKEN BY THE US AND THE DISRUPTION OF HAVING TO SWITCH CURRENCIES AND SOURCES OF SUPPLY. IF, AS I BELIEVE, THE ANTI-AMERICAN MOVEMENT WHICH HE STARTED AT THE BEGINNING OF NOVEMBER WAS DESIGNED AS A DIVERSION FROM THESE OTHER TROUBLES AND TO CREATE AN ARTIFICIAL UNITY WHICH WOULD CARRY THE CONSTITUTION THROUGH, IT HAS ONLY BEEN PARTIALLY SUCCESSFUL. IN PARTICULAR, IN THE CONTEXT OF THE CONSTITUTION HE SEEMS TO HAVE MADE HIS EFFORT TOO SOON (OR THE UNDERLYING DIVISIONS WERE SO DEEP THAT EVEN IN IRAN A MERE FOREIGN DIVERSION WAS NOT ENOUGH). HE NOW THEREFORE HAS EITHER TO FIND ANOTHER DIVERSION, AND GIVEN THE DEPRECIATING EFFECTIVENESS OF SUCH TACTICS IT WOULD HAVE TO BE SOMETHING PRETTY STRIKING, OR HE WILL HAVE TO CHANGE HIS TACTICS ON THE MAIN ISSUES, UNLESS HE IS TO BE SWEEPED AWAY.

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/ 3. DESPITE

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3. DESPITE WHAT I HAVE SAID ABOUT THE LACK OF FLEXIBILITY ON THE IRANIAN SIDE IN THE US/IRAN DISPUTE (E.G. IN PARAGRAPH 3 OF MY TELNO 1293), THERE ARE NOW SOME SIGNS THAT AT LEAST AT THE LEVEL BELOW KHOMEINI THERE IS A DESIRE FOR A PEACEFUL SOLUTION. QOTBZADEH AT HIS PRESS CONFERENCE YESTERDAY MORNING LEFT SEVERAL EXPERIENCED WESTERN JOURNALISTS WITH THE IMPRESSION THAT HE PERSONALLY WISHED TO FIND A WAY OUT AND TO SEE A SETTLEMENT. BANI SADR AND BAZARGAN WE KNOW TO BE OF THIS VIEW, AND WE HAVE HAD INFORMATION, ALTHOUGH IT IS IMPOSSIBLE TO BE SURE OF ITS RELIABILITY, THAT THE REVOLUTIONARY COUNCIL AS A WHOLE WOULD FAVOUR THE RELEASE OF THE HOSTAGES AND AN ENDING TO THE DISPUTE (MY TELNO 1303), SHARIAT MADARI HAD DESCRIBED THE HOLDING OF HOSTAGES AS UNISLAMIC.

4. IF THEREFORE THERE IS A MOVEMENT DEVELOPING IN FAVOUR OF A PEACEFUL SOLUTION AND THE RELEASE OF THE HOSTAGES, IT WOULD BE SLOWED DOWN, IF NOT REVERSED, BY FURTHER ECONOMIC MEASURES AND A FORTIORI BY MILITARY MEASURES AGAINST IRAN: AND IF THE WEST AS A WHOLE WERE TO BE INVOLVED, IT SEEMS TO ME INEVITABLE THAT THE MAIN EFFECT IN THE SHORT TERM WOULD BE TO RALLY OPINION TO KHOMEINI AND TO CAUSE THE VARIOUS REGIONAL AND POLITICAL GROUPINGS OPPOSED TO HIM TO SINK THEIR DIFFERENCES IN FACE OF THE COMMON WESTERN (IMPERIALIST) ENEMY. IN FACT IT WOULD ENSURE THAT IN TRYING TO FIND A WAY OUT OF HIS DIFFICULTIES, KHOMEINI WOULD OPT FOR HEIGHTENED TENSION ABROAD RATHER THAN TACKLING HIS INTERNAL PROBLEMS. THE TRIAL OF THE HOSTAGES WITH MAXIMUM PUBLICITY IS AN OBVIOUS OPTION IN THIS CASE, WHEREAS, DESPITE THE RHETORIC, I AM NOT SURE THAT THIS IS YET FIRMLY DECIDED UPON. MILITARY ACTION WOULD, I FEEL SURE, PRECIPITATE ACTION AGAINST THE HOSTAGES.

5. IN A SITUATION IN WHICH THE GOVERNMENT'S WRIT IS AT BEST SOMEWHAT UNCERTAIN, IT IS EXTREMELY DIFFICULT TO FORECAST WHAT THE PRECISE REACTION LOCALLY IN ANY GIVEN CIRCUMSTANCE WOULD BE. TO THE EXTENT HOWEVER TO WHICH OUR VARIOUS GOVERNMENTS WERE THOUGHT TO BE ACTING TO BRING PRESSURE ON IRAN IN CONCERT WITH THE US, TO THAT EXTENT I HAVE LITTLE DOUBT THAT BRITISH AND OTHER WESTERN INTERESTS (INCLUDING OUR CITIZENS AND PERHAPS AT THE TOP OF THE LIST, ALTHOUGH I DO NOT WISH TO BE ALARMIST, EMBASSIES) WOULD RUN A GRAVE RISK OF MOB ACTION, INCLUDING, NOW THAT THE PATTERN HAS BEEN SET, THE TAKING OF HOSTAGES.

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6. IN ALL THE CIRCUMSTANCES, AND WITH A PROPER AWARENESS OF THE RESPONSIBILITY, I SERIOUSLY BELIEVE THAT IN TERMS OF THE SAFETY OF THE HOSTAGES AND OF THE WEST'S INTERESTS IN THIS AREA, IT WOULD BE WORTH EXERCISING PATIENCE A BIT LONGER TO SEE WHETHER THE INTERNAL PRESSURES I HAVE OUTLINED IN PARAS 1 AND 2 WILL NOT WORK THE TRICK. IF, AS QOTBZADEH HAS ANNOUNCED, ACCESS BY DIPLOMATS TO ALL THE HOSTAGES HAS BEEN AGREED (ALTHOUGH THE AGENCY REPORTS MAY NOT REFLECT IT, THIS IS WHAT HE SAID YESTERDAY), THIS MIGHT HELP THE US ADMINISTRATION TO HOLD OFF (ALTHOUGH IF SUCH ACCESS CONFIRMS THE WORST FEARS ABOUT THE CONDITIONS IN WHICH THE HOSTAGES ARE HELD, I RECOGNISE THAT PRESSURES FOR ACTION MAY INDEED INCREASE).

7. TWO FINAL THOUGHTS: IF A CHAPTER VII RESOLUTION IS TO BE RULED OUT, AS SIR A. PARSONS ADVISES, UNDER WHAT LEGAL POWERS WOULD IT BE INTENDED THAT WE SHOULD ACT? AS A LAYMAN IT WOULD SEEM THAT IN THE ABSENCE OF SUCH A RESOLUTION, WE COULD ONLY PROCEED TO MEASURES OF THE KIND THE AMERICANS APPEAR TO HAVE IN MIND IF WE WERE TO DECLARE A STATE OF WAR. THE AMERICANS ARE IN EFFECT THERE ALREADY, BUT WOULD WESTERN INTERESTS AS A WHOLE BE SERVED IF WE WERE TO FOLLOW THEM? SECONDLY, WE DO NEED AS MUCH NOTICE AS POSSIBLE OF ANY ACTIVE MEASURES, IN ANY CASE NOT LESS THAN 3 CLEAR DAYS IN WHICH TO THIN OUT EVEN FURTHER, OR PERHAPS PULL OUT ALTOGETHER.

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 MR C LUCAS DEPT OF ENERGY

Michael Alexander

Vance with Perry: —

We can freeze ^{transfers}

assets. 1947 Exchange

Control Act or by

order of the Treasury

which would be valid

for about 40 days before

challenge.

covering SECRET



Foreign and Commonwealth Office

London SW1A 2AH

7 December 1979

11 A

Dear Michael,

Iran

/ I attach a brief for the Prime Minister's use when the US Secretary of State calls on her at 10.30 am on 10 December.

The brief is missing two important documents, which should be attached: the draft of an interdepartmental paper on further non-military measures against Iran and a JIC assessment of the military options available to the US. I understand the Cabinet Office will provide these two papers to you direct so that the Prime Minister can have them in her weekend box.

Yours etc

(P Lever)
Private Secretary

M O'D B Alexander Esq
No 10 Downing Street

covering SECRET

VISIT BY THE SECRETARY OF STATE TO LONDON: 10 DECEMBER

IRAN

POINTS TO MAKE

General

1. Nine give full support for US. Willing to help in Tehran. Would an attempt by the Nine to speak to Khomeini be worth pursuing?
2. Admire President's firmness and restraint. Important to concentrate on hostages: Iran's weakest point. Persistence and patience offer best hope but perhaps a long haul.
3. Appreciate strong feelings in US. Pressure to take stronger action if hostages physically harmed could be irresistible. But hard fact is that forceful retaliation would solve nothing and could seriously damage West's position and friends in region. Gulf situation fragile - anti-Western feeling strong at popular level. Hope you will take us into your confidence before any measures.

US Request for support in financial field

4. We have considered very carefully the two proposals made by your representatives (Carswell, Mundheim) on 6 December. We want to show solidarity if we can. But regret that we think these suggestions won't help.

7. Banks concerned at effect which widespread default would have on confidence in international banking system. We share that concern.

The West risks hurting itself more than it hurts the Iranians.

Further measures against Iran

8. Will consider very carefully any suggestions you have for further action to secure release of hostages (draw as appropriate, but very tentatively on first draft of interdepartmental study, attached to brief). Believe it would be useful if this discussion could be continued at quadripartite dinner in Brussels on 12 December. Will attach importance to views of French and German.

Effect on the Gulf area

9. West is now in difficult patch in Muslim world. Much at stake - oil, commercial market and the geopolitical balance. Iran is likely to be unstable for a substantial time, even if Khomeini dies or is overthrown. This instability could infect or affect others.

10. Soviet policy ambivalent. They will fish in troubled waters and take advantage of West's difficulties and mistakes. If present crisis ends in a break between Iran and the West, the Russians will try to catch Iran on the rebound, hoping for eventual takeover in Tehran by Left. Yet they are nervous about their own Muslim minorities and have problems in Afghanistan.

What should the West do about Islamic revival in general?

11. First recognise limits on effective action by us. Much of this instability is domestically generated. We have no ready-made solutions to offer.

12. Nor must we show excessive anxiety about the possible effect of events in Iran on neighbouring countries; if we do so, we risk

/creating

creating self-fulfilling prophecies. Although the Grand Mosque incident and Shi'a agitation in the Eastern Province pose questions about Saudi security, they do not mean that Saudi Arabia is about to go the same way as Iran, and speculation that it might can be damaging.

13. We do have some cards in our hands. We are not trying to impose Western models. The Islamic revival is potentially as anti-Soviet as it is anti-Western. Soviet policies in Afghanistan and South Yemen (PDRY) are far more worthy of criticism by the Islamic and non-aligned world than anything which the West has done. We must put across our understanding of Islamic sensitivities and not judge all Muslims by Khomeini.

14. After the present crisis, depending on the fate of the hostages, we must maintain a dialogue with the Iranians; if only to counter the myth that will be put about by the Soviet Union and others that the West had turned its back upon the Iranian revolution. Iran is a large power in local terms and has tradition of resistance to Russian pressure.

15. Outside Iran, one of the best antidotes for the current wave of Iranian and Shi'a extremism is local Arab nationalism. We should keep in close political touch with Arab rulers (even Iraq, where France and Britain may play useful roles). We must respond to requests for help over military training and equipment from the smaller countries in the area. We should welcome and discreetly assist the development of closer co-operation among them without pushing them faster than they are prepared to go themselves.

16. Must remember that stability in the Gulf area will also be affected by progress towards Middle East peace settlement. Clear that even traditional rulers attach great importance to a settlement, both out of conviction and because they feel vulnerable to domestic criticism of their friendship with the West which is labelled pro-Israeli.

17. Fragility of Gulf area likely to be chronic. We must reduce our dependence on imported oil. Do not believe military intervention to secure oilfields would help (except in worst case).

11A

ESSENTIAL FACTS

1. The following documents are attached to the brief:
 - (i) first draft of inter-departmental study on further non-military measures against Iran.
 - (ii) First draft of JIC Assessment of military options open to the U.S.
 - (iii) Tehran telegram No 1293 giving Sir J Graham's views on the way ahead.
 - (iv) Washington telegrams Nos 4076 and 4077 on the background to Mr Vance's visit.

2. On 20 November, President Carter instructed the USS Kittyhawk to leave the Pacific for the Indian Ocean. There has been talk of an Entebbe-type rescue operation since the start of the crisis, but it was not generally considered feasible. The US have spoken of 'other remedies' if any harm comes to the hostages, and this has been taken to mean some form of air or naval attack. President Carter has also said that the slate would not be 'wiped clean' even after the release of the hostages.

3. The US had one carrier task force (USS Midway) stationed in the Indian Ocean before the crisis and this has been moved to just east of the Straits of Hormuz. A second force (USS Kittyhawk) has joined it, after collecting large anti-submarine helicopters at Diego Garcia. We believe a 110 man special forces unit may join this force.

4. There is still no indication that Khomeini is willing to consider the release of the 50 hostages in the US Embassy or of the US Chargé Mr Bruce Laingen who is detained in the Foreign Ministry with two colleagues. The students still threaten to try the Embassy staff and we understand that the Embassy's archives are now in Iranian hands.

IRAN INTERNAL

5. Khomeini has successfully used the Embassy crisis and the wave of anti-US xenophobia to drum up support before the Referendum for the new constitution on 2 December. Although there seem to have been many abstentions the 98% favourable vote has given him the endorsement and the constitution he wanted. The support he enjoys in Tehran and the Persian speaking heartland outweighs the opposition of the ethnic minorities and the misgivings of the old liberal opposition and left-wing groups. But trouble in Turkish speaking Azerbaijan over the constitution may distract Khomeini from the hostage issue and this could contribute to its resolution. Economic problems (inflation, unemployment and falling oil production) have not yet eroded Khomeini's mass support.

BRITAIN'S ROLE

6. After the Americans we are the next most likely target for Iranian xenophobia. We have concentrated, with the Nine, in putting pressure on the Iranian Foreign Minister (since 28 November Mr Sadeq Gotzbzadeh) and on making public statements of support for the US. We are not mediating, but we are reporting facts and interpretation promptly to the US, who have been very appreciative.

7. Britain now has 21 Embassy staff and 6 dependants in Tehran. Our community is down to about 300. We have no Royal Navy ships in the area. British Airways flights have been suspended as a result of pilots' reluctance to fly into or over Iran at present. There is a considerable Iranian community in Britain (estimates range from 60 - 100,000) and low-level incidents are exploited by the Iranian Embassy here to sour relations. Our exports (January - October 1979) were £180m (the 1978 figure for the same period was £654m), and Iran provides about 5% of our crude oil imports.

FREEZING OF FINANCIAL ASSETS (US REQUEST OF 6 DECEMBER FOR FURTHER ACTION)

8. US Treasury Secretary Miller saw the Chancellor on 29 November, and expressed concern that the bulk of Iranian assets subject to Presidential Order are held in London. If these are unfrozen by courts, US banks would be in 'net exposed' position where claims exceeded deposits. Mr Miller asked if HMG could help to maintain the US freeze in London. The Chancellor expressed sympathy but explained that the legality of US action was a matter for the courts. HMG would not interfere in the legal process.

9. In our view the Iranians would be likely to win a court action. (We believe this also French view.) In any case UK court action will take time (at least six weeks).

10. Separate legal action is being taken in London by the Chemical Bank who have sought to offset Iranian deposits against their share of a \$500 million syndicated loan (headed by Chase) which declared in default. But the injunction confining Iranian official assets to remain within the jurisdiction of English courts is likely to be temporary (until hearing between all parties takes place).

11. It is our wish to avoid disruption and a general loss of confidence in the banking system. A crisis point could come if a UK court order to US banks to free assets were ignored. Ensuing default would cause extreme disruption.

12. Carswell and Mundheim made two specific requests: that HMG intervene in the courts to support statements there by the US Government (along lines that the Government of Iran should not enjoy protection of courts given breach of international law); that HMG indicate to UK banks that they should invoke cross default clauses on Iranian loans.

/Carswell

Carswell and Mundheim ^{8h} visited Paris/7 December. Other US officials visited the FRG and Switzerland.

FURTHER MEASURES AGAINST IRAN

See inter-departmental paper attached to brief.

MILITARY ACTION

See JIC Assessment attached to brief.

GULF SECURITY

13. The smaller states of the Gulf which took the first after-tremors of the Iranian revolution in their stride, are now in a nervy state as a result of the US/Iran confrontation and the Grand Mosque incident. There have been demonstrations against the United States in Kuwait and Dubai and the Saudi Shi'a community rioted on the religious festival of Ashura (30 November). US freezing of Iranian assets has disturbed the better-off (however much they dislike Khomeini) as a dangerous precedent and could lead to renewed pressure to keep oil in the ground.

14. The traditional rulers face threats from:

- (a) The Shi'a elements in their population. These are a majority only in Bahrain where the Ruler has managed to contain the threat so far. In other states, we believe the rulers will suppress Shi'a agitation and the latter risk being branded as Iranian Fifth Columnists.
- (b) Puritanical religious opposition. The traditional rulers have made every effort to keep closely in step with religious opinion. But their private lives are often far from Islamic and the scale of corruption is immense. Fanatical religious groups, which were discounted as a political threat until the Mecca outrage, will now need to be taken more seriously.
- (c) Arab nationalist feeling. There is dislike of the rulers' Western connections and a feeling that they are not pressing the struggle against Israel. This has not yet taken a defined political form but it could be dangerous, particularly in the officer corps.
- (d) Social discontent and dislocation. Many of these states have leapt from a tribal economy into the consumer society in one generation. Although their inhabitants have been protected and considerably enriched, there could still be resentment at expatriates and symbols of westernisation. But because the bulk of unskilled workers are imported from abroad,

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the indigenous inhabitants of the states are,
by birth, well-established on the social ladder.

15. These different elements could fuse if a crisis were provoked by US military action and the effect on friendly rulers could, at worst, be destructive, and, at best, render them less sympathetic to the West and more inclined to reduce oil production.

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FROM TEHRAN 0512007Z DEC 79

TO IMMEDIATE FCO

TELEGRAM NUMBER 1293 OF 5 DECEMBER

INFO PRIORITY WASHINGTON , EEC POSTS, UKMIS NEW YORK

MY TEL NO 1282: U S EMBASSY, TEHRAN.

1. THIS IS A MOST INTRACTABLE PROBLEM, SINCE THE MINDS OF THE TWO PARTIES ARE MOVING ON DIFFERENT TRACKS, ONE LEGAL, THE OTHER EMOTIONAL. AT HEART MOST THINKING IRANIANS MUST REALISE THAT THEY HAVE BITTEN OFF MORE THAN THEY CAN CHEW, BUT IT IS DIFFICULT FOR THEM TO CLIMB DOWN. KHOMEINI IN PARTICULAR HAS GOT WHERE HE IS BY STICKING TO HIS GUNS AND, AS SIR A PARSONS HAS COMMENTED, IT IS A PERSIAN CHARACTERISTIC TO RAISE THE BID AT THE SLIGHTEST SIGN OF FLEXIBILITY IN THE OPPONENT. IT IS TRUE THAT KHOMEINI HAS GIVEN WAY OVER THE CHADOR AND FROZEN MEAT, MINOR MATTERS IN WHICH HE ALLOWED OTHERS TO EXPLAIN AWAY HIS OBITER DICTA: (LAST TWO WORDS UNDERLINED) HE HAS ALSO FINALLY ADOPTED AN OUTWARDLY CONCILIATORY ATTITUDE TO THE KURDS, IN THE FACE OF THEIR STRONG MILITARY RESISTANCE, IN EFFECT WITHDRAWING HIS EX-COMMUNICATION OF HOSSEINI AND QASSEMLOU. MANY HERE DOUBT HOWEVER WHETHER HE IS PREPARED TO MAKE ANY CONCESSION OF SUBSTANCE ON THE AUTONOMY ISSUE. IN GENERAL HE HAS PROVED ADAMANT., AND THERE APPEARS TO BE LITTLE UNDERSTANDING AMONG IRANIANS, EVEN AMONG THOSE IN RESPONSIBLE POSITIONS, THAT WHAT SEEMS TO THEM THEIR SIMPLE DEMAND, THE RETURN OF THE SHAH, IS NOT ONE THAT ANY SELF-RESPECTING GOVERNMENT WHICH HAD ADMITTED HIM IN SIMILAR CIRCUMSTANCES, COULD CONTEMPLATE, LEAST OF ALL UNDER THE PRESSURE OF THE HOLDING OF HOSTAGES.

2. THE EUROPEAN COMMUNITY AMBASSADORS HAVE MADE THIS POINT TO DANI SADR., AND AT OUR NEXT MEETING WITH QOTZ ADEH MUST, I BELIEVE, MAKE IT AGAIN TO HIM. WE HAVE STUDIOUSLY AVOIDED, HOWEVER, GIVING THE IMPRESSION THAT WE ARE MEDIATING OR SPEAKING FOR THE U S. WE HAVE TAKEN OUR STAND ON THE

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PRINCIPLES OF IMMUNITY AND THE INADMISSIBILITY OF TAKING HOSTAGES, ON THE GROUNDS THAT THEIR OBSERVANCE IS VITAL TO ALL COUNTRIES, AND ON THE HUMANITARIAN ASPECTS., AND WE HAVE SAID THAT NONE OF OUR (LAST WORD UNDERLINED) GOVERNMENTS WOULD NEGOTIATE UNDER THE PRESSURE OF HOSTAGES, WITHOUT SAYING IN TERMS THAT THAT IS ALSO THE U S POSITION. BUT I CANNOT CLAIM THAT WE HAVE MADE MUCH IMPACT, EXCEPT PERHAPS ON BANI SADR, WITH THE RESULT THAT HE WAS REMOVED.

3. THE QUESTION ARISES THEREFORE WHAT MORE WE CAN OR SHOULD DO. THE NEXT STEP, I BELIEVE, MUST BE A REQUEST TO BE RECEIVED JOINTLY BY KHOMEINI, IN ORDER TO MAKE THE SAME POINTS TO HIM. SOME OF MY COLLEAGUES HOWEVER MAY BE RELUCTANT., AND OF COURSE THE REQUEST MIGHT BE REFUSED. I AM UNDER NO ILLUSION THAT SUCH A MEETING WOULD BE VERY FRUITFUL, THE PRIME DIFFICULTY BEING THAT KHOMEINI HABITUALLY USES SUCH MEETINGS AS THE OCCASION FOR A MONOLOGUE BY HIMSELF, WITH THE TV CAMERAS PRESENT. NEVERTHELESS IT MIGHT HELP TO PUT OVER THE PRINCIPLES BY WHICH WE STAND AND PERHAPS TO OBTAIN UNDERTAKINGS ABOUT THE TREATMENT OF THE HOSTAGES AND ACCESS TO THEM. I THINK WE SHOULD CONCENTRATE PARTICULARLY ON ACCESS, TO AVOID BEING BRUSHED OFF WITH A COMMENT THAT WE HAVE ALREADY RECEIVED REPEATED ASSURANCES THAT THE HOSTAGES ARE BEING TREATED WELL. WE COULD ARGUE THAT IF THEY ARE, THERE IS NO REASON WHY A VISITOR APPROVED BY KHOMEINI SHOULD NOT BE GIVEN REGULAR ACCESS, SUBMITTING TO WHATEVER SECURITY MEASURES THE GROUP IN THE EMBASSY LAYS DOWN.

4. BY DOING THIS WE WOULD OF COURSE EXPOSE THE COMMUNITY COUNTRIES IN A WAY WHICH HITHERTO WE HAVE AVOIDED, AND RISK PUTTING OURSELVES IN THE LIGHT OF ACTIVE ALLIES OF THE U S. IT MAY BE THAT WE CANNOT AVOID THIS ANYWAY. THE IRANIAN STRATEGY, IF THERE IS NO DE-ESCALATION FOLLOWING THE REFERENDUM ON THE CONSTITUTION, WILL PRESUMABLY BE TO BROADEN THE STRUGGLE INTO A "DEPRIVED" VS " PREDATOR" ONE, IE A NORTH/SOUTH CONFRONTATION. THERE ARE ALREADY SIGNS OF THIS. THEY MAY CALCULATE THAT THE LONGER THE DISPUTE DRAGS ON THE BETTER THE CHANCES OF THE NON-ALIGNED FORGETTING THE ACTUAL CAUSE AND ACCEPTING THE IRANIAN ARGUMENT THAT IT IS THE U S POLICY THAT IS AT THE ROOT. THEY COULD

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MOVE THEIR STANCE TACTICALLY (E.G. AS SOME JOURNALISTS HERE
READY SPECULATING, BY RELEASING MOST OF THE HOSTAGES
AND PUTTING ON TRIAL THOSE WHO CAN PLAUSIBLY BE DENOUNCED AS
SPIES). IF THIS TACTIC WORKS, THE OTHER WESTERN COUNTRIES..
WILL BE DRAWN INTO THE DISPUTE.

INDEED, THIS IS HAPPENING TO SOME EXTENT ALREADY. QOTBZADEH'S
PATIENCE, NEVER TOO LONG, IS CLEARLY WEARING THIN AND WE,
AND PARTICULARLY THE U K , ARE COMING CLOSER TO BEING SEEN AS
IN THE U S CAMP. THERE WAS A VICIOUS ATTACK ON THE U K AND
THE BBC IN YESTERDAY'S " ISLAMIC REPUBLIC" (REPORTED
YESTERDAY).

5. ANY SUCH TENDENCY WOULD BE ACCELERATED IF WE (THE COMMUNITY 5
AND OTHER LIKE -MINDED COUNTRIES) WERE TO BE DRAWN INTO
MORE ACTIVE MEASURES OF SUPPORT FOR THE U S . THE FRG
RELUCTANTLY FIND THEMSELVES INVOLVED IN A LEGAL BATTLE OVER
THE IRANIAN HOLDING IN KRUPP, AND NOT MANY HERE WILL TAKE
THE DISTINCTION BETWEEN THE FRG GOVERNMENT AND COURTS.

ALREADY, TOO, HMG ARE HOLDING UP DEFENCE SUPPLIES, WHICH WE
ARE CONTRACTED TO DELIVER AND FOR WHICH THE IRANIANS HAVE
PAID. IF WE ARE TO BE DRAWN DOWN THIS ROAD, IT SEEMS TO ME
IMPORTANT THAT WE SHOULD DO SO WITH OUR EYES OPEN, AFTER
FULL CONSIDERATION OF THE COURSES OPEN TO US AND OF THE LIKELY
CONSEQUENCES. TO MITIGATE THOSE CONSEQUENCES, IT IS
PARTICULARLY IMPORTANT THAT WE SHOULD ACT IN CONCERT WITH THE
REST OF THE COMMUNITY.

6. ONE COURSE, ALREADY ADVOCATED IN PARLIAMENT, WOULD BE TO
WITHDRAW ALL OUR EMBASSIES, LEAVING ONLY CARETAKERS.
MERE RUNNING DOWN OF STAFF WOULD NOT BE EFFECTIVE AS A GESTURE:
TOTAL WITHDRAWAL MIGHT SHAKE THE IRANIAN PUBLIC AT LEAST.
IT WOULD LEAVE US HOWEVER WITH NO POSSIBILITY FOR FURTHER
DIPLOMATIC ACTION., IT WOULD LEAVE UNPROTECTED OUR COMMUNITIES
AND TRADE., AND IT WOULD LEAVE THE FIELD OPEN TO THE EAST
EUROPEANS FOR AN INDEFINITE PERIOD (ONCE OUT, WE MIGHT NOT
FIND IT EASY TO GO BACK). IN OUR OWN CASE, IT ALSO RISKS THE
TAKE-OVER OF OUR TWO COMPOUNDS, VALUABLE ASSETS FOR WHICH
WE SHOULD NOT SEE COMPENSATION.

7. OTHER OBVIOUS MEASURES INCLUDE THE BLOCKING OF IRANIAN

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FUNDS (ULTRA VIRES IN THE UK IN PRESENT CIRCUMSTANCES), A TRADE BOYCOTT, WHICH WE HAVE ALWAYS OPPOSED ON PRINCIPLE EXCEPT UNDER A MANDATORY U N RESOLUTION, A REFUSAL TO BUY IRANIAN OIL, WHICH WOULD HURT US MORE THAN IRAN, THE INTRODUCTION OF VISAS FOR IRANIANS, WITH ALL THE PROBLEMS THAT WOULD BRING, THE ROUNDING UP AND EXPULSION OF IRANIANS ILLEGALLY IN BRITAIN, WHICH IS PROBABLY IMPOSSIBLE ON PRACTICAL AND LEGAL GROUNDS, AND SO ON - ALL MEASURES WHICH ARE EITHER NOT OPEN TO US ON GROUNDS OF LAW OR PRINCIPLE OR LIKELY MERELY TO IRRITATE WITHOUT INDUCING A NEW FRAME OF MIND. MOREOVER WHILE BLACKMAIL IS UNPLEASANT, IT HAS TO BE ACCEPTED AS A FACT THAT ANY MEASURE THAT IS RECOGNISED OR PERCEIVED HERE AS A FORM OF PRESSURE, IS LIKELY TO PROVOKE A SEVERE REACTION AGAINST THE REMAINING BRITISH INTERESTS, INCLUDING THIS EMBASSY (AND THIS APPLIES TO THE HOLDING UP OF DEFENCE SUPPLIES ONCE THE IRANIANS DETECT A POLITICAL MOTIVE FOR IT).

8. THE CONCLUSION THEN IS NOT CHEERFUL. OTHER OPTIONS MIGHT INCLUDE A CHAPTER VII RESOLUTION IN THE SECURITY COUNCIL CALLING FOR THE RELEASE OF HOSTAGES AND THREATENING, AND PERHAPS RUNNING TO, TRADE SANCTIONS, BUT I DOUBT WHETHER THERE WOULD BE SUPPORT FOR SUCH A RESOLUTION EVEN IF THE AMERICANS EVER GET A FAVOURABLE VERDICT FROM THE ICJ.

I AM DRIVEN BACK TO THE CONCLUSION THAT FINALLY A QUICK TRIAL OF SOME AT LEAST OF THE HOSTAGES, RESULTING IN CONVICTION AND A SENTENCE OF EXPULSION IS PROBABLY THE ONLY PRACTICAL WAY OUT OF THE IMPASSE. AND THE GREATER THE OUTCRY IN THE U S, THE BETTER THIS WOULD SERVE IN IRAN. THE PROBLEM IS HOW TO ARRIVE AT THIS RESULT. SOME INDICATION BY THE U S OF A READINESS TO ACCEPT EXTRADITION DOCUMENTS FOR THE SHAH MIGHT HELP, AS MIGHT THE EARLY DEPARTURE OF THE SHAH FROM THE U S. EQUALLY KHOMEINI IS CAPABLE OF CARRYING THROUGH A

/VOLTE-FACE

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FACE (LAST TWO WORDS UNDERLINED) IF HE JUDGED IT IN
HIS INTERESTS , BUT I SEE NO SIGN OF FLEXIBILITY SO FAR
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WASHINGTON 062115Z DEC 79
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TELEGRAM NO 4076 OF 6 DECEMBER

YOUR TELNO 1789: IRAN

1. WHEN I SAW VANCE TODAY I SAID THAT WE WOULD WANT TO GIVE POSITIVE SUPPORT IF POSSIBLE TO THE MEASURES WHICH VANCE WOULD BE UNFOLDING DURING HIS VISIT TO EUROPEAN CAPITALS NEXT WEEK RATHER THAN SIMPLY ACQUIESCE IN THEM. SUPPORT WOULD BE EASIER IF WE COULD HAVE SOME INDICATIONS IN ADVANCE. I ALSO SPOKE IN GENERAL ABOUT THE EXTENT TO WHICH OUR INTERESTS COULD BE AFFECTED BY US ACTION OVER IRAN, AND THE DESIRABILITY OF FOREWARNING.
2. VANCE AGREED. HE SAID HIS VISIT HAD LEAKED. HE HAD PLANNED TO TELL ME FIRST TODAY. THE PRESIDENT WANTED HIM TO GO OVER AND EXPLAIN HOW MATTERS STOOD ON IRAN, WHAT THE AMERICANS THOUGHT MIGHT HAPPEN NEXT, TO SEEK EUROPEAN ADVICE AND IN ONE OR TWO INSTANCES TO SAY THAT THE AMERICANS WANTED OUR HELP ON THE ECONOMIC SIDE. VANCE PROMISED TO LET ME HAVE SOME DETAILS OF THESE ECONOMIC IDEAS TODAY OR TOMORROW. VANCE WOULD WANT TO DISCUSS OUR GENERAL ASSESSMENT ON THE HOSTAGES AND ALSO DISCUSS REGIONAL PROBLEMS IN THE MIDDLE EAST AND SOUTH ASIA.
3. VANCE SAID HE SAW NO DIFFICULTY ABOUT DISCUSSING ALL THIS AT THE QUADRIPARTITE DINNER IN BRUSSELS ON 12 DECEMBER. THE PRESIDENT HAD ASKED HIM TO DISCUSS CERTAIN ISSUES BILATERALLY BUT HE WOULD HAVE DONE THAT BY THE TIME HE GOT TO BRUSSELS. HE PLANNED TO REACH LONDON ON SUNDAY 9 DECEMBER EVENING AND THEN VISIT PARIS, ROME AND BONN BEFORE GETTING TO BRUSSELS FOR THE DINNER ON WEDNESDAY 12 DECEMBER. HE DID NOT WANT TO LEAVE OUT ROME SINCE COSSIGA'S GOVERNMENT HAD BEEN SO HELPFUL ON TNF AND OTHER ISSUES AND HAD ALSO CUT OFF ARMS SUPPLIES TO IRAN.
4. VANCE SAID HE ENTIRELY ACCEPTED THE VALUE OF PRIOR CONSULTATION IN CONNECTION WITH ECONOMIC MEASURES AND OTHERS. HE SAID INCIDENTALLY THAT THEY WERE PLEASED AT THE NEWS OF THE COURT'S INJUNCTION AGAINST THE RELEASE OF IRANIAN ASSETS IN LONDON.

15.

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5. WHEN I RAISED THE QUESTION OF DIEGO GARCIA AND THE LEAK IN TODAY'S WASHINGTON POST, (MY TELNO 4072) VANCE IMMEDIATELY ACCEPTED THAT THE LESS SAID PUBLICLY ABOUT THE ISLAND THE BETTER, FROM EVERYONE'S POINT OF VIEW. HE PROMISED TO CALL HAROLD BROWN AND JDDY POWELL AND ASK THEM TO TELL THEIR PEOPLE TO SHUT UP. I THEN EXPLAINED TO VANCE THE CONTINGENCY LINES FOR THE PRESS SET OUT IN YOUR TELEGRAM NUMBER 759 TO TEHRAN WHICH HE WARMLY APPROVED.
6. FOR VANCE'S ACCOUNT OF VARIOUS CHANNELS OF NEGOTIATION OVER THE HOSTAGES SEE MY IMMEDIATELY FOLLOWING TELEGRAM.

HENDERSON

FILES

HD/HCB

HD/DEF.D

HD/PLANNING STAFF

PS

PS/LPS

PS/MR HORD

MR BULLARD

HORD BRIDGES

MR J.C. MOBERLY

SECRET

GRS 330
SECRET

M WASHINGTON 062120Z DECEMBER 79
TO IMMEDIATE FCO
TELEGRAM NUMBER 4077 OF 6 DECEMBER.

DECLASSIFIED
DATE 10/1/01

M I P T: IRAN

1. VANCE SAID THAT THEY WERE HARD AT WORK THROUGH A NUMBER OF DIFFERENT CHANNELS. THE SECRETARY GENERAL HAD DECIDED TO SEND A REPRESENTATIVE TO TEHRAN, NOT YET CHOSEN, PROBABLY EITHER R AHMED OR BRIAN URQUHART. MORE IMPORTANT, FARHANG, THE FORMER IRANIAN CULTURAL ATTACHE IN WASHINGTON HAD AGREED TO ACCEPT THE LEADERSHIP OF THE IRANIAN DELEGATION TO THE UN ONLY IF ASSURED OF THE RIGHT TO RETURN HOME FOR CONSULTATIONS WITH THE REVOLUTIONARY COUNCIL AND KHOMEINI. FARHANG WAS IN FAVOUR OF THE RELEASE OF THE HOSTAGES AND THE SETTLEMENT OF THE CRISIS. AMERICAN INTELLIGENCE INDICATED THAT FARHANG HAD OBTAINED THE SUPPORT OF THE REVOLUTIONARY COUNCIL FOR HIS VIEWS. HE MUST NEXT TACKLE KHOMEINI. IT WOULD BE VERY GOOD IF FARHANG DID RETURN AS LEADER OF THE IRANIAN UN DELEGATION.
2. ON THE PLO, VANCE SAID THAT HE SENT DAILY MESSAGES TO ARAFAT, WHO WAS NOW CONSIDERING WHETHER TO HEAD A MISSION TO IRAN UNDER THE AEGIS OF THE ISLAMIC COUNCIL TO MAKE A SPECIAL APPEAL TO KHOMEINI. PRINCE FAHD HAD BEEN URGING HIM TO DO SO. ARAFAT WAS HESITATING. HIS PEOPLE IN TEHRAN WERE SIZING UP THE SITUATION. ARAFAT GENERALLY SUPPORTED THE AMERICAN LINE. SO THE PLO LINK WAS ACTIVE AND USEFUL.
3. VANCE SAID THAT GENERAL ZIA ALSO WANTED TO SEND A MISSION OF HIS OWN. THE AMERICANS HAD TOLD HIM THEY HAD NO OBJECTION. THE AMERICANS KNEW FROM SECRET SOURCES THAT THERE WERE INCONSISTENCIES BETWEEN WHAT ZIA WAS SAYING TO THEM AND TO KHOMEINI. BUT THAT MIGHT NOT MATTER.
4. THE IDEA OF DEMIREL OR ASAD GOING TO TEHRAN NOW SEEMED DEAD BUT ASAD HAD SENT QUITE A HELPFUL MESSAGE.
5. I ASKED, EXPLAINING THAT IT WAS A PERSONAL IDEA AND NOT ON INSTRUCTION, WHETHER VANCE THOUGHT IT WOULD BE USEFUL FOR THE COMMUNITY AMBASSADORS TO TRY TO SEE KHOMEINI TOGETHER, PARTICULARLY TO ASK FOR REGULAR ACCESS TO THE HOSTAGES. VANCE SAID THAT HE THOUGHT IT WOULD BE USEFUL. I THEN GAVE VANCE A BRIEF ACCOUNT OF SIR J GRAHAM'S TALK WITH HASSAN HABIB.

16.

SECRET

SECRET

AS WE WERE LEAVING HIS OFFICE VANCE SAID THAT HE HAD ASKED DOBRYNIN WHETHER THEY COULD COUNT ON SOVIET SUPPORT FOR CHAPTER 7 ACTION IN THE SECURITY COUNCIL. DOBRYNIN HAD SAID QUOTE THAT IS A VERY INTERESTING QUESTION UNQUOTE. VANCE HAD THEN ASKED WHETHER THERE WOULD BE A SOVIET VETO. DOBRYNIN SAID HE MUST SEEK INSTRUCTIONS. 7. I LEAVE TO YOU THE DECISION ON WHETHER TO REPEAT THESE TELEGRAMS TO TEHRAN.

HENDERSON

FILES

HD/HCB

HD/DEF. D

HD/PLANNING STAFF

PS

PS/LPS

PS/MR HURD

MR GULLARD

MR BRIDGES

MR J.C. MOSELEY

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SECRET

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R
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2/12

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

7th December 1979

Dear Sir,

① British assets
 - Arab banks

VISIT OF MR. VANCE : IRANIAN ASSETS

② Key to ?
 - 6/1/64

.....

I enclose, as we agreed, a copy of a note prepared within the Treasury for the Chancellor and the Foreign Secretary about the proposals put to them yesterday by Mr. Carswell of the United States Treasury.

③. Quarterly?

The note is intended, subject to any comments which the Chancellor may have over the weekend, as a brief for Ministers when they see Mr. Vance next week.

④ Mac a
 - only with
 - Europe

Yours ever,

A.M.W. Battishill

(A.M.W. BATTISHILL)

T. Lankester, Esq.,
No.10, Downing Street

CONFIDENTIAL

CHANCELLOR OF THE EXCHEQUER

cc Financial Secretary
Sir Douglas Wass
Sir Kenneth Couzens
Mr Barratt - o.r.
Mrs Hedley-Miller
Mr Gill
Mr Slater
Mr Peretz

Mr Ryrie - UKTSD

Mr Payton) B of E
Mr Edgley))

Mr Hosker - Tsy Sol

PS/Foreign Secretary)
Mr Bayne) FCO
Mr Hannay)

VISIT OF MR VANCE: IRANIAN ASSETS

I attach a brief analysing the two proposals put to you and to the Foreign and Commonwealth Secretary by Mr Carswell of the United States Treasury yesterday. The brief concludes with a line for Ministers to take when talking to Mr Vance on Monday.

2. Lord Carrington will be seeing Mr Vance for breakfast at 9.30 on Monday. If you wish to make any change in the brief, he will need to know before then.

3. You will see that the Attorney General has been consulted about the proposal that he should appear in Court to make a statement in support of the American position. I understand that he will be writing to you to confirm the advice in the brief.

4. Also attached to this minute is a copy of the passage that we have proposed to go into the interdepartmental report on possible measures against Iran and dealing with the freezing of Iranian assets in London. Although Mr Carswell did not ask you to do anything of the sort because he had been told that we had no statutory powers, he did say that, if we were able to use a statute, that would be very welcome to the Americans.

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5. I do not think it would be wise to mention this matter to Mr Vance on Monday. The interdepartmental report should be considered collectively by Ministers before anything is said to the Americans on this subject.

6. There is a different point which I think would be worth making to Mr Vance. The latest development in the stream of legal proceedings is an injunction by the US Chemical Bank restraining (among other things) interest due to the Government of Iran from their loan to the National Water Council which is guaranteed by HMG. I find it rather odd that the Chemical Bank should have singled out this loan in this way. It is possible that the Americans are trying to put direct pressure on HMG by presenting us with the possibility of a default on one of the loans that we guarantee.

7. I think therefore that it would be worth a Minister saying in passing to Mr Vance while he is here that one of the Court actions taken by US banks raises the possibility of a default on a loan guaranteed by HMG. The US Government must understand that we could not allow such a thing to happen and that we will take whatever action is necessary to ensure that there is no default on a loan guaranteed by HMG.

D.H.

D J S HANCOCK
7 December 1979

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SUPPORT FOR US ACTION IN FREEZING DEPOSITS

When he visited London on 6 December, Mr Carswell of the US Treasury asked HMG to consider two suggestions for ways in which we could help the United States:-

(i) A statement, presumably by the Attorney General, in the commercial court when it considers the question whether the Iranians are entitled to withdraw their deposits from US banks in London despite the President's Order. The purpose of the statement would be to persuade the court that it would be right for them to give consideration to the President's Order.

(ii) Guidance by the Bank of England to all British banks with loans to Iran that they should take steps to protect their position by invoking all possible opportunities to declare defaults and offset Iranian funds deposited with them because of the political situation in Iran.

Mr Carswell also said that, if we felt able to take action under a Statute to freeze Iranian deposits with US banks in London, that would be very welcome; but he understood that we had no powers to do so.

2. Mr Carswell explained the background to the American requests at length. The US Administration feared that very soon some of the hostages would be submitted to a show trial. The domestic political pressure on the President to take counter-action would be very strong. Some public display of support by America's allies would be a great help to the President in resisting such pressures. The Administration had reviewed a long list of possible counter-steps and some of these would be discussed when Mr Vance visited Europe next week. None of the counter measures looked at all attractive; but counter measures in the financial area seemed to the US Administration to be the least unattractive in the sense that the repercussions were more predictable and potentially less damaging than those of the remaining options.

A statement by HMG in the Commercial Court

3. The proposal is that the Attorney General should appear as a friend of the court and say that, in the view of HMG, it would be appropriate for the court to take into account the wider international context in which the action had arisen. The Iranians had, by taking and holding hostages, put themselves in clear breach of international law. HMG were fully associated with the condemnation as was shown by our vote in the Security Council. Given that wider context it was inappropriate that the Iranian Government should have the protection of the normal principles of UK contract law and the commercial court should, therefore, in the opinion of HMG, give due regard to the existence of the President's Order freezing Iranian assets.

4. The Attorney-General has been consulted by the Treasury Solicitor about this suggestion in relation to the declaration, which is being sought by Citibank against Bank Markhazi, Iran, and the USA, that the steps taken under the laws of the United States to block official Iranian assets apply to the dollar deposits of Bank Markhazi Iran held at the London branch of Citibank. Whilst he is in full sympathy with the US endeavours to secure the release of the hostages held in Tehran, the Attorney-General does not consider that the court would hear an application by him as amicus curiae based on the propositions set out in the preceding paragraph.

Guidance by the Bank of England to British Banks

5. The proposal in this case is that the Bank of England should formally advise British banks with loans to Iran that Iran had become an exceedingly bad risk because of the political situation there and the actions of the authorities; and that, as a result, British banks should protect their commercial interests by exploiting all possible opportunities to declare defaults on loans to Iran, to invoke cross-default clauses and to offset any Iranian funds deposited with them. Mr Carswell argued that it was regular practice for Governments or Central Banks to give such guidance to private banks. Prudential supervisors, for example, normally had regard to political risk when they examined the exposure of individual banks to particular countries.

6. The American proposal is based on a fundamental confusion of thought. It is true that the Bank of England have regard to political risk when giving guidance to individual banks on their exposure to particular countries. But the effect of the bank accepting this guidance is for them to reduce the

number of new loans that they make in order to reduce their overall exposure. It is completely inconsistent with the system of prudential supervision for a central bank to advise a commercial bank to declare a default on an existing loan against its commercial judgement.

7. When banks lend money to sovereign borrowers, political risk is one of the factors they explicitly take into account. The spreads on syndicated bank loans reflect different political risks - this is why the spreads are higher in potentially unstable countries and why an African country, for example, is most unlikely to be able to achieve the same terms as a West European country. It is true that, when many of the present loans to Iran were made, the terms agreed were very attractive; but this was because the banking community, like most Western Governments, mistakenly assumed that the Shah's regime was stable.

8. It is therefore not possible for the Bank of England in thier capacity as supervisory authority to do what the Americans have suggested.

9. We have considered whether it would be possible to do something similar but in a manner unconnected with the responsibilities of the Bank of England as prudential supervisor. The reformulated suggestion might be that the Bank of England should quietly and behind the scenes ask British banks informally if they would agree, in support of a foreign policy objective to help the United States, to declare defaults, use cross-default clauses and offset.

10. However the objections to this course are overriding. In the first place it would, in the view of the Bank of England and the Treasury, be most unwise for the Bank to attempt to interfere with the commercial judgement of the British banks in this way. The British banking community and the City of London is one of our most powerful and successful economic assets. Its strength in the international financial world derives from the confidence that people have in the integrity and commercial freedom of British banks and other banks who operate in London. It is this reputation which makes both depositors and lenders willing to do business with British banks and with other banks in London.

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11. In any case, we do not share the view of the US Administration that the Iranians have, in fact, committed a deliberate or reprehensible default. It is now well established and admitted on all sides that the first default was forced on the Iranians by the precipitate actions of the Chase Manhattan Bank, which behaved in a fashion which is entirely inconsistent with the traditions of British banking. It is not yet clear that there have been any subsequent defaults on syndicated loans; our information is that the Iranians have been going out of their way to avoid such defaults.

12. Finally, if, as a result of complying with the suggestions of the Bank of England, a British bank could show that it had lost money, the Bank of England might be liable in law to compensate the bank.

Line to Take

13. Ministers might speak on the following lines to Mr Vance. We have considered the American suggestions very carefully and with every sympathy for their difficulties.

14. So far as the first is concerned the Attorney-General advises that the court would not permit him to appear before it to make a statement in the way suggested.

15. On the second, it would be inconsistent with the principles under which a central bank formally supervises commercial banks to do what Mr Carswell suggested. Guidance by the Bank of England to British banks about political risk can only relate to new loans with Iran. The Bank of England has no locus or authority to intervene in the exercise by commercial banks of their contractual rights under existing loan agreements.

16. We have also considered carefully whether there might be some more informal way in which the Bank of England could persuade British banks to declare defaults. But we have concluded that to do so would be to interfere with the commercial judgement and responsibilities of British banks. We do not think that it would be right to do so.

FREEZING IRANIAN ASSETS

The Americans have not yet asked us to freeze Iranian assets in the UK. They have made two specific requests for support in relation to legal steps being taken by US Banks in London to try to prevent Iranian official deposits held with them being withdrawn. These requests are being handled separately, and are not discussed further in this paper.

2. We might be asked in future to take Government action to freeze Iranian assets in the UK. This might relate only to Iranian deposits with US banks here, or to deposits with British banks as well.

3. There are no existing powers that the Government could use for this purpose in present circumstances. We are advised that action under either the Exchange Control Act or the Emergency Laws (Re-enactments and Repeals) Act 1964 would be ultra vires. New legislation would be needed.

4. In almost any conceivable circumstances such action on our part would be very damaging (and not only to our own interests) and likely to be ineffective. It would undermine one of the main foundations on which one of our most successful economic assets - the British banking community and the City of London - has been built. It would also affect the international banking system more generally: reducing the faith of Arab oil producers in the security of their funds and thereby giving them further incentive to leave their oil in the ground; and affecting the system's ability to recycle OPEC financial surpluses to the countries in need of them.

5. We have considered whether these difficulties could be substantially reduced if the freezing action were done in a way that was precisely related to the purpose of supporting the Americans over the hostages and did not extend wider. The important conditions are:-

(a) There should be an agreement to similar action by a sufficiently large number of countries - preferably the whole of the EEC and the Group of Ten. No doubt many of the other countries would need to pass legislation to give effect to such an agreement. Collective action of this sort would help to make the freeze general enough to

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be effective, and would also reduce the risk of undermining the reputation of London as a safe place for OPEC and other Third World assets in comparison to the other main financial centres.

(b) Such action would need to be taken simultaneously and rapidly in all countries concerned, to avoid the danger of leaks and pre-emptive withdrawal of assets by the Iranians.

(c) The action would have to be specifically related to the hostages, and Iran's violation of international law and breach of the Vienna Convention. The UK legislation would state that it was to lapse as soon as the hostages were released (or, by order, to cover the possibility that the hostages were murdered).

6. The Treasury and the Bank of England would have considerable reservations about the practicability and risks of such legislation, even when circumscribed in this way. In any case, it is very unlikely that the conditions (in particular, simultaneous action by a sufficient number of countries) would be met.



Prime Minister

Ans

NOTE OF A MEETING BETWEEN THE CHANCELLOR OF THE EXCHEQUER AND
THE DEPUTY SECRETARY OF THE US TREASURY, MR. ROBERT CARSWELL,
AT NO.11, DOWNING STREET ON THURSDAY 6TH DECEMBER 1979

Ans

US Deputy Treasury Secretary Carswell called on the Chancellor this morning during a tour of European capitals. He was accompanied by Mr. Mundheim, General Counsel to the US Treasury, Mr. George Vest, of the State Department, the US Ambassador and Mr. Ammerman. The Chancellor was accompanied by the Governor of the Bank of England and Mr. McMahon; Sir Kenneth Couzens, Mr. Hancock and Mr. Hosker, Treasury Solicitor; and by Lord Bridges of the FCO.

2. After an exchange of courtesies, during which the Chancellor reaffirmed HMG's sympathy for the United States Administration over the plight of the hostages in the Tehran Embassy, Mr. Carswell spoke at length.

3. Mr. Carswell recalled that President Carter had written to the Prime Minister about their visit. The President thought it would be helpful if this small team came to London, in advance of the visit of Secretary of State Vance, to review possible financial options which might be taken in response to the developing situation in Iran. The US had concluded that an early resolution of the plight of the hostages was unlikely. The situation could well escalate with the possibility of show trials. The President was under extreme pressure to act. Available options were unappetising. All could have unfortunate side effects. They ranged over the whole spectrum. The consequences of those in the financial area seemed more predictable. Their purpose in coming to London was to seek to have them explored. The US was sensitive to the consequences for the UK of the actions already



taken, and wished to take proper account of them. Without further action, public perception would grow that the Iranian actions were succeeding in humiliating the US. This would have undesirable consequences. He would like, therefore, to put forward certain proposals which H.M. Government might consider.

4. Before coming to these, Mr. Carswell briefly reviewed the events leading to the Presidential blocking order and the consequences that had followed. President Carter's action had been a direct response to indications that the Iranian Government contemplated withdrawal of official assets from the US, in an attempt to bring about his country's financial humiliation. This had to be seen in the context of previous nationalisation of US assets. The blocking order had been intended as a measured response to that situation. A number of exclusions had been made from it, and the President had licensed all transactions in non-dollar assets. There had been a deliberate attempt to limit the extra-territorial effect of the order. To retreat now from that position carried dangerous political consequences, not least for the hostages. The US was facing an emergency political and economic situation. The Administration had sent representatives for talks with France, Germany, Italy and Switzerland as well as the UK and were meeting the Japanese the following week. But because of London's financial importance, and the extent of Iranian assets there, the United Kingdom occupied a central position. In the coming week, the US Government were likely to take a position in the UK courts on blocking. The Administration intended to make a statement to the courts, though the timing and procedures remained under consideration.

5. Against that background, Mr. Carswell went on to suggest two possible courses of action that he asked the UK authorities to consider.

(a) Statement by HMG

Mr. Carswell's first suggestion was that the Attorney General might appear in the High Court to make a



statement on behalf of Her Majesty's Government in the private action between the Iranian authorities and the US Administration and the Chemical Bank. The burden of his argument was that the illegal and uncivilised acts of the Iranian Government should deprive them of the protection of a purely private action for contract in the UK courts. He submitted that, in the present situation, it would be reasonable for the UK Government to ask the courts to take account of the wider context in judging the legitimacy of applying the US blocking order to assets held in the UK. Mr. Carswell and Mr. Mundheim suggested that this action would be in accordance with the spirit of the Security Council Resolution and the objectives of the International Monetary Fund.

(b) Action by UK Banks to protect their Iranian loans

Mr. Carswell said that since November 14th, the Iranians had made no payment to any US bank in respect of loans either as principal or as syndicate leader. Iran was in default to a sum of \$200 million to the Ex-Im Bank. These were no longer the actions of a normal borrower. The Iranian Government was in default in a technical sense and, he submitted, in a real sense. Was it, therefore, not time for other banks to recognise that fact and give a clear message to the Iranian authorities. This could produce a significant short-term effect on the situation, though not in the longer term because of Iranian oil-wealth.

Mr. Carswell said that he recognised there were difficulties in proceeding under UK law, but he hoped that the UK Government would assess these against the escalating political risks in the deteriorating situation. He regarded the options he had described as at the lower end of the scale of possibilities.



6. The Chancellor repeated that HM Government were sympathetic to the US in its present difficulties and to the search for all possible means to bring about improvement. However, the Government would have to weigh carefully the implications of seeking to introduce policy considerations into a matter of law. The second of Mr. Carswell's proposals seemed a rather blurred concept. Mr. Carswell agreed; but said that the US Administration had had to face that fact, and act upon it. It was not unreasonable for a Central Bank to reach the view that the actions of a foreign state were such as to remove it from the area of normal commercial risks; and in that situation, to advise commercial banks to act accordingly to protect their position. The Governor questioned whether loans to a sovereign government could ever be judged on purely commercial criteria; there must always be a balance of commercial and political risk involved. Mr. Carswell agreed; but said there was ample precedent for the US authorities to make a fresh assessment of political risk, and then take action to classify outstanding loans. The US had in fact been very patient: the Iranians had been in technical default since the revolutionary government came to power.

7. The Chancellor then asked Mr. Carswell for what purpose the US Government were inviting the UK to take the actions he had suggested. Mr. Carswell had explained that the blocking order had initially been directed at the threat of withdrawal of Iranian assets. It seemed now to be directed at wider purposes, and almost to sustain a position of economic warfare. Was that the position? Mr. Carswell replied that that was correct. Secretary Vance would be able to explain what other options were under consideration. The US was ready to listen to advice, and to consider options which others cared to suggest.



8. The Governor said he wanted to be sure that he understood what Mr. Carswell was saying. The blocking order had been intended originally to protect the US from a situation in which claims on the Iranian Government would have been left outstanding. But the act of withdrawal by a depositor was not itself an illegitimate act. Was Mr. Carswell saying that the current actions were designed to secure the release of hostages? Would such outcome remove the need for the blocking order? Or was Mr. Carswell implying that it would still be needed as a protection against the threatened withdrawal of Iranian assets.

9. Mr. Carswell said the main concern was for the hostages. But he could not deny the importance of longer term implications of the blocking action. How these would be unravelled depended on how the hostages were released and whether normal relations could be resumed with Iran. The US objective would be to get back to normal as quickly as possible once the hostages were released. He could not deny that that might not be immediately possible. The Chancellor referred to Rhodesian sanctions. That had been a response to a United Nations resolution. Unfortunately the US was not operating against that kind of background. Mr. Carswell replied that that approach could be one of the options. But this might require more time than was available: and there was fear of a Russian veto. A trade embargo or blockade was another alternative; that could cause terrible problems. The consequences for limited financial actions were more easily predictable. But a unified response from other countries could only be helpful. The Chancellor said this raised questions about the powers available to the UK Government and the Bank of England, and whether further legislation would be needed. Sir Kenneth Couzens admitted to worries that escalation of the default action might turn out to be more harmful to US self-interest than to the Iranian Government. The US clearly needed a strongly concerted response from a whole number of countries. A powerful response from one or two countries could cause more difficulties. Mr. Carswell agreed that it would be best if all countries responded



together; but, because of the heightening effect of cross-default clauses, even help from one or two would be valuable. The extent of Iranian assets in London removed any immediate risk to the UK banking system.

10. The Governor said that depended on the judgement of the UK courts. There was no necessarily close mutuality between Iranian claims and assets. He could not understand why the US had moved so quickly to declare defaults. Would it not have been better, and in line with the declared objective of the blocking order, for Chase to have allowed assets to be applied to US claims rather than to declare a default.

11. In reply, Mr. Carswell repeated what he had said about fears of withdrawal by the Iranians. Since 14th November, the Iranian authorities had offered to make payments only to foreign banks; no offers whatsoever had been made to US banks. For others to countenance such payments would weaken the US position and strengthen that of Iran. The Governor asked whether the Iranian response was not simply that they would meet their obligations to those who had not taken action against them. Mr. Carswell said that ignored the fact that the US had licensed payments with newly-acquired dollars. The Chancellor said he could not understand why Chase had refused to allow payments mandated before the Presidential Order. It seemed as if the US had actively encouraged default. Mr. Carswell replied that the Chancellor's description of the timing applied only to the first default, not the second. Sir Kenneth Couzens said he could not see that it helped the US position to spread and escalate default: this would weaken the dollar and hardly help the hostages. Once the US had secured the Iranian assets, he could not see the logic of preventing transactions to US banks and other residents. Mr. Carswell said this was to ignore the total situation, in which there could be no expectation of any authorised payments to US residents.



12. The Chancellor said he did not wish to seem to be rejecting all US suggestions. We wanted to be helpful. But we wanted also to appreciate longer-term implications of different courses. Affecting the traditional separation of the Executive from the Judiciary could have far-reaching juridical and other implications. These needed to be carefully weighed. Hasty action could do more harm to the US than Iran and to confidence in the financial system. This would not be in our mutual interest.

13. In the course of further exchanges, Mr Carswell again repeated that US actions were directed first and foremost to the release of the hostages. Mr Hancock asked whether the proposed US statement to the Courts would make that clear. Mr Mundheim said that the Presidential order was wide enough to embrace that interpretation. But he and Mr Carswell acknowledged the importance of reaffirming a clear statement of objective. The Governor said there was considerable difference between the US seeking to justify its actions against Iranian assets by reference to a clear act of illegality rather than to a suspected threat of default on Iranian debts.

14. The Ambassador said there was a ratchet effect in the present situation. It was important that the American people and President continued to respond moderately and should not be forced to retreat into unilateral chauvinist action. They must not feel isolated from their friends. Unilateral action would be less effective. And others would capitalise on any suggestion that the US had lost the full support of her allies. He was not suggesting that this was the position but he hoped HMG would recognise the President's sense of personal isolation.



15. Mr Carswell thanked the Chancellor for receiving them. Because of French air traffic control problems he and Mr Vest would have to leave almost immediately for Paris; but Mr Mundheim was remaining in London and would be available for further talks with the Bank. The meeting ended at 1.30 p.m.

amb

A.M.W. BATTISHILL
6th December 1979

Circulation

Chief Secretary
Financial Secretary
Sir D. Wass
Sir K. Couzens
Mr Barratt
Mr Hancock

Lord Bridges, FCO
Mr Bayne, FCO
Mr Ryrie, UKTSD

Mr Hosker Treasury Solicitor

Governor of the Bank of England
Mr McMahon Bank of England

Mr Lankester, No 10

PS/Foreign Secretary

SECRET

GRS 4-60
SECRET

FM WASHINGTON 062115Z DEC 79
IMMEDIATE FCO
TELEGRAM NO 4076 OF 6 DECEMBER

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YOUR TELNO 1789: IRAN

1. WHEN I SAW VANCE TODAY I SAID THAT WE WOULD WANT TO GIVE POSITIVE SUPPORT IF POSSIBLE TO THE MEASURES WHICH VANCE WOULD BE UNFOLDING DURING HIS VISIT TO EUROPEAN CAPITALS NEXT WEEK RATHER THAN SIMPLY ACQUIESCE IN THEM. SUPPORT WOULD BE EASIER IF WE COULD HAVE SOME INDICATIONS IN ADVANCE. I ALSO SPOKE IN GENERAL ABOUT THE EXTENT TO WHICH OUR INTERESTS COULD BE AFFECTED BY US ACTION OVER IRAN, AND THE DESIRABILITY OF FOREWARNING.
2. VANCE AGREED. HE SAID HIS VISIT HAD LEAKED. HE HAD PLANNED TO TELL ME FIRST TODAY. THE PRESIDENT WANTED HIM TO GO OVER AND EXPLAIN HOW MATTERS STOOD ON IRAN, WHAT THE AMERICANS THOUGHT MIGHT HAPPEN NEXT, TO SEEK EUROPEAN ADVICE AND IN ONE OR TWO INSTANCES TO SAY THAT THE AMERICANS WANTED OUR HELP ON THE ECONOMIC SIDE. VANCE PROMISED TO LET ME HAVE SOME DETAILS OF THESE ECONOMIC IDEAS TODAY OR TOMORROW. VANCE WOULD WANT TO DISCUSS OUR GENERAL ASSESSMENT ON THE HOSTAGES AND ALSO DISCUSS REGIONAL PROBLEMS IN THE MIDDLE EAST AND SOUTH ASIA.
3. VANCE SAID HE SAW NO DIFFICULTY ABOUT DISCUSSING ALL THIS AT THE QUADRIPARTITE DINNER IN BRUSSELS ON 12 DECEMBER. THE PRESIDENT HAD ASKED HIM TO DISCUSS CERTAIN ISSUES BILATERALLY BUT HE WOULD HAVE DONE THAT BY THE TIME HE GOT TO BRUSSELS. HE PLANNED TO REACH LONDON ON SUNDAY 9 DECEMBER EVENING AND THEN VISIT PARIS, ROME AND BONN BEFORE GETTING TO BRUSSELS FOR THE DINNER ON WEDNESDAY 12 DECEMBER. HE DID NOT WANT TO LEAVE OUT ROME SINCE COSSIGA'S GOVERNMENT HAD BEEN SO HELPFUL ON TNF AND OTHER ISSUES AND HAD ALSO CUT OFF ARMS SUPPLIES TO IRAN.
4. VANCE SAID HE ENTIRELY ACCEPTED THE VALUE OF PRIOR CONSULTATION IN CONNECTION WITH ECONOMIC MEASURES AND OTHERS. HE SAID INCIDENTALLY THAT THEY WERE PLEASED AT THE NEWS OF THE COURT'S INJUNCTION AGAINST THE RELEASE OF IRANIAN ASSETS IN LONDON.

/s.

SECRET

SECRET

5. WHEN I RAISED THE QUESTION OF DIEGO GARCIA AND THE LEAK IN TODAY'S WASHINGTON POST, (MY TELNO 4072) VANCE IMMEDIATELY ACCEPTED THAT THE LESS SAID PUBLICLY ABOUT THE ISLAND THE BETTER, FROM EVERYONE'S POINT OF VIEW. HE PROMISED TO CALL HAROLD BROWN AND JODY POWELL AND ASK THEM TO TELL THEIR PEOPLE TO SHUT UP. I THEN EXPLAINED TO VANCE THE CONTINGENCY LINES FOR THE PRESS SET OUT IN YOUR TELEGRAM NUMBER 759 TO TEHRAN WHICH HE WARMLY APPROVED.

6. FOR VANCE'S ACCOUNT OF VARIOUS CHANNELS OF NEGOTIATION OVER THE HOSTAGES SEE MY IMMEDIATELY FOLLOWING TELEGRAM.

HENDERSON

FILES

HD/MCD

HD/DEF. D

HD/PLANNING STAFF

PS

PS/LPS

PS/MR HORD

MR BULLARD

MR BRIDGES

MR J.C. MOBERLY

SECRET

GRS 330
SECRET

M WASHINGTON 062120Z DECEMBER 79
TO IMMEDIATE FCO
TELEGRAM NUMBER 4077 OF 6 DECEMBER.

DISTRIBUTION
E11 10/1

M I P T: IRAN

1. VANCE SAID THAT THEY WERE HARD AT WORK THROUGH A NUMBER OF DIFFERENT CHANNELS. THE SECRETARY GENERAL HAD DECIDED TO SEND A REPRESENTATIVE TO TEHRAN, NOT YET CHOSEN, PROBABLY EITHER R AHMED OR BRIAN URQUHART. MORE IMPORTANT, FARHANG, THE FORMER IRANIAN CULTURAL ATTACHE IN WASHINGTON HAD AGREED TO ACCEPT THE LEADERSHIP OF THE IRANIAN DELEGATION TO THE UN ONLY IF ASSURED OF THE RIGHT TO RETURN HOME FOR CONSULTATIONS WITH THE REVOLUTIONARY COUNCIL AND KHOMEINI. FARHANG WAS IN FAVOUR OF THE RELEASE OF THE HOSTAGES AND THE SETTLEMENT OF THE CRISIS. AMERICAN INTELLIGENCE INDICATED THAT FARHANG HAD OBTAINED THE SUPPORT OF THE REVOLUTIONARY COUNCIL FOR HIS VIEWS. HE MUST NEXT TACKLE KHOMEINI. IT WOULD BE VERY GOOD IF FARHANG DID RETURN AS LEADER OF THE IRANIAN UN DELEGATION.
2. ON THE PLO, VANCE SAID THAT HE SENT DAILY MESSAGES TO ARAFAT, WHO WAS NOW CONSIDERING WHETHER TO HEAD A MISSION TO IRAN UNDER THE AEGIS OF THE ISLAMIC COUNCIL TO MAKE A SPECIAL APPEAL TO KHOMEINI. PRINCE FAHD HAD BEEN URGING HIM TO DO SO. ARAFAT WAS HESITATING. HIS PEOPLE IN TEHRAN WERE SIZING UP THE SITUATION. ARAFAT GENERALLY SUPPORTED THE AMERICAN LINE. SO THE PLO LINK WAS ACTIVE AND USEFUL.
3. VANCE SAID THAT GENERAL ZIA ALSO WANTED TO SEND A MISSION OF HIS OWN. THE AMERICANS HAD TOLD HIM THEY HAD NO OBJECTION. THE AMERICANS KNEW FROM SECRET SOURCES THAT THERE WERE INCONSISTENCIES BETWEEN WHAT ZIA WAS SAYING TO THEM AND TO KHOMEINI. BUT THAT MIGHT NOT MATTER.
4. THE IDEA OF DEMIREL OR ASAD GOING TO TEHRAN NOW SEEMED DEAD BUT ASAD HAD SENT QUITE A HELPFUL MESSAGE.
5. I ASKED, EXPLAINING THAT IT WAS A PERSONAL IDEA AND NOT ON INSTRUCTION, WHETHER VANCE THOUGHT IT WOULD BE USEFUL FOR THE COMMUNITY AMBASSADORS TO TRY TO SEE KHOMEINI TOGETHER, PARTICULARLY TO ASK FOR REGULAR ACCESS TO THE HOSTAGES. VANCE SAID THAT HE THOUGHT IT WOULD BE USEFUL. I THEN GAVE VANCE A BRIEF ACCOUNT OF SIR J GRAHAM'S TALK WITH HASSAN HABIB.

/6.

SECRET

SECRET

6. AS WE WERE LEAVING HIS OFFICE VANCE SAID THAT HE HAD ASKED DOBRYNIN WHETHER THEY COULD COUNT ON SOVIET SUPPORT FOR CHAPTER 7 ACTION IN THE SECURITY COUNCIL. DOBRYNIN HAD SAID QUOTE THAT IS A VERY INTERESTING QUESTION UNQUOTE. VANCE HAD THEN ASKED WHETHER THERE WOULD BE A SOVIET VETO. DOBRYNIN SAID HE MUST SEEK INSTRUCTIONS.

7. I LEAVE TO YOU THE DECISION ON WHETHER TO REPEAT THESE TELEGRAMS TO TEHRAN.

HENDERSON

FILES

HD/HED

HD/DEF. D

HD/PLANNING STAFF

PS

PS/LPS

PS/MR HURD

MR GULLARD

MR BRIDGES

MR J.C. MOBERLY

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SECRET

PS
PS/SIR I GILMOUR
PS/MR HURD
PS/PUS
MR J C MOBERLY
HD/MED
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ADVANCE COPY

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hd/ps

~~PS No 10~~ DOWNING ST
SIR R ARMSTRONG)
ASSESSMENTS STAFF) CABINET OFFICE
MR LE CHEMINANT)
CABINET OFFICE DIO
MR F R BARRATT TREASURY

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[files]

CONFIDENTIAL
FM UKMIS NEW YORK 062303Z DEC 79
TO IMMEDIATE FCO
TELEGRAM NUMBER 1775 OF 6 DECEMBER
INFO IMMEDIATE TEHRAN
INFO PRIORITY WASHINGTON, EEC POSTS.

Bennie Hunter

[Signature]

TEHRAN TELNO 1293: US EMBASSY, TEHRAN

1. I CAN SAY WITH VIRTUAL CERTAINTY THAT THERE WOULD NOT BE ENOUGH SUPPORT HERE FOR A CHAPTER 7 RESOLUTION IMPOSING MANDATORY SANCTIONS ON IRAN. THE AMERICANS WOULD NOT BE ABLE TO OBTAIN THE NECESSARY NINE VOTES BECAUSE THE NON-ALIGNED MEMBERS OF THE COUNCIL, ESPECIALLY KUWAIT, ARE ALREADY NERVOUS. IN ANY CASE, I WOULD HAVE THOUGHT IT ALMOST CERTAIN THAT THE RUSSIANS WOULD VETO SUCH A RESOLUTION.

2. FOR THE MOMENT THE ACTION RESTS WITH WALDHEIM. HE TOLD ME TODAY OF A FURTHER TELEPHONE CONVERSATION HE HAD HAD YESTERDAY WITH QOTBZADEH. HE AGAIN DESCRIBED THE CONVERSATION AS CONSTRUCTIVE: QOTBZADEH HAD DESCRIBED SCR 457 AS "MILD" AND AS SHOWING UNDERSTANDING OF IRAN'S POSITION. THEY HAD DISCUSSED THE POSSIBILITIES OF A SENIOR IRANIAN ENVOY COMING TO NEW YORK OR OF WALDHEIM SENDING SOMEONE TO TEHRAN. QOTBZADEH HAD SAID THAT HE WOULD HAVE TO CONSULT THE REVOLUTIONARY COUNCIL AND THE STUDENTS BEFORE GIVING WALDHEIM AN ANSWER ON THIS. HE HAD PROMISED TO TELEPHONE WALDHEIM IN TWO DAYS OR SO.

3. WALDHEIM ALSO SAID THAT THE AMERICANS HAD STRONGLY URGED HIM NOT TO GO TO TEHRAN HIMSELF ON THE GROUNDS THAT THEY HAD INTELLIGENCE THAT IF HE DID SO, KHOMEINI WOULD DELIBERATELY HUMILIATE HIM (CF MY TELNO 1641 - NOT TO ALL). I TOLD WALDHEIM IN CONFIDENCE THAT THE

TO GO TO TEHRAN WITH
THAT IF HE DID SO, KHOMEINI WOULD DELIBERATELY HUMILIATE HIM (OF
MY TELNO 1641 - NOT TO ALL). I TOLD WALDHEIM IN CONFIDENCE THAT THE
INTERVIEWS EEC AND OTHER AMBASSADORS IN TEHRAN HAD RECENTLY HAD WITH
GOTBZADEH HAD REVEALED A FAR FROM CONSTRUCTIVE ATTITUDE ON HIS PART.

4. I AM NOT HOPEFUL THAT WALDHEIM'S CONTACTS WITH GOTBZADEH WILL
PRODUCE EARLY RESULTS. IN THAT CASE, AND WITH CHRISTMAS APPROACHING,
DOMESTIC PRESSURE WILL PRESUMABLY MOUNT ON THE AMERICANS TO TAKE
FURTHER ACTION IN THE COUNCIL. THIS MIGHT TAKE THE FORM OF A FURTHER
RESOLUTION REAFFIRMING SCR 457. BUT THE DIFFICULTY THE AMERICANS
FACE IS THAT ANY FURTHER RECOURSE BY THEM TO THE COUNCIL WILL LEAD
TO RENEWED PRESSURE BY KUWAIT AND THE OTHER NON-ALIGNED FOR THE
ESTABLISHMENT OF SOME KIND OF INTERNATIONAL TRIBUNAL TO INVESTIGATE
THE MISDEEDS OF THE PREVIOUS REGIME.

PARSONS

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NOTE FOR THE RECORD

cc: Mr. Alexander

The Chancellor of the Exchequer called on the Prime Minister at 0845 hours today. The following are the main points which came up in discussion.

(a) The Chancellor referred to President Carter's emissaries who were visiting Britain today to discuss the Iranian situation. They were intending to put pressure upon the Government to freeze the Iranian deposits which were in US banks in London. Although the President had ordered US banks to refuse the withdrawal of these deposits, under British law US banks resident in London could not be obliged to comply. Already one court decision had gone in favour of an Iranian plaintiff. In theory, the 1964 Emergency Powers Act could be used to oblige the American banks to comply. The US authorities were beginning to threaten that if we did not cooperate they would tell the US banks to pull out of London. He regarded these developments with great misgiving. It was not clear what the US Government was hoping to achieve by their attempt to freeze Iranian assets around the world. It seemed doubtful whether it would have any effect on their handling of the hostages. And if they were trying to take action on Iranian debt defaults it would have been far better to have called a conference of central bankers. The action which the US had taken already was damaging enough in terms of the dollar's future credibility; if it were now to be stepped up, the damage would be all the greater. Furthermore, although the Emergency Powers Act could be invoked, it would appear that we would be using it against Iran with whom we had no direct quarrel - and this might be hard to defend.

(b) The Prime Minister said that she was still concerned about the Bank's handling of monetary policy during October. She hoped that they were now moving quickly in developing specific proposals for Monetary Base Control (MBC). The Chancellor replied that he

/ had indeed

had indeed impressed upon them the need for speed with the MBC proposals. He had also asked them for a rapid appraisal of the methods of selling gilts, and a review of personal credit mechanisms.

(c) The Chancellor asked the Prime Minister whether she had discussed the question of appointments at the Bank with the Governor. The Prime Minister replied that she had seen the Governor privately and had agreed very reluctantly to the appointment of Mr. McMahon as Deputy Governor, and to his other proposals. But she had told him that he must not assume that McMahon would succeed him as Governor: she herself would strongly oppose this. The Chancellor commented that Mr. McMahon was highly respected abroad and could well make a strong candidate for the eventual succession.

(d) The Chancellor said that he was a little worried about the FCO's public posture on EMS. In particular, Lord Carrington's recent speech in Brussels had indicated that we were rather more positive about EMS than he would have liked. It was certainly a more bullish line than the draft which the Treasury had prepared for the Prime Minister's Luxembourg speech (and which in the event had not been used). The Prime Minister said that she did not think the FCO were quite as far out of line as the Chancellor suggested, but she agreed that they should be pulled back a little. The line should be that we hope to be in a position to join EMS sooner or later, but the time is not ripe yet. (The Chancellor asked whether he could have this recorded in writing for the benefit of the FCO: the Prime Minister said she did not think this was necessary. However, I will mention the point to the FCO orally).

(e) EEC Budget: The Chancellor asked whether the Treasury or the FCO should take the lead on the paper on the possibilities of withholding our contribution. The Prime Minister said that it should be the Treasury; she hoped the review could be completed by Christmas. The basic strategy was now to get a £350 million

/ reduction

reduction in contributions (as offered at Dublin), a £400 million or so improvement in receipts, and a change in the structure of the Budget to bring benefits in two or three years time. If this could not be achieved, then we should withhold our contribution.

R.

cc: Minister Sect
Domestic Monetary
EMS
Community Budget
Miss Porter

6 December 1979

IMMEDIATE

IRAN: ADVANCE COPIES *3f 2f*

PS
 PS/SIR I GILMOUR
 PS/MR HURD
 PS/PUS
 MR J C MOBERLY
 HD/MED
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~~RESIDENT CLERK~~

PS No 10 DOWNING ST
 2 SIR R ARMSTRONG)
 ASSESSMENTS STAFF) CABINET
 MR LE CHEMINANT) OFFICE
 CABINET OFFICE DIO
 MR F R BARRATT TREASURY

Hd/Pos

CR 5 DOT

Prime Minister

DESKBY 061600Z
 CONFIDENTIAL UK COMMS ONLY
 FM TEHRAN 061430Z DEC 79
 TO IMMEDIATE FCO
 TELEGRAM NUMBER 1303 OF 6 DECEMBER
 INFO IMMEDIATE CABINET OFFICE (DIO), MODUK (DI4 AND DS11), CRE5,
 WASHINGTON, UKMIS NEW YORK AND BAHRAIN.
 INFO PRIORITY ABU DHABI, ANKARA, BAGHDAD, DOHA, DUBAI, ISLAMABAD,
 JEDDA, KABUL, KUWAIT, MOSCOW, NEW DELHI AND EEC POSTS.

MY TELNO 1294: SITUATION IN IRAN

1. THERE ARE CONFUSED REPORTS OF INCIDENTS YESTERDAY IN TABRIZ
 AND OOM CONNECTED WITH SHARIAT MADARI'S COMMENTS ON THE DRAFT
 CONSTITUTION (MY TELNO 1281 NOT TO ALL). IT SEEMS THAT LARGE
 CROWDS GATHERED LAST NIGHT IN TABRIZ IN FRONT OF THE MOSLEM
 PEOPLE'S REPUBLICAN PARTY OFFICES AND THE BUILDING OF THE NATIONAL
 IRANIAN RADIO AND TELEVISION ORGANISATION (NOW RENAMED "VOICE AND
 VISION OF THE ISLAMIC REPUBLIC OF IRAN" (VVIR)), TO REAFFIRM THEIR
 SUPPORT FOR SHARIAT MADARI AND OPPOSITION TO THE VVIR'S COVERAGE
 OF POLLING IN AZERBAIJAN. DURING THE DAY THEY HAD CALLED FOR

OF POLLING IN AZERBAIJAN. DURING THE DAY THEY HAD CALLED FOR A MARCH TO TAKE PLACE TODAY FOR THE SAME PURPOSES. WHEN LATE LAST NIGHT THE RADIO QUOTED SHARIAT MADARI AS ASKING PEOPLE NOT TO DEMONSTRATE TODAY, THE CROWD BURST INTO THE VVIR BUILDING, BROADCAST CRITICISM OF THE VVIR'S REPORTING AND CALLED ON SHARIAT MADARI TO MAKE A STATEMENT CLARIFYING HIS POSITION ON THE CONSTITUTION. HE IS ALLEGED TO HAVE SAID (FROM QOM) THAT HE HAD ALREADY MADE HIS POSITION CLEAR AND DID NOT NEED TO SAY ANYTHING ELSE; BUT DID NOT ASK THAT ANY DEMONSTRATION BE CALLED OFF. ALTHOUGH VVIR HAS NOT YET MENTIONED THE SITUATION IN TABRIZ TODAY WE HAVE HEARD FROM LOCAL REPORTS THERE THAT A LARGE RALLY HAS TAKEN PLACE. NEWS AGENCY REPORTS THAT THIS AFTERNOON THE VVIR WAS AGAIN TAKEN OVER AND SLOGANS AGAINST QOTBZADEH AND CALLS FOR THE AMENDMENT OF THE CONSTITUTION ON SHARIAT MADARI'S LINES, WERE BROADCAST.

2. DESPITE A MASS OF RUMOURS WE DO NOT YET KNOW EXACTLY WHAT HAPPENED LAST NIGHT IN QOM. SEVERAL JOURNALISTS HAVE GONE TO INVESTIGATE BUT HAVE YET TO REPORT BACK. THE MOST LIKELY SCENARIO SEEMS TO BE THAT A PRO-KHOMEINI GROUP BEGAN TO CHANT HOSTILE SLOGANS OUTSIDE SHARIAT MADARI'S HOUSE, WERE CONFRONTED BY HIS SUPPORTERS AND A SCUFFLE ENSUED. THE PASDARAN APPARENTLY TRIED TO INTERVENE AND AT LEAST ONE AZARI TURK GUARDING SHARIAT MADARI'S HOUSE WAS KILLED (ESTIMATED PUT THE DEAD AT ANYTHING UP TO FIFTEEN). MAHDAVI KANI, A MEMBER OF THE REVOLUTIONARY COUNCIL, TOLD A JOURNALIST IN TEHRAN TODAY THAT "COUNTER-REVOLUTIONARIES" HAD BEEN RESPONSIBLE FOR THE SHOOTING AND THIS IS LIKELY TO BE THE OFFICIAL LINE, WHICH SHARIAT MADARI MAY CHOOSE TO ENDORSE TO REDUCE TENSION AND AVOID FURTHER CONFRONTATIONS. 6 BUSLOADS OF AZARI TURKS ARE SUPPOSED TO HAVE LEFT TABRIZ TODAY TO REINFORCE SHARIAT MADARI'S GUARDS IN QOM. THERE HAVE BEEN RUMOURS THAT HE HAS LEFT THE CITY FOR ISFAHAN BUT NO CONFIRMATION AND IT SEEMS UNLIKELY.

3. JENNINGS OF ABC TOLD US TODAY (PLEASE PROTECT) THAT HE HAS HEARD FROM AN IMPECCABLE SOURCE THAT THE REVOLUTIONARY COUNCIL IS UNITED IN THE BELIEF THAT THE HOSTAGES SHOULD BE RELEASED BUT DO NOT KNOW HOW BEST TO PERSUADE KHOMEINI. THERE IS NO PUBLIC EVIDENCE TO CONFIRM THIS (EXCEPT POSSIBLY BANI SADR'S POSITION) AND CERTAINLY QOTBZADEH SHOWS NO FLEXIBILITY.

4. THE REGIME CONTINUES TO CLAIM A MASSIVE MAJORITY (99.4% OF VOTES) IN FAVOUR OF THE DRAFT CONSTITUTION. VVIR HAS CLAIMED THAT THE ETHNIC MINORITIES HAVE ENTHUSIASTICALLY APPROVED THE DRAFT, WHILE ADMITTING A NUMBER OF INCIDENTS IN THE PROVINCES.

5. THE PRIME MINISTRY YESTERDAY ISSUED A CIRCULAR ANNOUNCING THE INITIATION OF A PURGE OF THE CIVIL SERVICE, INTENDED TO REORGANISE THE ADMINISTRATION ON MORE ISLAMIC AND REVOLUTIONARY LINES. THE FAILURE TO THIS IS ONE OF THE CHARGES LEVELLED AT BAZARGAN.

GRAHAM
BT

IMMEDIATE

Ans

NNNN



10 DOWNING STREET

From the Private Secretary

6 December 1979

Message from President Carter

As I told you on the telephone earlier today, the message to the Prime Minister from President Carter to which the United States Ambassador referred yesterday turned out to be no more than an introduction for Mr. Carswell and Mr. Vest. I enclose the text.

I am sending copies of this letter and its enclosure to Tony Battishill (HM Treasury) and Martin Vile (Cabinet Office) in case they have been wondering what the message said.

M. O'D. B. ALEXANDER

Paul Lever, Esq.,
Foreign and Commonwealth Office

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T161/797

T. 161/797

mt

BEGIN TEXT. DEAR MARGARET:

IRAN'S SEIZURE OF THE AMERICAN EMBASSY, ITS HOLDING OF DIPLOMATIC PERSONNEL AS HOSTAGES AND ITS ATTACK ON THE WESTERN WORLD--PARTICULARLY THE UNITED STATES--HAS CREATED A SITUATION WHICH IS INTOLERABLE. IT IS INTOLERABLE, NOT FOR THE U.S. ALONE, BUT, BECAUSE OF ITS LONGER RUN IMPLICATIONS, FOR ALL CIVILIZED COUNTRIES.

I AM SENDING ROBERT CARSWELL, DEPUTY SECRETARY OF THE TREASURY, AND GEORGE VEST, ASSISTANT SECRETARY OF STATE TO DISCUSS WITH YOUR FOREIGN AND FINANCE MINISTERS OUR CONCERNS ABOUT IRAN AND TO INDICATE HOW I THINK YOU CAN BE OF GREAT ASSISTANCE IN THE FINANCIAL FIELD. I HOPE YOU WILL ENCOURAGE YOUR MINISTERS TO RECEIVE THEM PROMPTLY, EVEN THOUGH THEY COME ON SUCH SHORT NOTICE. MUCH IS AT STAKE FOR ALL OF US.

CY VANCE WILL BE AVAILABLE TO DISCUSS THIS MATTER MORE FULLY WITH YOU NEXT WEEK. SINCERELY, JIMMY CARTER.
END TEXT.

CONFIDENTIAL

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FROM TEHRAN 0512007Z DEC 79

TO IMMEDIATE FCO

TELEGRAM NUMBER 1293 OF 5 DECEMBER

INFO PRIORITY WASHINGTON , EEC POSTS, UKMIS NEW YORK

NY TEL NO 1282: U S EMBASSY, TEHRAN.

1. THIS IS A MOST INTRACTABLE PROBLEM, SINCE THE MINDS OF THE TWO PARTIES ARE MOVING ON DIFFERENT TRACKS, ONE LEGAL, THE OTHER EMOTIONAL. AT HEART MOST THINKING IRANIANS MUST REALISE THAT THEY HAVE BITTEN OFF MORE THAN THEY CAN CHEW, BUT IT IS DIFFICULT FOR THEM TO CLIMB DOWN. KHOMEINI IN PARTICULAR HAS GOT WHERE HE IS BY STICKING TO HIS GUNS AND, AS SIR A PARSONS HAS COMMENTED, IT IS A PERSIAN CHARACTERISTIC TO RAISE THE BID AT THE SLIGHTEST SIGN OF FLEXIBILITY IN THE OPPONENT. IT IS TRUE THAT KHOMEINI HAS GIVEN WAY OVER THE CHADOR AND FROZEN MEAT, MINOR MATTERS IN WHICH HE ALLOWED OTHERS TO EXPLAIN AWAY HIS OBITER DICTA: (LAST TWO WORDS UNDERLINED) HE HAS ALSO FINALLY ADOPTED AN OUTWARDLY CONCILIATORY ATTITUDE TO THE KURDS, IN THE FACE OF THEIR STRONG MILITARY RESISTANCE, IN EFFECT WITHDRAWING HIS EX-COMMUNICATION OF HOSSEINI AND QASSEMLOU. MANY HERE DOUBT HOWEVER WHETHER HE IS PREPARED TO MAKE ANY CONCESSION OF SUBSTANCE ON THE AUTONOMY ISSUE. IN GENERAL HE HAS PROVED ADAMANT., AND THERE APPEARS TO BE LITTLE UNDERSTANDING AMONG IRANIANS, EVEN AMONG THOSE IN RESPONSIBLE POSITIONS, THAT WHAT SEEMS TO THEM THEIR SIMPLE DEMAND, THE RETURN OF THE SHAH, IS NOT ONE THAT ANY SELF-RESPECTING GOVERNMENT WHICH HAD ADMITTED HIM IN SIMILAR CIRCUMSTANCES, COULD CONTEMPLATE, LEAST OF ALL UNDER THE PRESSURE OF THE HOLDING OF HOSTAGES.

2. THE EUROPEAN COMMUNITY AMBASSADORS HAVE MADE THIS POINT TO BANI SADR., AND AT OUR NEXT MEETING WITH QOTZ ADEH MUST, I BELIEVE, MAKE IT AGAIN TO HIM. WE HAVE STUDIOUSLY AVOIDED, HOWEVER, GIVING THE IMPRESSION THAT WE ARE MEDIATING OR SPEAKING FOR THE U S. WE HAVE TAKEN OUR STAND ON THE

(PRINCIPLES

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PRINCIPLES OF IMMUNITY AND THE INADMISSIBILITY OF TAKING HOSTAGES, ON THE GROUNDS THAT THEIR OBSERVANCE IS VITAL TO ALL COUNTRIES, AND ON THE HUMANITARIAN ASPECTS., AND WE HAVE SAID THAT NONE OF OUR (LAST WORD UNDERLINED) GOVERNMENTS WOULD NEGOTIATE UNDER THE PRESSURE OF HOSTAGES, WITHOUT SAYING IN TERMS THAT THAT IS ALSO THE U S POSITION. BUT I CANNOT CLAIM THAT WE HAVE MADE MUCH IMPACT, EXCEPT PERHAPS ON BANI SADR, WITH THE RESULT THAT HE WAS REMOVED.

3. THE QUESTION ARISES THEREFORE WHAT MORE WE CAN OR SHOULD DO. THE NEXT STEP, I BELIEVE, MUST BE A REQUEST TO BE RECEIVED JOINTLY BY KHOMEINI, IN ORDER TO MAKE THE SAME POINTS TO HIM. SOME OF MY COLLEAGUES HOWEVER MAY BE RELUCTANT., AND OF COURSE THE REQUEST MIGHT BE REFUSED. I AM UNDER NO ILLUSION THAT SUCH A MEETING WOULD BE VERY FRUITFUL, THE PRIME DIFFICULTY BEING THAT KHOMEINI HABITUALLY USES SUCH MEETINGS AS THE OCCASION FOR A MONOLOGUE BY HIMSELF, WITH THE TV CAMERAS PRESENT. NEVERTHELESS IT MIGHT HELP TO PUT OVER THE PRINCIPLES BY WHICH WE STAND AND PERHAPS TO OBTAIN UNDERTAKINGS ABOUT THE TREATMENT OF THE HOSTAGES AND ACCESS TO THEM. I THINK WE SHOULD CONCENTRATE PARTICULARLY ON ACCESS, TO AVOID BEING BRUSHED OFF WITH A COMMENT THAT WE HAVE ALREADY RECEIVED REPEATED ASSURANCES THAT THE HOSTAGES ARE BEING TREATED WELL. WE COULD ARGUE THAT IF THEY ARE, THERE IS NO REASON WHY A VISITOR APPROVED BY KHOMEINI SHOULD NOT BE GIVEN REGULAR ACCESS, SUBMITTING TO WHATEVER SECURITY MEASURES THE GROUP IN THE EMBASSY LAYS DOWN.

4. BY DOING THIS WE WOULD OF COURSE EXPOSE THE COMMUNITY COUNTRIES IN A WAY WHICH HITHERTO WE HAVE AVOIDED, AND RISK PUTTING OURSELVES IN THE LIGHT OF ACTIVE ALLIES OF THE U S. IT MAY BE THAT WE CANNOT AVOID THIS ANYWAY. THE IRANIAN STRATEGY, IF THERE IS NO DE-ESCALATION FOLLOWING THE REFERENDUM ON THE CONSTITUTION, WILL PRESUMABLY BE TO BROADEN THE STRUGGLE INTO A "DEPRIVED" VS "PREDATOR" ONE, IE A NORTH/SOUTH CONFRONTATION. THERE ARE ALREADY SIGNS OF THIS. THEY MAY CALCULATE THAT THE LONGER THE DISPUTE DRAGS ON THE BETTER THE CHANCES OF THE NON-ALIGNED FORGETTING THE ACTUAL CAUSE AND ACCEPTING THE IRANIAN ARGUMENT THAT IT IS THE U S POLICY THAT IS AT THE ROOT. THEY COULD

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IMPROVE THEIR STANCE TACTICALLY (E.G. AS SOME JOURNALISTS HERE
/ ● READY SPECULATING, BY RELEASING MOST OF THE HOSTAGES
AND PUTTING ON TRIAL THOSE WHO CAN PLAUSIBLY BE DENOUNCED AS
SPIES). IF THIS TACTIC WORKS, THE OTHER WESTERN COUNTRIES...
WILL BE DRAWN INTO THE DISPUTE.

INDEED, THIS IS HAPPENING TO SOME EXTENT ALREADY. QOTBZADEH'S
PATIENCE, NEVER TOO LONG, IS CLEARLY WEARING THIN AND WE,
AND PARTICULARLY THE U K , ARE COMING CLOSER TO BEING SEEN AS
IN THE U S CAMP. THERE WAS A VICIOUS ATTACK ON THE U K AND
THE BBC IN YESTERDAY'S " ISLAMIC REPUBLIC" (REPORTED
YESTERDAY).

5. ANY SUCH TENDENCY WOULD BE ACCELERATED IF WE (THE COMMUNITY 5
AND OTHER LIKE -MINDED COUNTRIES) WERE TO BE DRAWN INTO
MORE ACTIVE MEASURES OF SUPPORT FOR THE U S . THE FRG
RELUCTANTLY FIND THEMSELVES INVOLVED IN A LEGAL BATTLE OVER
THE IRANIAN HOLDING IN KRUPP, AND NOT MANY HERE WILL TAKE
THE DISTINCTION BETWEEN THE FRG GOVERNMENT AND COURTS.

ALREADY, TOO, HMG ARE HOLDING UP DEFENCE SUPPLIES, WHICH WE
ARE CONTRACTED TO DELIVER AND FOR WHICH THE IRANIANS HAVE
PAID. IF WE ARE TO BE DRAWN DOWN THIS ROAD, IT SEEMS TO ME
IMPORTANT THAT WE SHOULD DO SO WITH OUR EYES OPEN, AFTER
FULL CONSIDERATION OF THE COURSES OPEN TO US AND OF THE LIKELY
CONSEQUENCES. TO MITIGATE THOSE CONSEQUENCES, IT IS
PARTICULARLY IMPORTANT THAT WE SHOULD ACT IN CONCERT WITH THE
REST OF THE COMMUNITY.

6. ONE COURSE, ALREADY ADVOCATED IN PARLIAMENT, WOULD BE TO
WITHDRAW ALL OUR EMBASSIES, LEAVING ONLY CARETAKERS.
HERE RUNNING DOWN OF STAFF WOULD NOT BE EFFECTIVE AS A GESTURE:
TOTAL WITHDRAWAL MIGHT SHAKE THE IRANIAN PUBLIC AT LEAST.
IT WOULD LEAVE US HOWEVER WITH NO POSSIBILITY FOR FURTHER
DIPLOMATIC ACTION., IT WOULD LEAVE UNPROTECTED OUR COMMUNITIES
AND TRADE., AND IT WOULD LEAVE THE FIELD OPEN TO THE EAST
EUROPEANS FOR AN INDEFINITE PERIOD (ONCE OUT, WE MIGHT NOT
FIND IT EASY TO GO BACK). IN OUR OWN CASE, IT ALSO RISKS THE
TAKE-OVER OF OUR TWO COMPOUNDS, VALUABLE ASSETS FOR WHICH
WE SHOULD NOT SEE COMPENSATION.

7. OTHER OBVIOUS MEASURES INCLUDE THE BLOCKING OF IRANIAN

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FUNDS (ULTRA VIRES IN THE UK IN PRESENT CIRCUMSTANCES),
A TRADE BOYCOTT, WHICH WE HAVE ALWAYS OPPOSED ON PRINCIPLE
EXCEPT UNDER A MANDATORY U N RESOLUTION / A REFUSAL
TO BUY IRANIAN OIL, WHICH WOULD HURT US MORE THAN IRAN, THE
INTRODUCTION OF VISAS FOR IRANIANS, WITH ALL THE PROBLEMS
THAT WOULD BRING, THE ROUNDING UP AND EXPULSION OF IRANIANS
ILLEGALLY IN BRITAIN, WHICH IS PROBABLY IMPOSSIBLE ON
PRACTICAL AND LEGAL GROUNDS, AND SO ON - ALL MEASURES WHICH
ARE EITHER NOT OPEN TO US ON GROUNDS OF LAW OR PRINCIPLE OR
LIKELY MERELY TO IRRITATE WITHOUT INDUCING A NEW FRAME
OF MIND. MOREOVER WHILE BLACKMAIL IS UNPLEASANT, IT HAS
TO BE ACCEPTED AS A FACT THAT ANY MEASURE THAT IS RECOGNISED
OR PERCEIVED HERE AS A FORM OF PRESSURE, IS LIKELY TO PROVOKE
A SEVERE REACTION AGAINST THE REMAINING BRITISH INTERESTS,
INCLUDING THIS EMBASSY (AND THIS APPLIES TO THE HOLDING UP
OF DEFENCE SUPPLIES ONCE THE IRANIANS DETECT A POLITICAL
MOTIVE FOR IT).

8. THE CONCLUSION THEN IS NOT CHEERFUL. OTHER OPTIONS MIGHT
INCLUDE A CHAPTER VII RESOLUTION IN THE SECURITY COUNCIL
CALLING FOR THE RELEASE OF HOSTAGES AND THREATENING,
AND PERHAPS RUNNING TO, TRADE SANCTIONS, BUT I DOUBT WHETHER
THERE WOULD BE SUPPORT FOR SUCH A RESOLUTION EVEN IF THE
AMERICANS EVER GET A FAVOURABLE VERDICT FROM THE ICJ.
I AM DRIVEN BACK TO THE CONCLUSION THAT FINALLY A QUICK
TRIAL OF SOME AT LEAST OF THE HOSTAGES, RESULTING IN CONVICTION
AND A SENTENCE OF EXPULSION IS PROBABLY THE ONLY PRACTICAL
WAY OUT OF THE IMPASSE. AND THE GREATER THE OUTCRY IN THE
U S, THE BETTER THIS WOULD SERVE IN IRAN. THE PROBLEM IS
HOW TO ARRIVE AT THIS RESULT. SOME INDICATION BY THE U S
OF A READINESS TO ACCEPT EXTRADITION DOCUMENTS FOR THE SHAH
MIGHT HELP, AS MIGHT THE EARLY DEPARTURE OF THE SHAH FROM THE
U S. EQUALLY KHOMEINI IS CAPABLE OF CARRYING THROUGH A

/VOLTE-FACE

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VOLUNTARILY - FACE (LAST TWO WORDS UNDERLINED) IF HE JUDGED IT IN
HIS INTERESTS , BUT I SEE NO SIGN OF FLEXIBILITY SO FAR
C. R. GRAHAM

GRAHAM

FILES

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FM WASHINGTON 060048Z DECEMBER 79

TO PRIORITY F C O

TELEGRAM NUMBER 4068 OF 5 DECEMBER 1979

INFO PRIORITY TEHRAN

Prime Minister

MS

MIPT: IRAN

1. THE NEW YORK TIMES OF 2 DECEMBER CARRIED TWO ARTICLES ON THE OP-ED PAGE WHICH IN DIFFERENT WAYS WERE BOTH CRITICAL OF AMERICA'S ALLIES FOR LACK OF WHOLEHEARTED SUPPORT IN THE IRANIAN CRISIS.
2. WRITING FROM LONDON JAMES RESTON CLAIMS THAT THE BRITISH HAVE MANY PROBLEMS OF THEIR OWN THESE DAYS WITH INFLATION, HIGH INTEREST RATES, THE UNIONS, THE IRISH, RHODESIA AND THEIR EUROPEAN PARTNERS THAT THEY SCARCELY HAVE TIME TO WORRY ABOUT THE CRISIS IN IRAN. MORE GENERALLY RESTON CLAIMS THAT QUOTE IN A QUICK TRIP AROUND THE WORLD, I HAVE YET TO MEET ANY OFFICIALS WHO WANT TO DO ANYTHING MORE THAN REGRET, OR AT MOST DEPLORE, THE TAKING OF HOSTAGES. NO COLLECTIVE ACTION IS INDICATED BEYOND THE PASSING OF CAREFULLY WORDED RESOLUTIONS. PLENTY OF SYMPATHY, EVEN PRAISE FOR PRESIDENT CARTER'S QUOTE RESTRAINT UNQUOTE, BUT NO PRACTICAL COMMON POLICIES TO DEAL WITH DIPLOMATIC ANARCHY SUCH AS THEY ADOPTED A FEW YEARS AGO TO CONTROL SKY-JACKING AND THE ANARCHY ON THE WORLD'S AIRWAYS UNQUOTE.
3. IN AN ARTICLE FROM WASHINGTON, TOM WICKER COMMENTS ON THE GERMAN GOVERNMENT'S CRITICISM OF MORGAN GUARANTY TRUST FOR TAKING LEGAL ACTION AGAINST THE IRANIAN INVESTMENT IN KRUPP. WICKER POINTS OUT THAT 1,600 WEST GERMANS LIVE AND WORK IN IRAN, THAT THE FRG HAS ABOUT DOLLARS 300 MILLION INVESTED THERE AND THAT IRANIAN INVESTMENT IN THE FRG IS BELIEVED TO TOTAL ABOUT DOLLARS 800 MILLION. WICKER QUOTES A QUOTE HIGH OFFICIAL OF THE CARTER ADMINISTRATION UNQUOTE AS HAVING SAID THAT AMERICA'S ALLIES HAVE DONE EVERYTHING THEY CAN TO HELP FREE THE AMERICAN HOSTAGES QUOTE EXCEPT TO HURT THEMSELVES UNQUOTE. WICKER CONCLUDES HIS ARTICLE BY POINTING OUT THAT IT IS LIKELY THAT EVEN IF THE HOSTAGES ARE RELEASED, THERE WILL BE A NATIONAL DEMAND THAT CARTER DO SOMETHING PUNITIVE AGAINST IRAN.

/15

IF AT THAT POINT HE HAS TO AVOID ANY NECESSITY FOR AMERICAN MILITARY ACTION AND USE ECONOMIC PRESSURE INSTEAD, INTERNATIONAL COOPERATION MIGHT BE VITAL: QUOTE THE ULTIMATE ALTERNATIVE TO A MILITARY STRIKE, TO BE ACCEPTABLE TO ANGREY AMERICANS, WILL HAVE TO BE SOMETHING MORE THAN THE FORMAL DISAPPROVAL WITH WHICH OTHER NATIONS HAVE MOSTLY CONTENTED THEMSELVES THUS FAR UNQUOTE.

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FM WASHINGTON 060040Z DECEMBER 79
TO PRIORITY FCO
TELEGRAM NUMBER 4067 OF 5 DECEMBER
INFO PRIORITY TEHRAN.

Prime Minister

Ans.

IRAN AND AMERICA'S ALLIES.

1. MIFT SUMMARISES TWO ARTICLES CRITICAL OF THE ALLIES' ALLEGEDLY LUKEWARM SUPPORT WHICH APPEARED IN THE NEW YORK TIMES ON 2 DECEMBER. GIVEN WHAT WE KNOW - AND THE ADMINISTRATION ACKNOWLEDGE AND APPRECIATE - ABOUT THE VERY CONSIDERABLE HELP WE ARE GIVING THE AMERICANS, ESPECIALLY IN TEHRAN, IT IS IRRITATING TO SAY THE LEAST THAT THIS VIEW SHOULD FIND EXPRESSION IN ARTICLES BY SERIOUS JOURNALISTS. BUT THERE IS NO ESCAPING THAT A FEELING DOES EXIST HERE, EVEN AMONG THOSE WHO ARE AWARE OF STATEMENTS OF SUPPORT BY THE ALLIES, THAT NO SUCH SUPPORTIVE ACTION HAS BEEN FORTHCOMING. I WAS FREQUENTLY SUBJECTED TO QUESTIONS ON THIS THEME DURING MY RECENT TRIP TO THE WEST COAST.

2. THE STATE DEPARTMENT ARE MAKING A REAL EFFORT TO COUNTER THIS IMPRESSION AND VANCE HIMSELF SINCERELY APPRECIATES WHAT WE ARE DOING TO HELP. AS WELL AS ALLOWING HIS LETTER OF 26 NOVEMBER TO YOU TO BE USED PUBLICLY, THE STATE DEPARTMENT HAVE DRAWN UP A LIST OF ACTIONS AND STATEMENTS BY AMERICA'S ALLIES WHICH THEY HAVE SENT UNDER COVER OF A LETTER FROM GEORGE VEST TO SELECTED EDITORS. THIS IS HELPFUL AS FAR AS IT GOES AND WE ARE BEING GIVEN THE CHANCE TO SUPPLEMENT THE LIST. A MORE SYMPATHETIC ARTICLE HAS ALREADY APPEARED IN TODAY'S WASHINGTON POST MENTIONING THE SATISFACTION BEING EXPRESSED BY US OFFICIALS ABOUT THE ALLIES' PERFORMANCE. BRITAIN IS MENTIONED PARTICULARLY FOR GIVING REFUGE TO US DIPLOMATS IN ISLAMABAD. THERE IS ALSO A LESS WELCOME REFERENCE TO OTHER SERVICES BEING GIVEN QUOTE WHICH IN SOME CASES INCLUDE PLUGGING THE US INTO THEIR OWN INTERNAL COMMUNICATIONS CHANNELS FROM IRAN UNQUOTE. THESE, THE ARTICLE SAYS, HAVE BEEN KEPT QUIET FOR FEAR OF IRANIAN REACTION.

3. I FEAR, HOWEVER, THAT WE HAVE NOT SEEN THE LAST OF THESE CRITICISMS, NOR IS THERE ALL THAT MUCH WE CAN DO ABOUT IT SINCE AN IMPORTANT SERVICE WE ARE RENDERING CANNOT BE MADE PUBLIC. THERE ARE ALSO INHERENT RISKS WHEN THE STATE DEPARTMENT TAKE THE LINE THAT THE ALLIES HAVE DONE EVERYTHING THAT HAS BEEN ASKED OF THEM - WHAT WILL

/HAPPEN

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HAPPEN IF AN ALLY IS ASKED SOMETHING IT IS NOT PREPARED TO DO ?
ALTHOUGH WE WILL NOT MISS ANY OPPORTUNITY TO COUNTER CRITICISM AS
BEST WE CAN, WE WILL ALMOST CERTAINLY BE UNABLE TO ELIMINATE A
FEELING WHICH IS IN LARGE MEASURE ATTRIBUTABLE TO THE AMERICAN
PUBLIC'S FRUSTRATION AT AMERICA'S OWN INABILITY TO TAKE EFFECTIVE
ACTION. I CANNOT, ALAS, RULE OUT THAT IT SUITS SOME OF THE PRESIDENTS
POLITICAL ADVISERS TO ALLOW STEAM TO BE LET OFF AGAINST THE ALLIES.
BUT I AM CONFIDENT THAT ON BALANCE THE GOODWILL WE ARE GENERATING
WITH THE ADMINISTRATION THROUGH THE HELP WE ARE GIVING THEM MORE
THAN OUTWEIGHS THE OCCASIONAL PIECE OF BAD PRESS.

4. DAVID AARON, WHO IS BRZEZINSKI'S DEPUTY AT THE WHITE HOUSE,
EMPHASISED TO ME TODAY HOW MUCH THE US GOVERNMENT NEEDS ALLIES, BUT
ADDED SOMEWHAT WRYLY THAT THE TRUE TEST HAS YET TO COME. I HOPE TO
FIND OUT A BIT MORE ABOUT THIS WHEN I SEE VANCE TOMORROW.

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10 DOWNING STREET

PRIME MINISTER

MESSAGE FROM PRESIDENT CARTER

The Foreign Secretary and the Chancellor of the Exchequer have already agreed to see Mr. Carswell and Mr. Vest tomorrow (Thursday). Michael Alexander will no doubt advise on a suitable reply tomorrow morning.

S.J. Pike (Duty Clerk)

pp TPL.

5 December 1979

GR 500

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FM FCO 051240Z DEC 79

TO IMMEDIATE WASHINGTON

TELEGRAM NUMBER 1789 OF 5 DECEMBER

Prime Minister

②

Handwritten initials

6.12.79

IRAN.

1. I WOULD LIKE YOU TO SEEK AN EARLY OPPORTUNITY TO SPEAK TO VANCE AND TO MAKE TO HIM THE FOLLOWING POINTS, EMPHASISING THAT THEY COME FROM ME:

(A) ON THE INFORMATION AVAILABLE TO US, WE SEE LITTLE PROSPECT OF ANY EARLY POSITIVE DEVELOPMENTS OVER THE RELEASE OF HOSTAGES. ALTHOUGH THE VARIOUS INTERNATIONAL EXERCISES OF CONDEMNATION/DEMAND FOR THE UNCONDITIONAL RELEASE OF HOSTAGES (BY THE NINE, BY THE COMMONWEALTH, BY THE EUROPEAN PARLIAMENT AND NOW BY THE SECURITY COUNCIL) HAVE CLEARLY BEEN WORTH DOING, THEY SEEM TO HAVE HAD LITTLE EFFECT ON THOSE IN CHARGE OF EVENTS IN IRAN, EXCEPT POSSIBLY TO DETER THEM FROM PUSHING THEIR ANTI-AMERICAN COURSE TO EVEN GREATER EXTREMES.

(B) WE HAVE THROUGHOUT SUPPORTED UNEQUIVOCALLY THE AMERICAN REFUSAL TO SEND THE SHAH TO IRAN AND THEIR INSISTENCE ON THE UNCONDITIONAL RELEASE OF THE HOSTAGES. WE WILL CONTINUE TO DO SO. WE ADMIRE ENORMOUSLY THE COMBINATION OF FIRMNESS AND RESTRAINT WHICH PRESIDENT CARTER AND THE ADMINISTRATION HAVE DISPLAYED IN THE FACE OF A SERIES OF OUTRAGEOUS PROVOCATIONS. WE BELIEVE THAT THIS APPROACH STILL OFFERS THE BEST, PROBABLY THE ONLY, WAY OF GETTING THE HOSTAGES OUT UNHARMED, EVEN IF THAT MAY MEAN A LONG HAUL. WE JUDGE THAT THIS HAS ALSO BEEN MR VANCE'S VIEW (YOUR TELNO. 3872).

(C) WE REALISE HOWEVER THAT THE US MAY IN THE DAYS AHEAD FEEL THE NEED TO TAKE FURTHER ECONOMIC ACTION AGAINST IRAN TO REINFORCE THE DECISIONS ON OIL AND THE FREEZING OF ASSETS: AND THAT, IN CERTAIN CIRCUMSTANCES SUCH AS THE KILLING OF SOME OF THE HOSTAGES, THERE WOULD BE GREAT PRESSURE TO BEYOND ECONOMIC MEASURES.

(D) WE ASSUME THAT IN ANY SUCH EVENTUALITY (FURTHER ECONOMIC MEASURES TO INCREASE THE PRESSURE ON IRAN OR RETALIATION AFTER HARM TO THE HOSTAGES), THE UNITED STATES WOULD LOOK TO ITS MAIN WESTERN ALLIES AT LEAST FOR MORAL SUPPORT AND PERHAPS ALSO FOR

S E C R E T

MORE THAN THAT. ALMOST ANY ACTION THAT THE UNITED STATES MIGHT TAKE, WHETHER OR NOT ACCOMPANIED BY REQUESTS FOR PARALLEL ACTION BY THE MAIN WESTERN COUNTRIES, WOULD HAVE DIRECT AND SIGNIFICANT IMPLICATIONS FOR THEM AS THE FREEZING OF ASSETS HAS HAD ALREADY. WE FOR OUR PART WOULD LIKE TO BE IN A POSITION TO RESPOND POSITIVELY, AND NOT JUST TO POINT OUT THE DIFFICULTIES OF WHICH THE AMERICANS WOULD ALREADY BE FULLY AWARE.

(E) IN THESE CIRCUMSTANCES WE BELIEVE THAT IT WOULD BE IN ALL OUR INTERESTS IF THE UNITED STATES FELT ABLE TO SHARE THEIR THINKING ON THE WAY AHEAD AND THE VARIOUS OPTIONS AS THEY SAW THEM WITH THEIR PRINCIPAL ALLIES. A GOOD OPPORTUNITY TO INITIATE THIS PROCESS WOULD BE AT THE QUADRIPARTITE MINISTERIAL DINNER IN BRUSSELS ON 12 DECEMBER.

2. YOU SHOULD MAKE IT CLEAR THAT I HAVE NOT DISCUSSED THIS APPROACH WITH EITHER THE FRENCH OR THE GERMANS AND AM AT THIS STAGE MERELY ASKING VANCE FOR HIS OWN REACTIONS. I DO HOWEVER ATTACH GREAT IMPORTANCE TO THEIR BEING BROUGHT IN AT AN EARLY STAGE. I HAD SOME BRIEF DISCUSSION WITH FRANCOIS-PONCET AND GENSHER IN THE MARGINS OF THE EUROPEAN COUNCIL AT DUBLIN FROM WHICH I GOT THE DUAL IMPRESSION OF FIRM SUPPORT FOR US POLICY BUT A CERTAIN NERVOUSNESS AT OUR JOINT IGNORANCE OF THE WAY THE AMERICANS PLANNED TO PLAY THE HAND FROM NOW ON.

3. PLEASE CONSULT VANCE AS TO WHETHER IT WOULD BE USEFUL FOR YOU TO GO OVER THE SAME GROUND WITH BRZEZINSKI, AND WHETHER THE SITUATION IS SUCH THAT WE OUGHT NOT TO WAIT UNTIL NEXT WEDNESDAY.

CARRINGTON

FILES
HD/MED
HD/DEF D
HD/PLANNING STAFF
PS
PS/LPS
PS/MR HURD
MR BULLARD
LORD BRIDGES
MR J MOBERLY

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Original in Rhodesia Sit. P 11



10 DOWNING STREET

From the Private Secretary

5 December 1979

Ken Rhodesia,

CALL BY THE U.S. AMBASSADOR

The U.S. Ambassador, Mr. Kingman Brewster, called on the Prime Minister this morning to discuss her forthcoming visit to Washington and New York. A number of issues were touched on briefly.

Rhodesia

The Prime Minister commented that it would be very awkward for her if the United States was still applying sanctions against Rhodesia at the time of her arrival and if there were by then a British Governor in Salisbury. Mr. Brewster said that he was conscious of the problem and would make sure it was understood in Washington when he returned there early next week. However, he could give no undertakings about the reaction of the Administration. He assumed the wording used in recent statements, and in particular the reference to a thirty day period, reflected an effort to bridge the positions of those who wanted no procrastination in the lifting of sanctions and those who wanted no automaticity.

Defence

In the course of some rather random remarks about defence matters, Mr. Brewster said that the wish of the U.S. Administration to separate the timing of the decision on theatre nuclear force modernisation and on the Polaris succession should not be read as having any implications for the attitude of the Administration on the second issue.

Iran

Mr. Brewster said that the President was, inevitably, pre-occupied with the Iranian situation. It would be very useful for him to be able to discuss with another Head of Government the implications of the crisis and to hear the views of an outsider on what might be done. The President had been receiving advice from a very limited number of advisers. These advisers

/ were themselves

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were themselves disinclined, for obvious reasons, to discuss the problem, particularly the question of contingency plans, with a wider circle. Mr. Brewster said that he hoped that if the Prime Minister had ideas of her own she would spell them out. The President would very probably keep his own ideas to himself, but a discussion would nonetheless, in Mr. Brewster's view, be useful.

Mr. Brewster said that two members of the U.S. Treasury, Messrs. Carswell and Mundheim (?) would be coming to London tomorrow to talk to the Treasury and the Bank of England about the freezing of Iranian assets. They would be bearing a letter to the Prime Minister from President Carter on the question.

Ulster

Mr. Brewster said that the question of arms sales to the RUC was tied up with the primaries rather than with the national elections. As a result it was likely to be very difficult for the President to move in the immediate future. The Prime Minister said that she would have to raise the question nonetheless. Mr. Brewster said that he understood this.

Oil Sales

Mr. Brewster referred briefly to American unhappiness at the impact of the BNOc decision to charge in advance for future oil sales. The American authorities were taking the line that this made it harder to keep the Saudi Arabians, Kuwaitis and others in line in resisting further price increases. BNOc's position had symbolic significance. The Prime Minister made it clear that she did not share this analysis.

I am sending copies of this letter to Martin Hall (HM Treasury), Bill Burroughs (Department of Energy), Brian Norbury (Ministry of Defence) and Martin Vile (Cabinet Office).

Yours ever

Michael Alexander

R. M. J. Lyne, Esq.,
Foreign and Commonwealth Office.

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FROM TEHRAN 051330Z DEC 79

DESKBY 051530Z DEC)

TO IMMEDIATE FCO

TELEGRAM NUMBER 1294 OF 05 DECEMBER

IMMEDIATE CABINET OFFICE (DIO) MODUK (DI4) MODUK (DS11)
CRE 5, WASHINGTON, UKMIS NEW YORK, BAHRAIN,
ABU DHABI, ANKARA, BAGHDAD, DOHA, TOKYO, DUBAI, ISLAMABAD,
JEDDA, KABUL, KUWAIT, MOSCOW, MUSCAT, NEW DELHI, EEC POSTS

MY TELNO 1266: SITUATION IN IRAN.

1. THE RESULTS OF THE REFERENDUM ON THE DRAFT CONSTITUTION (MY TUR) WILL NOT BE ANNOUNCED OFFICIALLY UNTIL THE MINISTRY OF INTERIOR HAS INVESTIGATED ANY COMPLAINTS ABOUT VOTING PROCEDURES. THE RADIO AND NEWSPAPERS ARE ALREADY CLAIMING THE 99.6 PERCENT OF THOSE WHO VOTED WERE IN FAVOUR. THE SUPERVISOR OF THE MINISTRY OF THE INTERIOR, RAFSANJANI, HAS SAID THAT THE TURNOUT WAS HIGH WITHOUT GIVEN ANY ESTIMATE OF THE PERCENTAGE, SO THAT IT IS TOO EARLY TO JUDGE THE EFFECTIVENESS OF THE BOYCOTT ANNOUNCED BY A NUMBER OF POLITICAL AND ETHNIC GROUPS. THERE WERE CERTAINLY INCIDENTS AT POLLING STATIONS IN BALUCHESTAN AND KURDESTAN, AND IN TABRIZ LARGE DEMONSTRATIONS TOOK PLACE AGAINST THE DRAFT CONSTITUTION AND IN REACTION TO A RUMOUR THAT AYATOLLAH SHARIAT MADARI, WHO HAD SUGGESTED THAT THE PRESENT DRAFT WAS UNSATISFACTORY WITHOUT SPECIFICALLY CALLING ON HIS FOLLOWERS TO VOTE AGAINST IT (MY TELNO 1280) HAD BEEN ARRESTED. THERE ARE RUMOURS THAT THE BAZAAR THERE WILL CLOSE FOR THE DAY TOMORROW AS A FURTHER PROTEST AGAINST THE DRAFT. THE OFFICIAL NEWSAGENCY HAS DENIED BBC REPORTS THAT THE TURKOMEN IN GONBADE-KAVOUS WERE BOYCOTTING THE REFERENDUM.

2. THE NEXT STEPS ARE THE ELECTION OF A PRESIDENT AND OF THE NATIONAL ASSEMBLY. RAFSANJANI HAS SAID THAT THESE WILL BE HELD ON THE ANNIVERSARY OF THE REVOLUTION (FEB 10/11). MEANWHILE, ACCORDING TO HABIBI, (SPOKESMAN FOR THE REVOLUTIONARY COUNCIL) THE REVOLUTIONARY COUNCIL WILL GOVERN THE COUNTRY " CONTINUING THE DUTIES SET BY THE LEADER OF THE REVOLUTION." ON 3 DECEMBER IT HAD A MEETING WITH 12 NON-MEMBER MINISTERS TO DECIDE POLICY ON ECONOMIC AND OTHER QUESTIONS.

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3. THE RADIO THIS MORNING CARRIED REPORTS OF AN INTERVIEW WITH FIGARO BY QOTBZADEH, IN WHICH HE SAID THAT THE HOSTAGES WOULD DEFINITELY BE TRIED. HE IS ALSO REPORTED TO HAVE SAID THAT THE GROUP OCCUPYING THE EMBASSY WOULD CONDUCT THE TRIAL (THOUGH IT IS NOT IMPLIED THAT ANY DECISIONS HAVE BEEN TAKEN NOT TO PROCEED WITH THE TRIALS) AND THAT IRAN HAD DONE ALL IT COULD TO DEFUSE THE CRISIS AND IT WAS NOT UP TO PRESIDENT CARTER TO BREAK THE STALEMATE BY RETURNING THE SHAH OR AT LEAST INSTITUTING AN INVESTIGATION INTO HIS WEALTH. THE "STUDENTS" IN THE EMBASSY HAVE REACTED ANGRILY TO QOTBZADEH'S REFERENCE TO THE TRIAL, INSISTING THAT AN ISLAMIC REVOLUTIONARY COURT, AND NOT THEY, WILL HOLD IT.

4. THERE WAS LITTLE REACTION ON THE RADIO AND IN THE MORNING PRESS TO THE SECURITY COUNCIL RESOLUTION EXCEPT FOR THE QUOTING OF AGENCY REPORTS AND A COMMENT THAT THE SECURITY COUNCIL WAS MAKING A RECOMMENDATION RATHER THAN PRESENTING A DEMAND AND THAT THE RESOLUTION IN NO WAY CONDEMNED IRAN. THE AFTERNOON PAPERS, HOWEVER, REPORTED THAT "THE SECURITY COUNCIL HAS CONDEMNED IRAN" AND QUOTED RAFSANJANI AS SAYING THAT, AS FAR AS IRAN WAS CONCERNED, THE SECURITY COUNCIL RESOLUTION WAS WORTHLESS. THE MINISTRY OF FOREIGN AFFAIRS IS REPORTED TO HAVE STATED THAT THE U S COMPLAINT TO THE INTERNATIONAL COURT OF JUSTICE HAS BEEN OFFICIALLY CONVEYED TO THE IRANIAN GOVERNMENT IS BEING DISCUSSED AT THE FOREIGN MINISTRY, WHICH WILL ANNOUNCE ITS VIEWS IN THE NEXT FEW DAYS.

5. SENATOR KENNEDY'S REMARKS ABOUT IRAN HAVE BEEN REPORTED WIDELY AND IN DETAIL HERE, AND WILL UNDOUBTEDLY HAVE ENCOURAGED THOSE WISHING TO ARGUE THAT PRESIDENT CARTER'S POLICY OVER THE SHAH'S RETURN DOES NOT REFLECT THE WISHES OF THE AMERICAN PEOPLE. CRITICISM OF THE INTERNATIONAL MEDIA'S REPORTING OF THE SITUATION HERE IS ALSO GROWING. I SHALL BE REPORTING SEPARATELY (NOT TO ALL) ON A RECENT FIERCE ATTACK IN "ISLAMIC REPUBLIC" ON U S AND BRITISH HOSTILITY TO THE REVOLUTION WHICH INCLUDES STRONG CRITICISM OF THE BBC PERSIAN SERVICE.

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6. WHILE THERE CONTINUES TO BE A MULTITUDE OF STATEMENTS, ALL OF THESE ARE CARRIED BY THE WIRE SERVICES AND WILL BE AVAILABLE TO YOU AND THE STATE DEPARTMENT. I PROPOSE THEREFORE TO REDUCE THE FREQUENCY OF THESE SITREPS TO EVERY OTHER DAY. WE SHALL OF COURSE REPORT SPECIFICALLY ON ANY PARTICULARLY SIGNIFICANT DEVELOPMENT.

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IMMEDIATE

FM MOSCOW 052900Z DEC 79

TO IMMEDIATE FCO

TELEGRAM NUMBER 821 OF 5 DECEMBER

INFO PRIORITY TEHRAN, WASHINGTON, UKDEL NATO, ROUTINE UKMIS
 NEW YORK, WARSAW, PRAGUE, SOFIA, BUDAPEST, BUCHAREST AND
 EAST BERLIN

IRAN

1. THIS MORNING'S PRAVDA INCLUDED THE FIRST MAJOR SOVIET
 COMMENTARY SINCE THE US/IRANIAN CRISIS BEGAN, SIGNED BY
 "PETROV", A PSEUDONYM USUALLY CONSIDERED AS INDICATING
 MFA AUTHORSHIP.

2. THE ARTICLE ACKNOWLEDGED THAT THE SEIZURE OF THE US EMBASSY
 "IN ITSELF" DID NOT ACCORD WITH INTERNATIONAL CONVENTIONS,
 AND SHOULD BE JUSTLY RESOLVED ON A MUTUALLY ACCEPTABLE BASIS,

BUT ALSO ACCUSED THE AMERICANS OF HAVING DECIDED TO INFLAME THE CRISIS AND TURN IT INTO ONE OF THE WORST INTERNATIONAL CONFLICTS OF THE POST-WAR PERIOD. US DIPLOMATIC DEMARCHES IN THE SECURITY COUNCIL AND ELSEWHERE WERE INTENDED PRINCIPALLY TO CONVINCE AMERICAN AND WORLD OPINION THAT THE US HAD EXHAUSTED PEACEFUL MEANS AND THEREFORE HAD NO ALTERNATIVE BUT TO USE FORCE. THE US WAS THUS RESORTING TO BLACKMAIL. REFERRING TO WASHINGTON POST REPORTS ON US NAVAL MOVEMENTS, THE ARTICLE NOTED THAT AN AIR STRIKE ON IRAN COULD BE LAUNCHED WITH THE HELP OF NUCLEAR OR "SPECIAL" BOMBS. THE SEIZURE OF THE US EMBASSY HAD TO BE SEEN IN THE OVERALL HISTORICAL CONTEXT OF US/IRANIAN RELATIONS. THE ARTICLE REFERRED BACK TO AMERICAN ACTIONS IN 1953, AND IN THE FIRST CLEAR STATEMENT OF SOVIET OPINION ON THE RETURN OF THE SHAH IT ASKED WHAT THE AMERICANS' PRESENT REFUSAL TO SATISFY THE IRANIAN PEOPLE'S DEMANDS FOR THE RETURN OF THE "CRIMINAL" SHAH HAD IN COMMON WITH INTERNATIONAL LAW. CRITICISMS OF US POLICY BY KENNEDY AND YOUNG - "US SHELTERING A MURDERER AND THIEF" - WERE QUOTED IN SUPPORT.

3. THE ARTICLE CLOSED BY EMPHASISING THAT IT WAS INADMISSABLE THAT THE "INCIDENT" AT THE AMERICAN EMBASSY SHOULD BECOME THE PRETEXT FOR A DANGEROUS MILITARY PROVOCATION. IT REPEATED BREZHNEV'S STATEMENT OF 19 NOVEMBER 1978 THAT THE SOVIET UNION WAS OPPOSED TO OUTSIDE INTERFERENCE IN IRAN'S INTERNAL AFFAIRS IN ANY FORM AND ON ANY PRETEXT. THIS SOVIET POSITION, THE ARTICLE ADDED, REMAINED UNCHANGED. (THE ARTICLE DID NOT REPEAT BREZHNEV'S NOVEMBER WARNING THAT ANY SUCH INTERVENTION WOULD BE REGARDED BY THE USSR AS AFFECTING ITS SECURITY).

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FROM TEHRAN 0512007Z DEC 79

TO IMMEDIATE FCO

TELEGRAM NUMBER 1293 OF 5 DECEMBER

INFO PRIORITY WASHINGTON , EEC POSTS, UKMIS NEW YORK

MY TEL NO 1282: U S EMBASSY, TEHRAN.

Princ. Amiles

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1. THIS IS A MOST INTRACTABLE PROBLEM, SINCE THE MINDS OF THE TWO PARTIES ARE MOVING ON DIFFERENT TRACKS, ONE LEGAL, THE OTHER EMOTIONAL. AT HEART MOST THINKING IRANIANS MUST REALISE THAT THEY HAVE BITTEN OFF MORE THAN THEY CAN CHEW, BUT IT IS DIFFICULT FOR THEM TO CLIMB DOWN. KHOMEINI IN PARTICULAR HAS GOT WHERE HE IS BY STICKING TO HIS GUNS AND, AS SIR A PARSONS HAS COMMENTED, IT IS A PERSIAN CHARACTERISTIC TO RAISE THE BID AT THE SLIGHTEST SIGN OF FLEXIBILITY IN THE OPPONENT. IT IS TRUE THAT KHOMEINI HAS GIVEN WAY OVER THE CHADOR AND FROZEN MEAT, MINOR MATTERS IN WHICH HE ALLOWED OTHERS TO EXPLAIN AWAY HIS OBITER DICTA: (LAST TWO WORDS UNDERLINED) HE HAS ALSO FINALLY ADOPTED AN OUTWARDLY CONCILIATORY ATTITUDE TO THE KURDS, IN THE FACE OF THEIR STRONG MILITARY RESISTANCE, IN EFFECT WITHDRAWING HIS EX-COMMUNICATION OF HOSSEINI AND QASSEMLOU. MANY HERE DOUBT HOWEVER WHETHER HE IS PREPARED TO MAKE ANY CONCESSION OF SUBSTANCE ON THE AUTONOMY ISSUE. IN GENERAL HE HAS PROVED ADAMANT., AND THERE APPEARS TO BE LITTLE UNDERSTANDING AMONG IRANIANS, EVEN AMONG THOSE IN RESPONSIBLE POSITIONS, THAT WHAT SEEMS TO THEM THEIR SIMPLE DEMAND, THE RETURN OF THE SHAH, IS NOT ONE THAT ANY SELF-RESPECTING GOVERNMENT WHICH HAD ADMITTED HIM IN SIMILAR CIRCUMSTANCES, COULD CONTEMPLATE, LEAST OF ALL UNDER THE PRESSURE OF THE HOLDING OF HOSTAGES.

2. THE EUROPEAN COMMUNITY AMBASSADORS HAVE MADE THIS POINT TO BANI SADR., AND AT OUR NEXT MEETING WITH QOTZBADEH MUST, I BELIEVE, MAKE IT AGAIN TO HIM. WE HAVE STUDIOUSLY AVOIDED, HOWEVER, GIVING THE IMPRESSION THAT WE ARE MEDIATING OR SPEAKING FOR THE U S. WE HAVE TAKEN OUR STAND ON THE

/PRINCIPLES

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PRINCIPLES OF IMMUNITY AND THE INADMISSIBILITY OF TAKING HOSTAGES, ON THE GROUNDS THAT THEIR OBSERVANCE IS VITAL TO ALL COUNTRIES, AND ON THE HUMANITARIAN ASPECTS., AND WE HAVE SAID THAT NONE OF OUR (LAST WORD UNDERLINED) GOVERNMENTS WOULD NEGOTIATE UNDER THE PRESSURE OF HOSTAGES, WITHOUT SAYING IN TERMS THAT THAT IS ALSO THE U S POSITION. BUT I CANNOT CLAIM THAT WE HAVE MADE MUCH IMPACT, EXCEPT PERHAPS ON BANI SADR, WITH THE RESULT THAT HE WAS REMOVED.

3. THE QUESTION ARISES THEREFORE WHAT MORE WE CAN OR SHOULD DO. THE NEXT STEP, I BELIEVE, MUST BE A REQUEST TO BE RECEIVED JOINTLY BY KHOMEINI, IN ORDER TO MAKE THE SAME POINTS TO HIM. SOME OF MY COLLEAGUES HOWEVER MAY BE RELUCTANT., AND OF COURSE THE REQUEST MIGHT BE REFUSED. I AM UNDER NO ILLUSION THAT SUCH A MEETING WOULD BE VERY FRUITFUL, THE PRIME DIFFICULTY BEING THAT KHOMEINI HABITUALLY USES SUCH MEETINGS AS THE OCCASION FOR A MONOLOGUE BY HIMSELF, WITH THE TV CAMERAS PRESENT. NEVERTHELESS IT MIGHT HELP TO PUT OVER THE PRINCIPLES BY WHICH WE STAND AND PERHAPS TO OBTAIN UNDERTAKINGS ABOUT THE TREATMENT OF THE HOSTAGES AND ACCESS TO THEM. I THINK WE SHOULD CONCENTRATE PARTICULARLY ON ACCESS, TO AVOID BEING BRUSHED OFF WITH A COMMENT THAT WE HAVE ALREADY RECEIVED REPEATED ASSURANCES THAT THE HOSTAGES ARE BEING TREATED WELL. WE COULD ARGUE THAT IF THEY ARE, THERE IS NO REASON WHY A VISITOR APPROVED BY KHOMEINI SHOULD NOT BE GIVEN REGULAR ACCESS, SUBMITTING TO WHATEVER SECURITY MEASURES THE GROUP IN THE EMBASSY LAYS DOWN.

4. BY DOING THIS WE WOULD OF COURSE EXPOSE THE COMMUNITY COUNTRIES IN A WAY WHICH HITHERTO WE HAVE AVOIDED, AND RISK PUTTING OURSELVES IN THE LIGHT OF ACTIVE ALLIES OF THE U S. IT MAY BE THAT WE CANNOT AVOID THIS ANYWAY. THE IRANIAN STRATEGY, IF THERE IS NO DE-ESCALATION FOLLOWING THE REFERENDUM ON THE CONSTITUTION, WILL PRESUMABLY BE TO BROADEN THE STRUGGLE INTO A "DEPRIVED" VS "PREDATOR" ONE, IE A NORTH/SOUTH CONFRONTATION. THERE ARE ALREADY SIGNS OF THIS. THEY MAY CALCULATE THAT THE LONGER THE DISPUTE DRAGS ON THE BETTER THE CHANCES OF THE NON-ALIGNED FORGETTING THE ACTUAL CAUSE AND ACCEPTING THE IRANIAN ARGUMENT THAT IT IS THE U S POLICY THAT IS AT THE ROOT. THEY COULD

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IMPROVE THEIR STANCE TACTICALLY (E.G. AS SOME JOURNALISTS HERE ARE ALREADY SPECULATING, BY RELEASING MOST OF THE HOSTAGES AND PUTTING ON TRIAL THOSE WHO CAN PLAUSIBLY BE DENOUNCED AS SPIES). IF THIS TACTIC WORKS, THE OTHER WESTERN COUNTRIES WILL BE DRAWN INTO THE DISPUTE.

INDEED, THIS IS HAPPENING TO SOME EXTENT ALREADY. QOTBZADEH'S PATIENCE, NEVER TOO LONG, IS CLEARLY WEARING THIN AND WE, AND PARTICULARLY THE U K , ARE COMING CLOSER TO BEING SEEN AS IN THE U S CAMP. THERE WAS A VICIOUS ATTACK ON THE U K AND THE BBC IN YESTERDAY'S " ISLAMIC REPUBLIC" (REPORTED YESTERDAY).

5. ANY SUCH TENDENCY WOULD BE ACCELERATED IF WE (THE COMMUNITY 5 AND OTHER LIKE -MINDED COUNTRIES) WERE TO BE DRAWN INTO MORE ACTIVE MEASURES OF SUPPORT FOR THE U S . THE FRG RELUCTANTLY FIND THEMSELVES INVOLVED IN A LEGAL BATTLE OVER THE IRANIAN HOLDING IN KRUPP, AND NOT MANY HERE WILL TAKE THE DISTINCTION BETWEEN THE FRG GOVERNMENT AND COURTS. ALREADY, TOO, HMG ARE HOLDING UP DEFENCE SUPPLIES, WHICH WE ARE CONTRACTED TO DELIVER AND FOR WHICH THE IRANIANS HAVE PAID. IF WE ARE TO BE DRAWN DOWN THIS ROAD, IT SEEMS TO ME IMPORTANT THAT WE SHOULD DO SO WITH OUR EYES OPEN, AFTER FULL CONSIDERATION OF THE COURSES OPEN TO US AND OF THE LIKELY CONSEQUENCES. TO MITIGATE THOSE CONSEQUENCES, IT IS PARTICULARLY IMPORTANT THAT WE SHOULD ACT IN CONCERT WITH THE REST OF THE COMMUNITY.

6. ONE COURSE, ALREADY ADVOCATED IN PARLIAMENT, WOULD BE TO WITHDRAW ALL OUR EMBASSIES, LEAVING ONLY CARETAKERS. MERE RUNNING DOWN OF STAFF WOULD NOT BE EFFECTIVE AS A GESTURE: TOTAL WITHDRAWAL MIGHT SHAKE THE IRANIAN PUBLIC AT LEAST. IT WOULD LEAVE US HOWEVER WITH NO POSSIBILITY FOR FURTHER DIPLOMATIC ACTION., IT WOULD LEAVE UNPROTECTED OUR COMMUNITIES AND TRADE., AND IT WOULD LEAVE THE FIELD OPEN TO THE EAST EUROPEANS FOR AN INDEFINITE PERIOD (ONCE OUT, WE MIGHT NOT FIND IT EASY TO GO BACK). IN OUR OWN CASE, IT ALSO RISKS THE TAKE-OVER OF OUR TWO COMPOUNDS, VALUABLE ASSETS FOR WHICH WE SHOULD NOT SEE COMPENSATION.

7. OTHER OBVIOUS MEASURES INCLUDE THE BLOCKING OF IRANIAN

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FUNDS (ULTRA VIRES IN THE UK IN PRESENT CIRCUMSTANCES), A TRADE BOYCOTT, WHICH WE HAVE ALWAYS OPPOSED ON PRINCIPLE EXCEPT UNDER A MANDATORY U N RESOLUTION, A REFUSAL TO BUY IRANIAN OIL, WHICH WOULD HURT US MORE THAN IRAN, THE INTRODUCTION OF VISAS FOR IRANIANS, WITH ALL THE PROBLEMS THAT WOULD BRING, THE ROUNDING UP AND EXPULSION OF IRANIANS ILLEGALLY IN BRITAIN, WHICH IS PROBABLY IMPOSSIBLE ON PRACTICAL AND LEGAL GROUNDS, AND SO ON - ALL MEASURES WHICH ARE EITHER NOT OPEN TO US ON GROUNDS OF LAW OR PRINCIPLE OR LIKELY MERELY TO IRRITATE WITHOUT INDUCING A NEW FRAME OF MIND. MOREOVER WHILE BLACKMAIL IS UNPLEASANT, IT HAS TO BE ACCEPTED AS A FACT THAT ANY MEASURE THAT IS RECOGNISED OR PERCEIVED HERE AS A FORM OF PRESSURE, IS LIKELY TO PROVOKE A SEVERE REACTION AGAINST THE REMAINING BRITISH INTERESTS, INCLUDING THIS EMBASSY (AND THIS APPLIES TO THE HOLDING UP OF DEFENCE SUPPLIES ONCE THE IRANIANS DETECT A POLITICAL MOTIVE FOR IT).

8. THE CONCLUSION THEN IS NOT CHEERFUL. OTHER OPTIONS MIGHT INCLUDE A CHAPTER VII RESOLUTION IN THE SECURITY COUNCIL CALLING FOR THE RELEASE OF HOSTAGES AND THREATENING, AND PERHAPS RUNNING TO, TRADE SANCTIONS, BUT I DOUBT WHETHER THERE WOULD BE SUPPORT FOR SUCH A RESOLUTION EVEN IF THE AMERICANS EVER GET A FAVOURABLE VERDICT FROM THE ICJ. I AM DRIVEN BACK TO THE CONCLUSION THAT FINALLY A QUICK TRIAL OF SOME AT LEAST OF THE HOSTAGES, RESULTING IN CONVICTION AND A SENTENCE OF EXPULSION IS PROBABLY THE ONLY PRACTICAL WAY OUT OF THE IMPASSE. AND THE GREATER THE OUTCRY IN THE U S, THE BETTER THIS WOULD SERVE IN IRAN. THE PROBLEM IS HOW TO ARRIVE AT THIS RESULT. SOME INDICATION BY THE U S OF A READINESS TO ACCEPT EXTRADITION DOCUMENTS FOR THE SHAH MIGHT HELP, AS MIGHT THE EARLY DEPARTURE OF THE SHAH FROM THE U S. EQUALLY KHOMEINI IS CAPABLE OF CARRYING THROUGH A

/VOLTE-FACE

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VOLTE - FACE (LAST TWO WORDS UNDERLINED) IF HE JUDGED IT IN
HIS INTERESTS , BUT I SEE NO SIGN OF FLEXIBILITY SO FAR
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 FM WASHINGTON 032317Z DECEMBER 79
 TO PRIORITY F C O
 TEL NO 4024 OF 3 DECEMBER
 INFO PRIORITY TEHRAN, JEDDA, RABAT.

US/IRAN.

1. IN A TELEVISION INTERVIEW IN SAN FRANCISCO ON 2 DECEMBER, SENATOR KENNEDY DESCRIBED THE SHAH'S REGIME AS QUOTE ONE OF THE MOST VIOLENT REGIMES IN THE HISTORY OF MANKIND - IN THE FORM OF TERRORISM AND THE BASIC AND FUNDAMENTAL VIOLATION OF HUMAN RIGHTS UNQUOTE. HE CRITICISED THE ADMINISTRATION FOR ADMITTING THE SHAH INTO THE US QUOTE WITH HIS UMPTEN BILLIONS OF DOLLARS THAT HE HAD STOLEN FROM IRAN UNQUOTE. KENNEDY ADDED QUOTE I BELIEVE THAT THE INTERESTS OF THE UNITED STATES IS WITH THE IRANIAN PEOPLE.... I THINK TO TIE AMERICAN FORTUNES - WHETHER ITS ENERGY TO HEAT THE HOME OF ELDERLY CITIZENS OR TO RUN THE PLANTS AND FACTORIES OF THIS COUNTRY - ON ONE MAN RATHER THAN A WHOLE NATION AND A PEOPLE IS A POLICY THAT'S BANKRUPT. AND THAT WAS THE POLICY PRIOR TO THE TIME THE SHAH FELL. AND IF WE CONTINUE TO IDENTIFY WITH A DICTATORSHIP, WHETHER ITS SOMOZA IN NICARAGUA THE SHAH, OR OTHER DICTATORS, I DON'T THINK THATS WISE FOREIGN POLICY UNQUOTE.

2. KENNEDY'S REMARKS HAVE DRAWN WIDESPREAD CRITICISM FROM THE ADMINISTRATION AND FROM SENIOR MEMBERS OF BOTH POLITICAL PARTIES. STATE DEPARTMENT SPOKESMAN HODDING CARTER SAID THAT KENNEDY'S REMARKS WERE QUOTE UNFORTUNATE AND NOT HELPFUL UNQUOTE AND REGRETTED QUOTE ANY SUCH STATEMENT WHICH SHIFTS THE FOCUS OF CONCERN FROM THE HOSTAGES AND MAY INTERFERE WITH DELICATE NEGOTIATIONS UNQUOTE. REPUBLICAN NATIONAL CHAIRMAN BILL BROCK DESCRIBED KENNEDY'S REMARKS AS QUOTE CARELESS AND IRRESPONSIBLE.... COULD SEND A FALSE MESSAGE TO THE LEADERS OF IRAN UNQUOTE. REPUBLICAN PRESIDENTIAL CONTENDER ROBERT DOLE FEARED THAT KENNEDY QUOTE WITTINGLY OR UNWITTINGLY MAY BE PROVIDING AMMUNITION FOR THE PROPAGANDISTS OF THE AYATOLLAH. KENNEDY ALSO DREW CRITICISM FROM THE DEMOCRATIC NATIONAL COMMITTEE CHAIRMAN, JOHN WHITE, WHO SAID THAT KENNEDY'S REMARKS WOULD DIVIDE THE COUNTRY AND BE WELCOMED BY IRAN'S REVOLUTIONARY LEADERS.

3. KENNEDY HAS SUBSEQUENTLY INSISTED THAT HIS CRITICISM OF THE SHAH DOES NOT REPRESENT ANY SHIFT IN HIS POSITION THAT AMERICANS SHOULD SPEAK WITH ONE VOICE ON THE IRANIAN CRISIS. QUOTE JUST BECAUSE I SUPPORT THE RELEASE OF THE HOSTAGES DOESN'T MEAN THAT I HAVE TO APPROVE OF EVERYTHING THE SHAH HAS DONE IN THE PAST UNQUOTE. BUT WHATEVER THE SHAH DID COULD NOT QUOTE JUSTIFY THE ACTION OF THE IRANIAN GOVERNMENT IN HOLDING THE HOSTAGES I DON'T THINK IT IS USEFUL OR WISE TO CONSIDER THE CONDITION OF HUMAN RIGHTS IN IRAN PRIOR TO THIS CIRCUMSTANCE, ALTHOUGH MANY OF US SPOKE OUT ON THESE ISSUES OVER A LONG PERIOD OF TIME. I DON'T THINK LOOKING TO THE PAST OR ANTICIPATING THE FUTURE ENHANCES THE OPPORTUNITY FOR THE SAFETY AND SECURITY OF THOSE HOSTAGES UNQUOTE.

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TO IMMEDIATE FCO

TELEGRAM NUMBER 1280 OF 3 DECEMBER

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WASHINGTON UK'S NEW YORK BAHRAIN

INFO PRIORITY ABU DHABI ANKARA BAGHDAD DOHA DUBAI ISLAMABAD JEDDA

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MY TELNO 1266: SITUATION IN IRAN

1. VOTING IN THE REFERENDUM ON THE DRAFT CONSTITUTION STARTED
 YESTERDAY AND IS CONTINUING TODAY. THE RESULTS SHOULD BE
 ANNOUNCED BY THE END OF THE WEEK. THE MEDIA HAS REPORTED A LARGE
 TURNOUT BUT ALTHOUGH POLLING HAS BEEN BRISK IN SOUTHER TEHRAN,
 WHERE SUPPORT FOR KHOMEINI HAS ALWAYS BEEN STRONG, IT HAS BEEN
 NOTICEABLY SLOW IN THE CENTRE OF TOWN AND IN THE RICHER NORTHERN
 AREAS. THE TURNOUT IS EXPECTED TO BE MARKEDLY LOWER THAN IN THE

AREAS. THE TURNOUT IS EXPECTED TO BE MARKEDLY LOWER THAN IN THE REFERENDUM ON THE ESTABLISHMENT OF THE ISLAMIC REPUBLIC IN MARCH, THOUGH VEHICLES WITH LOUD-SPEAKERS HAVE BEEN DRIVING ROUND TOWN EXHORTING PEOPLE TO VOTE AND THE OFFICIAL RADIO HAS BEEN CARRYING THE SAME MESSAGE. DURING ASHURA WEEKEND BROADCASTS WERE GIVING OUT THE NAMES OF INDIVIDUALS AND ORGANISATIONS THAT HAD PLEDGED THEIR VOTES IN FAVOUR, WITHOUT ANY MENTION OF THOSE VOICING OPPOSITION.

2. KHOMEINI ON 28 NOVEMBER CALLED ON THE PEOPLE TO FOLLOW HIS EXAMPLE BY APPROVING THE DRAFT SAYING THAT "ANY DIFFICULTY" IN THE PRESENT TEXT COULD BE AMENDED LATER. THE POSSIBILITY OF ADOPTING "SUPPLEMENTARY ARTICLES" TO RECTIFY ANOMALIES AND ERRORS HAS BEEN OFFERED. SEVERAL GROUPS HAVE EXPRESSED RESERVATIONS ABOUT THE DRAFT AS IT STANDS BUT HAVE SAID THEY WILL VOTE FOR IT TO PRESERVE THE UNITY OF THE REVOLUTION AND REAFFIRM THEIR SUPPORT FOR KHOMEINI'S LEADERSHIP. MANY OTHERS, HOWEVER, HAVE RECOMMENDED THAT PEOPLE ABSTAIN OR VOTE AGAINST THE DRAFT IN THE HOPE THAT IT WILL BE REVISED. THE MOSLEM UNITY PARTY IN BALUCHESTAN ANNOUNCED A BOYCOTT OF THE REFERENDUM AND THERE HAVE BEEN REPORTS OF VIOLENCE IN THE SOUTHERN TOWN OF CHAH BAHAR AND IN IRANSHAHR, WHERE ON 1 DECEMBER ABOUT 300 PEOPLE DESTROYED ALL THE BALLOT BOXES AND VOTING SLIPS AND TOOK THE CITY GOVERNOR HOSTAGE. KHOMEINI'S REPRESENTATIVE IN THE TOWN HAS ALLEGED THAT "COMMUNIST ELEMENTS" WERE LEADING THE ATTACKS, ALTHOUGH THE OFFICIAL COMMUNIST (TUDEH) PARTY HAS ANNOUNCED ITS SUPPORT FOR THE CONSTITUTION. THERE HAVE ALSO BEEN REPORTS, DENIED ON THE LOCAL RADIO, THAT THE TURKOMEN HAVE BEEN BOYCOTTING THE ELECTION. THE KURDS ARE CERTAINLY DOING SO, WHILE RESPECTING THEIR CEASEFIRE AGREEMENT WITH THE GOVERNMENT. IN TABRIZ, THE MOSLEM PEOPLE'S REPUBLICAN PARTY (MPRP), WHICH LOOKS TO AYATOLLAH SHARIAT MADARI AS ITS GUIDE, IS BOYCOTTING THE REFERENDUM AND THERE ARE REPORTS OF SCUFFLES AND OF THE DESTRUCTION OF A NUMBER OF BALLOT BOXES. A LARGE GROUP YESTERDAY DEMONSTRATED THERE TO DEMAND THE RELEASE OF MPRP MEMBERS ARRESTED ON 1 DECEMBER, ALLEGEDLY FOR DISTRIBUTING ANTI-CONSTITUTION LEAFLETS, AND IN PROTEST AT THE LOCAL RADIO STATION'S ALLEGED FALSE REPORTING OF THE SITUATION IN THE CITY. SHARIAT MADARI HIMSELF HAS NOT SPECIFICALLY ADVOCATED VOTING AGAINST THE PRESENT DRAFT, BUT HAS SAID THAT A CLAUSE ABOUT THE LEADERSHIP NEEDS REVISION IF IT IS TO BE SATISFACTORY. ALTERATION OF THIS CLAUSE WOULD FUNDAMENTALLY CHANGE THE NATURE OF THE CONSTITUTION (SEE MY TELNOS 1260 AND 1281, NOT TO ALL).

3. THE REFERENDUM HAS TEMPORARILY REPLACED THE OCCUPATION OF THE US EMBASSY IN THE HEADLINES, DESPITE THE "STUDENTS" AT A PRESS CONFERENCE ON 1 DECEMBER ABOUT THE PRESENCE

3. THE REFERENDUM HAS TEMPORARILY REPLACED THE OCCUPATION OF THE US EMBASSY IN THE HEADLINES, DESPITE THE "STUDENTS" REVELATIONS AT A PRESS CONFERENCE ON 1 DECEMBER ABOUT THE PRESENCE OF ALLEGED CIA AGENTS. THE SHAH'S MOVE TO TEXAS HAS BEEN REPORTED IN THE PAPERS AND ON THE RADIO, BUT THERE HAS SO FAR BEEN NO SIGNIFICANT COMMENT ON IT IN THE PRESS. THE STUDENTS HAVE BEEN SAYING FOR SEVERAL DAYS THAT THE HOSTAGES WILL BE PUT ON TRIAL IF THE SHAH LEAVES THE US FOR ANYWHERE BUT IRAN. RUMOURS ARE CIRCULATING AMONG THE JOURNALISTS ABOUT THE DISPERSAL OF THE HOSTAGES, BUT NONE OF THESE HAVE BEEN CONFIRMED. THERE HAS BEEN SOME PUBLICITY FOR THE OFFER BY VARIOUS ORGANISATIONS OF TRAINING IN RESPONSE TO KHOMEINI'S CALL FOR ARMING OF THE NATION'S YOUTH. (MY TELNOS 1248 AND 1276 NOT TO ALL).

4. IN ETELAAT OF 1 DECEMBER, BANI SADR GAVE HIS REASONS FOR LEAVING THE FOREIGN MINISTRY: BASICALLY HIS WISH TO ATTEND THE SECURITY COUNCIL IN ORDER TO OBTAIN A HEARING FOR IRAN'S CASE FOR THE RETURN OF THE SHAH, HAD BEEN FRUSTRATED BY IRANIAN RADIO AND TV (IE QOTBZADEH) SPREADING FALSE PROPAGANDA, SLANDERING THE SECRETARY GENERAL AND CREATING THE IMPRESSION THAT THE SECURITY COUNCIL WOULD INEVITABLY PRONOUNCE AGAINST IRAN. "SO IT WAS USELESS FOR ME TO STAY AT THE FOREIGN MINISTRY." THE SAME DAY, THE RADIO BROADCAST THE TEXT OF QOTBZADEH'S LETTER TO WALDHEIM ALLEGING A CONSPIRACY TO MISREPRESENT THE IRANIAN RESOLUTION AND COVER UP THE CRIMES OF ZIONISM AND THE AMERICAN GOVERNMENT IN IRAN.

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FM TEHRAN 030645Z DEC 79

TO IMMEDIATE FCO

TELEGRAM NUMBER 1278 OF 3 DECEMBER

INFO PRIORITY WASHINGTON AND UKMIS NEW YORK

UKMIS NEW YORK'S TELNO 1641 TO YOU: HOSTAGES

1. WE HAVE TALKED TO A NUMBER OF FOREIGN JOURNALISTS HERE ABOUT REPORTS THAT THE HOSTAGES HAVE BEEN DISPERSED. THERE ARE NOW SO MANY JOURNALISTS HERE THAT RUMOURS GAIN STRENGTH THROUGH REPETITION AMONG THEM AND AMONG THE DIPLOMATIC CORPS, WITHOUT SUBSTANTIATION. REUTERS TOLD US YESTERDAY THAT THEY HAD HEARD FROM A DIPLOMATIC SOURCE THAT SOME OF THE HOSTAGES HAD 'DEFINITELY' BEEN MOVED TO THE SULTANATABAD HQ OF THE PASDARAN, WHILE OTHERS HAD BEEN DISPERSED IN THE TOWN, THE MOVE HAVING OCCURED ON 28 NOV (WHEREAS TABATABAI'S REPORT WAS EARLIER), BUT THEY HAD BEEN UNABLE TO VERIFY THIS. OTHER JOURNALISTS WHO HAVE HEARD THE SAME STORY HAVE EXPRESSED DOUBT, AND SAY THAT THE STUDENTS HAVE VIRTUALLY DENIED IT, THOUGH THEY WILL NOT NOW DENY IT IN PUBLIC FOR SECURITY REASONS, DESPITE HAVING DENIED SIMILAR RUMOURS BEFORE.

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TO IMMEDIATE FCO

TELEGRAM NUMBER 1257 OF 28 NOVEMBER

INFO IMMEDIATE WASHINGTON, UKMIS NEW YORK, DUBLIN, THE HAGUE, COPENHAGEN AND BRUSSELS

INFO PRIORITY PARIS, LUXEMBOURG, ROME AND BONN

MIPT: US EMBASSY, TEHRAN.

JOINT RECORD OF THE FOURTH CALL BY THE AMBASSADORS OF THE COMMUNITY OF MR BANI SADR AT 1 P.M. ON 29 NOVEMBER

1. THE PRESIDENT OPENED BY THANKING MR BANI SADR FOR RECEIVING US AT SUCH SHORT NOTICE. HE SAID THAT ~~WE~~ HAD LEARNED THAT THE HOSTAGES WERE TO BE TRIED ONE BY ONE, TWO OF THEM ON MURDER CHARGES, AND WE HAD COME ON INSTRUCTION FROM OUR GOVERNMENTS TO SAY THAT SUCH ACTION WOULD HAVE THE MOST SERIOUS CONSEQUENCES. THERE WERE ALSO REPORTS THAT THE HOSTAGES HAD BEEN DISPERSED AND NO LONGER IN THE US EMBASSY. COULD HE CLARIFY THAT AND COULD HE SAY ANYTHING MORE ABOUT THE POSSIBILITY OF VISITS TO THEM?

2. MR BANI SADR SAID THAT HE WAS TRYING TO OBTAIN A GUARANTEE FROM KHOMEINI THAT THE HOSTAGES WOULD NOT BE PUT ON TRIAL. WE SHOULD NOT WORRY ABOUT THIS TOO MUCH (A PHRASE HE REPEATED AT A LATER POINT IN THE CONVERSATION). THE INFORMATION WAS WRONG: THE STATEMENTS WERE A REACTION TO THE SECURITY COUNCIL MEETING, WHICH WAS REGARDED BY SOME QUARTERS HERE AS A PROVOCATION. HE HIMSELF HOPED TO GO TO NEW YORK FOR THE NEXT MEETING OF THE SECURITY COUNCIL ON 1 DECEMBER, BUT IT WAS NOT FINALLY SETTLED.

3. AS FOR THE REPORTS, HE BELIEVED THAT THE HOSTAGES WERE STILL IN THE EMBASSY, BUT HE COULD NOT BE CERTAIN. HE HAD SPOKEN TO THE STUDENTS ABOUT VISITS. THEIR POINT OF VIEW WAS THAT THERE WAS A RISK OF PROVOCATION AND THAT VISITORS MIGHT DISCOVER THE WHEREABOUTS OF THE HOSTAGES IN THE EMBASSY AND THAT WOULD FACILITATE AN ATTEMPT TO RESCUE THEM. THEY ALSO THOUGHT THAT AN ATTEMPT MIGHT BE MADE BY AGENTS PROVOCATEURS TO ABDUCT THE HOSTAGES IN ORDER TO PROVOKE A MILITARY INTERVENTION. NEVERTHELESS HE WAS HOPEFUL THAT HE COULD ARRANGE REGULAR VISITS, ALTHOUGH THE STUDENTS WERE NOT IN FAVOUR OF DAILY VISITS.

4. THE AMBASSADORS EMPHASISED THE ANXIETY OUR GOVERNMENTS FELT AT THE REPORTS THAT THE HOSTAGES WOULD BE PUT ON TRIAL. THEY SAID THAT OUR GOVERNMENTS WERE WELL AWARE OF THE NEED TO LOWER TENSION AND THAT, WITH THAT IN MIND, THE SECURITY COUNCIL MEETING LAST NIGHT HAD BEEN KEPT TO LITTLE MORE THAN A FORMALITY. IT WAS WRONG TO WRITE THE SECURITY COUNCIL OFF, SINCE IT COULD PLAY AN IMPORTANT PART IN BRINGING ABOUT A PEACEFUL SETTLEMENT, WHICH ALL OUR GOVERNMENTS WISHED TO SEE.

5. MR BANI SADR SAID THAT HE RECOGNISED THIS, BUT NOT EVERYBODY IN IRAN DID SO. ASKED TO ELABORATE ON A STATEMENT HE HAD MADE EARLIER ABOUT THE ELEMENTS OF A SOLUTION, MR BANI SADR SAID THAT WHAT HE HAD SAID TO FRANCE INTER, WAS THAT IF THE UNITED STATES WERE TO DECLARE THAT THEY ACCEPTED THAT THE SHAH HAD COMMITTED CRIMES, IT COULD IMPROVE THE ATMOSPHERE AND, WHAT HE HAD NOT SAID TO THE PRESS, MIGHT PERHAPS LEAD TO THE RELEASE OF THE HOSTAGES.

6. THE AMBASSADORS ALSO RAISED THE RECENT NOTAM ISSUED BY THE CIVIL AVIATION AUTHORITIES REQUIRING AIRCRAFT TO REPORT TO THE MILITARY RATHER THAN THE CIVIL AIR TRAFFIC CONTROL AUTHORITIES AND REQUIRING THEM TO ADHERE STRICTLY TO THEIR FLIGHT PLANS ON PAIN OF INTERCEPTION. THE AMBASSADORS STRESSED THE IMPORTANCE OF THIS MATTER FROM THE POINT OF VIEW OF THE SECURITY OF CIVIL AIRCRAFT. MR BANI SADR MADE AN IMMEDIATE TELEPHONE CALL TO THE

AIRCRAFT. MR BANI SADR MADE AN IMMEDIATE TELEPHONE CALL TO THE CHIEF OF STAFF, WHO SAID THAT THERE WAS ONLY ONE ORDER, RELATING TO OVERFLIGHTS AT QOM. THE AMBASSADORS REITERATED THAT THERE HAD BEEN A DIFFERENT INSTRUCTION AND UNDERTOOK TO SEND HIM A COPY. HE SAID HE WOULD INVESTIGATE THE MATTER.

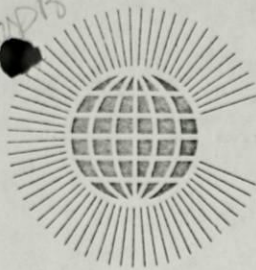
7. AGREED COMMENT BY THE AMBASSADORS. WHILE WE CONSIDER THAT MR BANI SADR IS SINCERE IN WHAT HE SAID TO US, WE MUST HAVE SOME RESERVATIONS ABOUT HIS ABILITY TO DELIVER.

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Commonwealth Information

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NEWS RELEASE
79/34

28 November 1979

DIPLOMATIC HOSTAGES IN TEHRAN

Representatives of Commonwealth countries met in London on Tuesday November 27. They discussed the plight of diplomatic personnel held hostage in Tehran and issued the following appeal to the Government of Iran:

"Conscious of the Commonwealth's responsibilities to the world community, Commonwealth representatives discussed the grave situation that has arisen following the seizure of the American Embassy and some of its personnel in Tehran.

It was the general belief that whatever the nature of the dispute between sovereign states, the taking and holding hostage of diplomatic personnel and the violation of diplomatic premises could not be justified. Such events, wherever they occur, were in violation of international law and jeopardized the fabric of international relations.

In this context, the overwhelming majority of Commonwealth representatives appealed to the Government of Iran to procure the release of all the hostages and expressed the hope that the parties would resolve their differences by peaceful means within the framework of international law. They expressed their full support for the efforts of the United Nations Secretary-General towards this end."

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 - Mr. J.C. Moberly
 - Mr. Murray
 - Mr. N. Aspin
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SECRETARIAT
Marlborough House
London SW1Y 5HX
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INTERVIEW WITH MR DOUGLAS HURD ON 'WORLD AT ONE', ON IRAN,
TUESDAY 27 NOVEMBER 1979.

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Q: What can be done by Britain and other Western countries to help their American allies in this crisis?

A: What we can do and have been doing is to mobilise all the pressure we can to support the American arguments against the Iranians for the release of the hostages. We have done this ourselves and with our nine European partners. They issued a statement last week of the Nine Foreign Ministers and we are doing everything we can to help the Americans get the hostages out.

Q: Why don't Britain and the West withdraw their embassies in protest against the Ayatollah's illegal action in holding the US hostages?

A: For three reasons. First of all because the moment we do that we no longer can bring pressure to bear in Tehran. At the moment what our Ambassadors are doing is trying to find Iranians in positions of authority who will listen to the arguments. Of course if we pulled out they couldn't do that. Secondly we have still got a British community of 3-400 people there going about their lawful occasions; we don't want to leave them in the lurch. And finally we do need - we've got a very expert Ambassador there, Johnny Graham - we do want someone there who can assess what is going on in a very confused situation and let us have their judgement on it.

Q: And will this position continue even if the Ayatollah puts the hostages on trial and threatens them perhaps with execution?

A: I think if they did that a completely new situation would have occurred and the whole international community would then be faced with some very difficult decisions, because what would have happened then would be that the Iranian government would have torn up conclusively the whole basis on which international relations are conducted.

Q: It would be even more than that would it not? It would be an act of war?

A: It might well be considered an act of war but it would certainly face the international community with a completely new situation.

Q: Do you think the situation now can be eased by some alteration of the Shah's position? That is to say, his leaving America and so on? Does the British Government favour that course of action?

A: No, we don't think that the health of a very sick man is a bargaining counter. I personally think that the American Government has handled this with exactly the right mixture of coolness and firmness. We support very much the line which they have been taking, including the line they have been taking about the Shah himself.

Q: What about the reported suggestion of the congressman in Iran that the situation would be helped if there were a congressional investigation into the Shah's wealth in the United States, a suggestion which I see has been condemned by the White House

A: Well that is for the Americans to decide. We certainly wouldn't want to be party to any pressure of that kind.

Q: What can the United Nations Security Council achieve if anything?

A: It's all a question of mobilising the pressure. The position in Tehran is confused. There are different people in different positions of authority saying different things. What you have to do is to find every way, the UN, European Foreign Ministers, every way you can of getting your voice into the minds of some of the people in authority in Tehran in the hope that reason will prevail.

Q: I see that China has issued a strong statement calling for the release of hostages. What is the Russian position in this crisis, do you know?

A: I wish the Russians would come out more clearly. They are obviously conscious that you can't have an international community in which these kind of things happen, and I wish they would say so more definitely.

Q: Is there any question of Britain being involved in any kind of military action which the Americans might contemplate?

A: No, there has been no planning or consideration of that.

Q: Is there any question of the British admitting the Shah should his medical treatment require to be continued somewhere other than the United States?

A: There has been no suggestion of that. The Shah has never indicated that he wants to come here for that purpose.

Q: Do you see this crisis leading us perhaps to

the brink of World War Three? Some commentators have suggested that the Americans might be forced to take military action, particularly if the hostages were put on trial and threatened with execution, then the Russians might warn the Americans not to, and then we would get confrontation of an international kind. Do you see it that way?

A: You are running ahead aren't you? The immediate position is that the hostages are not being harmed but being kept, so the immediate problem is to bring all possible pressure to bear to get them out. If they were harmed in any way, as I have said, a completely new situation would arise. I would hope that the whole international community, including the Russians, would then face that situation.

Q: May I put one other possibility to you, that is that this situation is so serious that there is possibly a case for the United Nations Secretary General personally going to Iran and trying to see the Ayatollah and putting some sense into his head?

A: I know that idea is very much in Dr Waldheim's mind, and I think he would do it. I'm sure he would do it, just as his predecessor would have done it, if there is any sign that this would in fact be received and would be helpful.

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 TELEGRAM NUMBER 1249 OF 27 NOVEMBER
 AND TO IMMEDIATE UK MIS NEW YORK
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MY TELNO 1248: UN SECURITY COUNCIL MEETING.

1. THE FOLLOWING ARE EXCERPTS FROM KHOMEINI'S STATEMENT ABOUT THE SECURITY COUNCIL MEETING, ISSUED BY THE OFFICIAL PARS NEWS AGENCY TODAY:-

"AFTER EMBARKING ON POLITICAL AND MILITARY MANUEVRES, CARTER HAS NOW AGREED WITH THE FORMATION OF THE U.N. SECURITY COUNCIL MEETING TO STUDY THE CASE. BUT HE IGNORES THAT OUR NATION KNOWS THAT ANY COUNCIL OR COURT, FORMED UNDER DIRECT INFLUENCE OF THE UNITED STATES, ITS VERDICT WOULD BE DICTATED IN ADVANCE LEADING TO CONDEMNATION OF OUR OPPRESSED NATION. OUR NATION DOES NOT AGREE WITH THE FORMATION OF THIS SO-CALLED SECURITY COUNCIL, WHOSE TASK HAS ALREADY BEEN SET.

"TO INVESTIGATE THE CASE OF THE TOPPLED SHAH AND THAT OF THE SPIES AT THE ESPIONAGE CENTRE (US EMBASSY) CANNOT BUT TAKE PLACE IN IRAN, BECAUSE THE DOCUMENTS AND EVIDENCES POINTING TO THE CRIMES ARE FOUND IN IRAN AND CANNOT BE TRASFERRED ABROAD. ABOUT 100,000 OF OUR PEOPLE HAVE BEEN MARTYRED AND THERE ARE MILLIONS OF WITNESSES INCLUDING OVER 100,000 PEOPLE MADE HANDI-CAPPED (BY THE SHAH'S REGIME) WHOSE TRANSFER OUTSIDE IRAN TO REPORT TO THE COURT IS NOT POSSIBLE."

MILLIONS OF WITNESSES INCLUDING OVER 100,000 PEOPLE MADE HANDI-
CAPPED (BY THE SHAH'S REGIME) WHOSE TRANSFER OUTSIDE IRAN TO
REPORT TO THE COURT IS NOT POSSIBLE."

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MY TELNO S 1231 AND 1244 (NOT TO ALL): SITUATION IN IRAN.

1. LARGE CROWDS GATHERED OUTSIDE THE US EMBASSY YESTERDAY EVENING AND REMAINED LATE INTO THE NIGHT IN RESPONSE TO THE CALL FOR AN ALL NIGHT SIT-IN TO MARK THE SEVENTH DAY AFTER THE ATTACK ON THE GRAND MOSQUE IN MECCA. SOME WERE DRESSED IN WHITE FUNERAL SHROUDS TO SHOW THEIR READINESS TO DIE FOR ISLAM AND CARRIED THE LONG KNIVES WHICH ARE A TRADITIONAL PART OF MOHARRAM MOURNING CEREMONIES (THE "PROGRESSIVE CLERGY OF TEHRAN" HAVE NOW ASKED THAT SUCH WEAPONS BE LEFT AT HOME).
2. THE "AMERICAN COMMITTEE IN SUPPORT OF THE SEIZURE OF THE US EMBASSY", (MOSTLY AMERICANS MARRIED TO IRANIANS), HELD A PRESS CONFERENCE LAST NIGHT: THEY DESCRIBED THE US EMBASSY AS THE HEADQUARTERS OF A VAST CIA OPERATION, BLAMED THE INTERNATIONAL MEDIA FOR MISREPRESENTING THE TAKEOVER OF THE EMBASSY.

Premier Minister (2)

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AND DEFENDED ITS LEGALITY BY POINTING TO THE ALLEGED FAILURE OF INTERNATIONAL LAW TO PREVENT THE 1953 "CIA COUP D'ETAT", THE TORTURE OF POLITICAL PRISONERS, THE REX CINEMA FIRE OR THE JALEH SQUARE MASSACRE LAST YEAR. THE INTERVIEW HAS RECEIVED WIDE COVERAGE HERE.

3. KHOMEINI RECEIVED A GROUP OF REVOLUTIONARY GUARDS IN QOM YESTERDAY: HE CALLED FOR TOTAL UNITY AGAINST THE THREAT FROM AMERICA: "TODAY EVERY ISSUE RAISED OTHER THAN THIS MAKES THE US THE WINNER"....."ALL DEMONSTRATIONS MUST BE AGAINST THE USA THE NATIONS'S YOUTH SHOULD BE ARMED. KHOMEINI'S MESSAGE, THE NEGOTIATIONS WITH THE KURDS, AND BANI SADR'S LAST-MINUTE POSTPONEMENT OF HIS TRIP TO NEW YORK (APPARENTLY AGAINST HIS WISHES, ON THE INSTRUCTIONS OF THE REVOLUTIONARY COUNCIL) AND NOW KHOMEINI'S REJECTION OF A UN.ROLE IN THE "TRIAL" OR RELEASE OF THE HOSTAGES (ON WHICH I AM REPORTING SEPARATELY) ALL REFLECT THE DESIRE OF THE REGIME TO CONCENTRATE POPULAR ATTENTION EXCLUSIVELY ON THE NEED FOR SOLIDARITY WHEN VOTING ON THE REFERENDUM ON 2/3 DECEMBER.
4. AYATOLLAH SHIRAZI OF MASHHAD HAS SAID THAT PEOPLE HAVE A RELIGIOUS DUTY TO PARTICIPATE IN THE REFERENDUM. AYATOLLAH ARDEBILI, A MEMBER OF THE REVOLUTIONARY COUNCIL, SAID IN AN INTERVIEW LAST NIGHT THAT THE COUNCIL COULD NOT MODIFY THE PRESENT DRAFT OF THE CONSTITUTION BEFORE THE REFERENDUM. THIS COULD MEAN THAT SHARIAT MADARI'S PARTY, THE MPRP, WILL NOT PARTICIPATE SINCE THEY ANNOUNCED ON 25 NOVEMBER THAT THEY WOULD DO SO ONLY IF THE TEXT IS REVISED. SHARIAT MADARI HIMSELF HAS BEEN QUOTED IN THE PRESS AS CALLING ON PEOPLE TO VOTE, BUT HIS OFFICE IN QOM THIS MORNING TOLD THE DUTCH EMBASSY THAT HE HAD NOT ISSUED SUCH A MESSAGE, NOR MADE ANY PUBLIC STATEMENT ABOUT THE OCCUPATION OF THE US EMBASSY. OTHER GROUPS HAVE ALSO TAKEN THE MPRP'S STAND. THE NATIONAL FRONT AND PAN-IRANIAN PARTY HAVE CALLED FOR A POSTPONEMENT OF THE REFERENDUM, WHILE "JEBHE AZADI", THE NEWSPAPER OF THE IRAN PARTY (FORMERLY LED BY BAKHTIAR), HAS CONDEMNED THE PRESENT DRAFT AS "A MOVE TOWARDS THE DARK AGES".
5. SUSPICION ABOUT THE REGIME'S DETERMINATION TO ENSURE THAT THE REFERENDUM IS PASSED WITH THE MINIMUM CONTROVERSY HAS BEEN HEIGHTENED BY A STATEMENT QOTBZADEH MADE YESTERDAY, DENYING THAT AYATOLLAH MONTAZERI'S DEFAMATORY REMARKS ABOUT KURDISH LEADERS AT LAST FRIDAY'S PRAYERS WERE THE REASON FOR THE BAN ON LIVE BROADCASTS BY THE NATIONAL RADIO AND TELEVISION ORGANISATIONS. THE REGIME SEEMS DETERMINED THAT THE MEDIA WILL BROADCAST ONLY THE "OFFICIAL" VERSION OF THE NEWS.

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1. FOLLOWING IS ACCOUNT GIVEN TO COMMUNITY AMBASSADORS THIS MORNING BY THE DUTCH AMBASSADOR, WITH THE CORROBORATION OF THE DANISH AMBASSADOR, AND WITH SUPPLEMENTS BY THE FRG AMBASSADOR, OF CONVERSATIONS LAST NIGHT BETWEEN DR SADEQ TABATABAI, BROTHER-IN-LAW TO AHMED KHOMENI AND DIRECTOR OF THE PRIME MINISTER'S OFFICE, WITH THE DANISH, DUTCH AND SWEDISH AMBASSADORS (TOGETHER) AND SEPARATELY WITH THE FRG AMBASSADOR.
2. TABATABAI SAID THAT THE AMERICAN HOSTAGES WERE NO LONGER HELD IN THE US EMBASSY. NOR WERE THEY IN THE EVIN PRISON, AS SOME RUMOURS HAD HAD IT. THEY WERE SPREAD OVER THE CITY IN PRIVATE HOUSES, BOTH FOR THEIR OWN SECURITY AND FOR THE SECURITY OF THE GUARDS.
3. ALL THE HOSTAGES, WITHOUT EXCEPTION, WERE REGARDED BY THE IRANIANS AS SPIES (IT IS NOT CLEAR WHETHER LAINGEN AND HIS COLLEAGUES WERE INCLUDED IN THIS). THE "STUDENTS" WERE EXTREMELY

IRANIANS AS SPIES (IT IS NOT CLEAR WHETHER LAINGEN AND HIS COLLEAGUES WERE INCLUDED IN THIS). THE "STUDENTS" WERE EXTREMELY UPSET BY THE WAY THE AFFAIR WAS DRAGGING ON AND WOULD SHORTLY ISSUE AN ULTIMATUM TO THE US GOVERNMENT THAT IF THE SHAH WAS NOT DELIVERED TO IRAN WITHIN ONE WEEK, LEGAL PROCESSES WOULD START. THE HOSTAGES WOULD BE JUDGED ONE BY ONE AND EXECUTED. THE "STUDENTS" HAD SERIOUS GROUNDS OF SUSPICION AGAINST ALL AND THERE WAS EVIDENCE THAT TWO WERE INVOLVED IN MURDER CASES. NEITHER THE US EMBASSY NOR ANY OF ITS STAFF WERE REGARDED BY THE IRANIAN AUTHORITIES AS BEING ENTITLED TO ANY IMMUNITIES, SINCE, ON THE EVIDENCE DISCOVERED THERE, BOTH TECHNICAL (E.G. EAVESDROPPING EQUIPMENT WHICH, HE ALLEGED, ENABLED THE AMERICANS TO PICK UP TELEPHONE CONVERSATIONS WITHIN IRAN AND BETWEEN IRAN AND ABROAD) AND DOCUMENTARY, THE EMBASSY WAS PROVED TO HAVE BEEN A CENTRE OF ESPIONAGE.

4. TABATABAI SAID THAT HE PERSONALLY DISAPPROVED OF WHAT WAS HAPPENING, BUT THE IRANIAN AUTHORITIES WERE FACED WITH A FAIT ACCOMPLI (UNDERLINED) AND WERE NOT FULLY IN CONTROL OF THE SITUATION. THE IRANIAN AUTHORITIES HAD BEEN ANNOYED BY THE FACT THAT YAZDI'S LETTERS OF PROTEST FOLLOWING THE ARRIVAL OF THE SHAH IN NEW YORK HAD REMAINED UNANSWERED. HE ADDED THAT THEY WERE ANNOYED BY THE SUPPORT THAT CHANCELLOR SCHMIDT HAD GIVEN TO THE AMERICANS: WHILE THEY COULD UNDERSTAND INTERNATIONAL CONDEMNATION OF THE TAKING OF HOSTAGES, THEY COULD NOT UNDERSTAND THE ABSENCE OF ANY RECOGNITION OF THE IRANIAN PEOPLE'S RIGHT TO CONDEMN THE SHAH.

5. TABATABAI SAID THAT HE DID NOT FIND CREDIBLE THREATS BY THE US OF MILITARY ACTION, WHICH IN ANY CASE WOULD LEAD TO A "CATASTROPHE FOR ALL" AND COULD THEREFORE BE DISCOUNTED.

6. TABATABAI SAID THAT THE ROLE OF THE FEDAYE KHALQ IN THE OCCUPATION OF THE US EMBASSY WAS SIGNIFICANT AND DANGEROUS.

7. ALL THE AMBASSADORS TO WHOM TABATABAI SPOKE TRIED TO IMPRESS ON HIM THE DANGERS OF THE POLICIES HE HAD OUTLINED. RITZEL TOLD HIM THAT IRAN WAS PLAYING WITH FIRE AND ASKED HIM TO REPRESENT THAT TO THE IMAM. TABATABAI SAID HE WOULD DO SO AND LATER LAST NIGHT CONFIRMED BY TELEPHONE TO RITZEL THAT HE WOULD BE SEEING THE IMAM TODAY.

8. ANOTHER REPORT THAT MAY BE RELEVANT WAS GIVEN BY THE GREEK CHARGE D'AFFAIRES. ACCORDING TO THIS, BANI SADR HAD TOLD A GREEK JOURNALIST WHOM HE KNEW WELL, THAT THE US GOVERNMENT WAS BLUFFING AND THAT THERE WOULD BE NO MILITARY ACTION. THE GREEK

REPORT WAS THE WORK OF AN ACTOR AS BANI SADR'S SPEECH WRITER

- GREEK JOURNALIST WHOM HE KNEW WELL, THAT THE US GOVERNMENT WAS
BLUFFING AND THAT THERE WOULD BE NO MILITARY ACTION. THE GREEK
CHARGE ADDED THAT THE MAN WHO ACTS AS BANI SADR'S SPEECH WRITER
IN THE MFA HAD TOLD HIM THAT BANI SADR WAS DETERMINED TO CONVICT
KHOMEINI THAT THE HOSTAGES SHOULD BE FREED AFTER THE REFERENDUM
(2/3 DECEMBER) AND THAT HE SAW AN APPROPRIATE SECURITY COUNCIL
RESOLUTION AS HELPFUL IN THIS CONTEXT.

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TELEGRAM NUMBER 1242 OF 27 NOVEMBER

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NEW YORK (DESKBY 271600Z) COPENHAGEN

INFO PRIORITY PARIS BRUSSELS LUXEMBOURG THE HAGUE DUBLIN ROME AND BONN

UKMIS TELNO 1620: US EMBASSY TEHRAN.

1. MY IMMEDIATELY FOLLOWING TELEGRAM CONTAINS A SUMMARY OF A CONVERSATION LAST NIGHT AT THE FRG EMBASSY BETWEEN THE DANISH, SWEDISH AND DUTCH AMBASSADORS AND DR TABATABAI, THE BROTHER-IN-LAW OF AHMED KHOMEINI AND, AFTER THE RESHUFFLE, DIRECTOR OF THE PRIME MINISTRY, SUPPLEMENTED BY COMMENTS TABATABAI MADE TO THE FRG AMBASSADOR. THE EEC AMBASSADORS DISCUSSED THESE CONVERSATIONS THIS MORNING IN THE LIGHT OF WHAT WE KNEW OF DEVELOPMENTS IN NEW YORK, THE LIKELY FUTURE MOVEMENTS OF THE SHAH ETC

CONVERSATIONS THIS MORNING IN THE LIGHT OF WHAT WE KNEW OF DEVELOPMENTS IN NEW YORK, THE LIKELY FUTURE MOVEMENTS OF THE SHAH ETC..

2. THE FRG AMBASSADOR, WHO KNOWS TABATABAI FAIRLY WELL (TABATABAI WAS A LECTURER AT A GERMAN UNIVERSITY FOR SOME YEARS AND HIS FAMILY ARE STILL IN THE FEDERAL REPUBLIC, ALTHOUGH UNDER THREAT OF EXPULSION, WHICH HE HAS ASKED RITZEL TO TRY TO HOLD OFF), TOLD US THAT IN HIS EXPERIENCE TABATABAI WAS RELIABLE AS TO FACT, BUT MUCH LESS RELIABLE AS TO FORECAST. IF THIS IS SO, THE REPORT THAT MOST OF THE HOSTAGES HAVE BEEN MOVED FROM THE AMERICAN EMBASSY COULD BE ACCURATE. SOME WESTERN JOURNALISTS HAVE INDICATED TO SOME OF MY COLLEAGUES THAT THEY SENSED A CONSIDERABLE RELAXATION OF SECURITY WITHIN THE EMBASSY GROUNDS TWO OR THREE DAYS AGO, ALTHOUGH IT IS RELEVANT THAT CONGRESSMAN HANSEN DEFINITELY SAW SOME HOSTAGES STILL IN THE EMBASSY (ALTHOUGH IT WOULD NOT HAVE BEEN IMPOSSIBLE, SINCE HE WAS DELAYED FOR A CONSIDERABLE TIME BEFORE BEING ADMITTED, FOR SOME TO HAVE BEEN RETURNED FOR THAT PURPOSE).

3. MY COLLEAGUES AND I FOUND IT VERY DIFFICULT, HOWEVER, TO DECIDE WHETHER THE FORECAST OF TRIALS AND "EXECUTIONS" IS A BLUFF, DESIGNED MERELY TO INCREASE THE PRESSURE ON THE US GOVERNMENT, OR WHETHER IT MUST BE TAKEN AT FACE VALUE. THERE IS AN ELEMENT OF ALMOST SUICIDAL MADNESS IN THE ATTITUDE OF KHOMEINI AS PORTRAYED IN SOME OF HIS STATEMENTS AND, PARTICULARLY AT THIS TIME OF MOHARRAM, AMONG HIS WILDER RELIGIOUS FOLLOWERS. MANY OF THE DEMONSTRATORS ARE ATTIRED IN WHITE SHROUDS AS A SYMBOL OF THEIR READINESS FOR MARTYRDOM AND THERE SEEMS TO BE AN ILL-FOUNDED CONFIDENCE THAT THE US GOVERNMENT IS BLUFFING AND THAT IN DUE COURSE THE PRESSURE OF PUBLIC OPINION IN THE STATES WILL BUILD UP AND CAUSE THE ADMINISTRATION TO AGREE TO HAND OVER THE SHAH FOR SOME SORT OF INVESTIGATION OR TRIAL.

4. ANOTHER QUESTION WE CONSIDERED WAS THE COMMUNICATION OF TABATABAI'S STATEMENT TO THE US ADMINISTRATION. WHILE WE FELT THAT IT COULD NOT BE WITHHELD FROM THEM, WE BELIEVED THAT THIS WAS A DECISION THAT OUR GOVERNMENTS WOULD WISH TO TAKE. WE ALSO AGREED THAT THE REPORT SHOULD BE TREATED AS TOTALLY CONFIDENTIAL AND WE SHALL NOT BE MENTIONING IT TO OUR OTHER COLLEAGUES, STILL LESS TO THE PRESS.

5. AS FOR ACTION, WE AGREED TO RECOMMEND THE FOLLOWING:

(A) THE REMOVAL OF THE SHAH FROM THE US IN ADVANCE OF A SETTLEMENT WAS LIKELY TO GENERATE CONSIDERABLE ANGER IN

5. AS FOR ACTION, WE AGREED TO RECOMMEND THE FOLLOWING:

(A) THE REMOVAL OF THE SHAH FROM THE US IN ADVANCE OF A SETTLEMENT WAS LIKELY TO GENERATE CONSIDERABLE ANGER IN TEHRAN AND IF THAT REMOVAL WERE TO COINCIDE WITH ASHURA (30 NOVEMBER), THE CONSEQUENCES IN THE STREETS HERE COULD BE SERIOUS. IF HE HAD ANY INTENTION OF LEAVING THE US, IT SHOULD BE STRONGLY REPRESENTED TO HIM THAT WHATEVER HIS MEDICAL CONDITION, HE SHOULD STAY THERE FOR THE TIME BEING:

(B) IT WOULD BE BETTER TO PLAY PROCEEDINGS IN THE SECURITY COUNCIL LONG. THE POSSIBILITY OF ACTION AGAINST THE HOSTAGES, WE BELIEVED, WOULD BE REDUCED, WHILE DISCUSSION THERE WAS STILL PENDING, WHEREAS A RESOLUTION REBUFFING THE IRANIAN CASE MIGHT LEAD THEM TO GIVE UP HOPE OF ANY SATISFACTION FROM THE SECURITY COUNCIL AND PRECIPITATE IRRETRIEVABLE ACTION HERE. ALTHOUGH WE DID NOT FEEL COMPETENT TO ADVISE ON TACTICS, IT SEEMED TO US THAT THE BEST RESULT OF TO-DAY'S MEETING OF THE COUNCIL WOULD BE A FURTHER CONSENSUS REFERRING TO THE STATEMENT BY THE PRESIDENT ON 9 NOVEMBER, REPEATING THE CALL FOR THE RELEASE OF HOSTAGES; CONTINUING ALONG THE GENERAL LINES OF THE DRAFT RESOLUTION IN UKMIS TELNO 1619 AND LOOKING FORWARD TO A FURTHER MEETING TO DISCUSS THE SUBSTANCE OF THE DISPUTE AS SOON AS BANI SADR CAN BE PRESENT:

(C) WE JUDGED IT IMPORTANT THAT SOME WAY SHOULD BE FOUND FOR WALDHEIM TO COME TO TEHRAN TO TALK TO THE IRANIAN AUTHORITIES. HIS CHANCES OF BEING RECEIVED HERE WOULD BE GREATLY IMPROVED IF HE COULD MAKE SOME STATEMENT, IN ACCEPTING THE SECURITY COUNCIL'S REQUEST, TO THE GENERAL EFFECT THAT HE UNDERSTOOD AND REPECTED THE FEELINGS OF THE IRANIAN PEOPLE AND THE ISSUES THEY HAD RAISED (MY TELNO 1234).

6. THE DANISH AMBASSADOR WHOSE COMMUNICATIONS HAVE BROKEN DOWN WOULD BE GRATEFUL IF THIS TEL AND MIFT COULD BE PASSED TO HIS MINISTRY AS FROM HIM (THOUGH HE HAS NOT SEEN EITHER TEXTUALLY).

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TO PRIORITY FOREIGN AND COMMONWEALTH OFFICE
TELEGRAM NUMBER 3874 OF 23 NOVEMBER 1979
INFO PRIORITY TEHRAN, UKMIS NEW YORK, MODUK, UKDEL NATO, ROUTINE
JEDDA, TEL AVIV, CAIRO ANKARA AND MOSCOW.

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U S MILITARY OPTIONS AGAINST IRAN.

1. YESTERDAY'S NEW YORK TIMES CARRIED TWO ARTICLES ON A POSSIBLE U S MILITARY RESPONSE TO EVENTS IN IRAN, BASED ON BACKGROUND BRIEFING BY U S OFFICIALS.
2. THE FIRST, BY DREW MIDDLETON, OUTLINED THE APPARENT MILITARY OPTIONS OPEN TO THE U S, ON THE BASIS OF PENTAGON AND NATO BRIEFING. THE ARTICLE CLAIMED THAT THE PENTAGON WELL UNDERSTOOD THE OBSTACLES TO SWIFT AND EFFECTIVE INTERVENTION, AND ACKNOWLEDGED THAT ANY OF THE ALTERNATIVES UNDER CONSIDERATION COULD RESULT IN THE DEATH OF MOST OF THE HOSTAGES.
3. THERE WAS GENERAL AGREEMENT IN WASHINGTON THAT ANY RESCUE MISSION TO RELEASE THE HOSTAGES WOULD HAVE TO BE MADE IN STRENGTH. THE GROUND COMBAT FORCE CLOSEST TO IRAN WAS A MARINE BATTALION (ABOUT 1500 MEN) WITH THE SIXTH FLEET OFF THE SOUTH COAST OF TURKEY. THE BATTALION WAS EQUIPPED WITH HELICOPTERS BUT THESE WOULD NEED REFUELING TO MAKE THE OVER 1,000 MILE FLIGHT TO TEHRAN. THE ONLY LIKELY STAGING POINT WAS ISRAEL AND USE OF THIS WOULD INFLAME MUSLIM OPINION. FIGHTER SUPPORT WOULD ALSO BE NECESSARY AND UNITS FROM THE 16TH AIR FORCE IN SPAIN, ITALY AND GREECE, AS WELL AS THE TURKISH BASE AT INCIRLIK, COULD BE USED.
4. BUT AN EFFECTIVE OPERATION WOULD REALLY REQUIRE MORE THAN A SINGLE MARINE BATTALION. OF THE ALTERNATIVES - UNITS OF THE ARMY'S STRATEGIC RESERVE AVAILABLE FOR QUICK REACTION SERVICE, ALL (INCLUDING THE ASSAULT UNITS AT FORT BRAGG AND FORT HOOD) WERE STATIONED IN THE U S. NONE HAD BEEN YET PLACED ON ALERT.

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FM WASHINGTON 262123Z NOV 79

TO PRIORITY FOREIGN AND COMMONWEALTH OFFICE
 TELEGRAM NUMBER 3903 OF 26 NOVEMBER 1979
 INFO PRIORITY TEHRAN.

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IRAN: TALK WITH BRZEZINSKI.

1. I SAW BRZEZINSKI TODAY AND DISCUSSED THE IRANIAN SITUATION. I REFERRED TO THE CONSIDERABLE HELP THAT WE WERE GIVING THE UNITED STATES BOTH IN THE FORM OF COMMUNICATIONS AND PUBLIC STATEMENTS. I HOPED THAT WHEN EVERYTHING WAS OVER PROPER RECOGNITION WOULD BE GIVEN TO THIS SO AS TO THWART THE DEVELOPMENT OF A MYTH, SUCH AS I SAW ARISING, THAT THE ALLIES HAD NOT BEEN ALL THAT MUCH HELP.

2. BRZEZINSKI SAID THAT THE U S GOVERNMENT WERE INDEED VERY GRATEFUL FOR WHAT HAD BEEN DONE AND WAS BEING DONE. HE WAS SURE THAT JUSTICE WOULD BE DONE, THOUGH SOME GOVERNMENTS MIGHT NOT WANT IT TO BECOME PUBLIC FOR FEAR OF REPERCUSSIONS ON THEIR RELATIONS WITH IRAN. THE ONLY ADDITIONAL ACTION THAT THE ALLIES MIGHT USEFULLY TAKE WOULD BE PUBLICLY TO REITERATE THEIR SUPPORT FROM TIME TO TIME. THE IRANIANS WERE SUGGESTING THAT INTERNATIONAL CRITICISM OF THEM WAS WANING. IT WAS MOST IMPORTANT THAT THIS SHOULD NOT HAPPEN.

3. BRZEZINSKI REFERRED TO THE MESSAGE THAT THE PRESIDENT HAD SENT THE PRIME MINISTER OVER THE WEEKEND EXPLAINING WHAT THE U S MIGHT DO QUOTE IF ANYTHING UNTOWARD HAPPENED UNQUOTE. THE PRESIDENT HAD MADE IT CLEAR PUBLICLY THAT THE U S GOVERNMENT COULD NOT

THE PRIME MINISTER OVER THE WEEKEND EXPLAINING WHAT THE U S MIGHT DO QUOTE IF ANYTHING UNTOWARD HAPPENED UNQUOTE. THE PRESIDENT HAD MADE IT CLEAR PUBLICLY THAT THE U S GOVERNMENT COULD NOT TOLERATE HARM TO EVEN ONE OF THE HOSTAGES. IN ANSWER TO MY INQUIRY HE SAID THAT, IN THE ABSENCE OF SUCH A MOVE BY THE IRANIANS, THE U S POLICY WAS TO AVOID HOTTING UP THE SITUATION. HE ASKED ME WHETHER I THOUGHT THAT THIS WAS THE RIGHT POLICY.

4. I SAID THAT IT DID NOT REALLY SEEM TO ME THAT THE U S HAD ANY ALTERNATIVE, PARTICULARLY AT THIS TIME OF RELIGIOUS FERVOUR IN TEHRAN. I MENTIONED, INCIDENTALLY, THE POINT MADE IN TEHRAN TELNO 1238 ABOUT THE SENSITIVITY OF 29 NOVEMBER AS A DATE FOR THE SHAH'S, DEPARTURE BRZEZINSKI WAS SURPRISED WHEN I SAID THAT OUR AMBASSADOR IN TEHRAN'S VIEW WAS THAT A DATE AFTER THE REFERENDUM ON 2 DECEMBER WOULD BE PREFERABLE TO AN EARLIER DATE.

5. REVERTING TO THE GENERAL TACTICS FOR HANDLING THE ISSUE BRZEZINSKI IMPLIED THAT THE U S STILL HAD A GOOD MANY CARDS UP THEIR SLEEVE. HE SAID THAT HE WAS NORMALLY AN ACTIVIST, AT WHICH I INTERJECTED THAT HE WAS ALSO A CALCULATOR AND HOW COULD HE CALCULATE THAT ANYTHING IN THE NATURE OF MILITARY ACTION AT THE PRESENT TIME COULD HELP THE HOSTAGES. HE ADMITTED THAT HE COULD NOT DO SO BUT HE SPECULATED ALOUD ABOUT WHAT WOULD HAPPEN IF THE SECURITY COUNCIL ORDERED THE RELEASE OF THE HOSTAGES AND THE IRANIANS DID NOT COMPLY. I SAID THAT I DID NOT THINK THAT THE IRANIANS WOULD COMPLY. I MENTIONED THAT BANI SADR WAS NOT GOING TO THE SECURITY COUNCIL DEBATE. NEVERTHELESS IT DID LOOK TO ME AS THOUGH INTERNATIONAL OPINION WAS WORKING QUITE WELL AND SURELY THIS WAS WHAT WAS IMPORTANT.

6. I ASKED WHAT ROLE THE PLO HAD PLAYED. BRZEZINSKI SAID THAT THEY HAD BEEN DECISIVE IN BRINGING ABOUT THE RELEASE OF THE 13 HOSTAGES.

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 FROM TEHRAN 261250Z NOV 79
 TO IMMEDIATEFCO
 TELEGRAM NUMBER 1238 OF 26 NOVEMBER
 TO IMMEDIATE WASHINGTON

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WASHINGTON TEL NO 3891 (PERSONAL) TO YOU: IRAN ETC.

PARA 1 (IV) SUGGESTS THAT THE SHAH MAY LEAVE THE U S ON THURSDAY 29 NOV. THIS IS THE EVE OF ASHURA, THE CULMINATION OF THE MOURNING PERIOD ALTHOUGH THE MONTH OF MUHARRAM GOES ON TILL 18 DEC.
 IF I AM RIGHT THAT THE SHAH'S DEPARTURE WOULD AROUSE ANGER HERE AS THE IMMEDIATE REACTION, 29 NOV COULD HARDLY BE A WORSE DAY FOR HIM TO GO (I ASSUME THAT HIS DEPARTURE WOULD NOT REMAIN SECRET) . IT IS RELEVANT THAT BANI SADR IS QUOTED IN TODAY'S TEHRAN TIMES AS SAYING THAT IT WAS NOW TOO LATE FOR ANY PLAN TO REMOVE THE SHAH TO ANOTHER COUNTRY: TO DO SO WOULD BE TANTAMOUNT TO ADMITTING THAT HE WAS GUILTY, BUT REFUSING TO EXTRADITE HIM.

2. I HOPE THEREFORE THAT A DATE PREFERABLY AFTER THE REFERENDUM ON 2 DECEMBER CAN BE CHOSEN.

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FROM TEHRAN 251755Z NOV 79

TO IMMEDIATE FCO

TELEGRAM NUMBER 1231 OF 25 NOVEMBER

TO IMMEDIATE CABINET OFFICE (DIO) MODUK (DIA) MODUK (DS11)

CRE5, WASHINGTON, UKMIS NEW YORK

PRIORITY ABUD DHABI, ANKARA, BAGHDAD, BAHRAIN, DOHA, DUBAI,

ISLAMABAD, JEDDA, KABUL, KUWAIT, MOSCOW, TOKYO MUSCAT

NEW DELHI. EEC POSTS.

MY TELNO 1229: SITUATION IN IRAN

1. THERE WAS AN IMPRESSIVE MARCH AT 4 PM TODAY BY THE
CHERIKHAYE FEDAI FROM THE UNIVERSITY TO THE U S EMBASSY.
THEIR APPROACH WAS BLOCKED HOWEVER BY RIVAL MARCHERS MOBILISED
AT 3 PM BY THE CLERGY. THERE WERE NO CLASHES, THOUGH A LEADING
EXTREMIST MULLAH WHO WAS DUE TO ADDRESS THE CROWDS OUTSIDE THE
EMBASSY WAS JOSTLED WHEN HE AND HIS ENTOURAGE TRIED TO PASS THOUGH
THE TIGHTLY-ORGANISED CORDON OF MARSHALS ROUND THE CHERIKHAYE
FEDAI. THE ELMIEH THEOLOGICAL SCHOOL IN QOM HAS CALLED FOR A
FURTHER MARCH TOMORROW, TO MARK THE 7TH DAY OF THE ATTACK ON THE
GRAND MOSQUE IN MECCA, WHICH HAS BEEN ENDORSED BY SEVERAL
OTHER GROUPS INCLUDING THAT OCCUPYING THE U S EMBASSY 2 WHICH
PERSISTS IN ATTRIBUTING THE ATTACK TO 'AMERICAN ELEMENTS'

2. CONGRESSMAN HANSEN SAW THE HOSTAGES THIS MORNING AFTER 2 AND HALF
HOURS NEGOTIATING AT THE EMBASSY GATE (ALTHOUGH HE HAD THOUGHT

HOURS NEGOTIATING AT THE EMBASSY GATE (ALTHOUGH HE HAD THOUGHT ALL ARRANGEMENTS HAD BEEN MADE) AT A PRESS CONFERENCE AFTERWARDS HE SAID HE HAD SPOKEN TO A SUBSTANTIAL NUMBER OF THE HOSTAGES WHOM HE DESCRIBED AS "RELATIVELY COMFORTABLE" ALTHOUGH STILL BOUND, WITHOUT A CHANGE OF CLOTHES, AND BADLY IN NEED OF A BATH. HE SAID HE WOULD NOW RETURN TO THE USA TO MEET FELLOW CONGRESSMEN.

3. SHARIAT-MADARI IS ALLEGED TO HAVE TOLD A SPANISH JOURNALIST THAT IF HE WERE KHOMEINI HE WOULD TELL THE OCCUPIERS TO LEAVE THE EMBASSY AND FREE THE HOSTAGES.

4. THIS MORNING'S LOCAL PAPER CARRIED A REPORT THAT THE NETHERLANDS AMBASSADOR IN TEHRAN HAD CALLED ON HIS NATIONALS TO LEAVE THE COUNTRY IF THEIR PRESENCE WAS NOT ESSEQQQNTIAL. THIS CORRECTLY REFLECTS CURRENT DUTCH ADVICE, THOUGH NO FRESH WARNING HAS BEEN ISSUED. ACCORDING TO THE GERMAN AMBASSADOR, HIS NATIONALS ARE CURRENTLY LEAVING AT THE RATE OF 80 - 100 A DAY.

5. KAYHAN PRINTED A SMALL BUT PROMINENT HEADLINE "THE BRITISH EMBASSY IN TEHRAN REDUCES ITS STAFF BY HALF" THE MAIN TEXT OF THE ARTICLE (ON PAGE 3) READS "THE BRITISH EMBASSY IN TEHRAN HAS DECIDED TO SEND HALF ITS STAFF BACK TO ENGLAND. AN EMBASSY SPOKESMAN HAS SAID THAT THERE IS NO POLITICAL REASON BEHIND THIS, BUT THAT RELATIONS BETWEEN IRAN AND BRITIAN HAVE DROPPED CONSIDERABLY COMPARED WITH LAST YEAR. THE VOLUME OF IRANIAN IMPORTS FROM BRITAIN HAS BEEN REDUCED BY 75 PERCENT AGAINST THE FIGURE OF 1.5 MILLIARD DOLLARS LAST YEAR, AND THE NUMBER OF BRITONS IN IRAN HAS GONE FROM 14,000 TO 300" THIS REFLECTS BRIEFING GIVEN YESTERDAY TO AP, WITH THE WORD "COMMERCIAL" OMITTED BEFORE "RELATIONS" THERE WAS NO ADDITIONAL COMMENT.

6. THE FLOW OF IRANIANS ABROAD CONTINUES. THE CONSULATE IS NOW MAKING APPOINTMENTS FOR 4 JANUARY.

7. HABIBI, THE REVOLUTIKARY COUNCIL SPOKESMAN, LAST NIGHT ANNOUNCED THAT AYATOLLAH KHAMENE'I, THE COUNCIL'S REPRESENTATIVE AT THE DECENCE MINISTRY, WILL ALSO SUPERVISE THE REVOLUTIONARY GUARDS IN PLACE OF LAHOUTI, WHO RESIGNED LAST WEEK. AYATOLLAH MAHDAVI, KANI WILL BE HEAD OF THE ISLAMIC REVOLUTIONARY COURTS.

GRAHAM

CN PARA 4 READ NOT ESSENTIAL.

BT

TEXT OF A LETTER FROM MR. VANCE TO LORD CARRINGTON
26 NOVEMBER - MADE PUBLIC

"I want to record again our deep appreciation to the staunch support of Her Majesty's Government as we continue to explore every possible diplomatic avenue to obtain the release of our colleagues in Tehran. We are most grateful for your help in the international efforts to bring about the immediate release of the hostages and to undo the violence which has been done to established international law and custom regulating the protection of diplomatic missions. As you are well aware our Government has exercised great restraint in responding to an outrageous situation. We will continue to pursue every available diplomatic avenue to remedy this tragic situation. Your support of the international community's continuing efforts in this regard has been invaluable."

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FM WASHINGTON 252300Z NOV
 TO PRIORITY F C O
 TELEGRAM NUMBER 3889 OF 25 NOVEMBER
 INFORMATION ROUTINE TEHRAN, ISLAMABAD AND UK MIS NEW YORK.

IRAN : THE U.S.A. AND THEIR ALLIES.

1. WHEN I SAW VANCE TODAY I REFERRED TO THE TENDENCY OF U.S. NEWS COMMENTATORS TO SAY THAT THE U.S.A. WAS NOT GETTING THE SUPPORT OVER IRAN FROM THEIR ALLIES TO WHICH THEY WERE ENTITLED. I HAD JUST SEEN THE SATURDAY EVENING TV PROGRAMME IN WHICH THE ALLIES HAD BEEN EXPLICITLY CHARGED WITH A LACK OF SOLIDARITY. I ADDED THAT I KNEW THAT A LOT OF THINGS COULD NOT BE REVEALED BECAUSE IT MIGHT BE SELF-DEFEATING TO DO SO, BUT PERHAPS WHEN IT WAS ALL OVER HE COULD SET THE RECORD STRAIGHT PUBLICLY. IT WOULD NOT HELP IF A LEGEND WAS ALLOWED TO DEVELOP THAT THE U.S.A. HAD BEEN LET DOWN BY THEIR FRIENDS AT A MOMENT OF GREAT DIFFICULTY, PARTICULARLY WHEN THE OPPOSITE WAS THE TRUTH, BOTH IN TEHRAN AND ISLAM-ABAD.

2. VANCE SAID THAT HE WAS VERY CONSCIOUS OF THIS. HE HAD NOTHING BUT BAD TO SAY OF THE TV COMMENTATORS AND MANY OF THE COLUMNISTS. HE WOULD CERTAINLY SEE THAT JUSTICE WAS DONE. IN FACT HE WOULD BE CALLING IN THE EDITORS NEXT WEEK. THE U.S. GOVERNMENT WERE DEEPLY GRATEFUL FOR ALL THE HELP THEY HAD RECEIVED, AND HE WAS VERY MUCH AWARE OF EVERY THING OUR MISSIONS HAD DONE IN IRAN AND PAKISTAN. HE THEN SPELT OUT SOME OF THE PARTICULAR STEPS THAT WE HAD TAKEN, AND WERE TAKING, TO ASSIST THE U.S. AUTHORITIES. HIS PRAISE AND

AWARE OF EVERY THING OUR MISSIONS HAD DONE IN IRAN AND PAKISTAN. HE THEN SPELT OUT SOME OF THE PARTICULAR STEPS THAT WE HAD TAKEN, AND WERE TAKING, TO ASSIST THE U.S. AUTHORITIES. HIS PRAISE AND GRATITUDE WERE UNSTINTED. HE ALSO SAID HOW VERY FORTUNATE IT WAS THAT TONY PARSONS WAS AT THE U.N. NO-ONE KNEW MORE ABOUT IT OR COULD GIVE SOUNDER ADVICE.

3. WITHOUT WANTING TO MAKE TOO MUCH OF IT BECAUSE THESE THINGS ARE CHANGING AND INTANGIBLE, I THINK THAT IN HELPING THE U.S. AUTHORITIES DURING THEIR PRESENT CRISIS, SOMETHING WE HAVE DONE WILLINGLY AND SPONTANEOUSLY, WITHOUT ANY CALCULATION OF SELF-INTEREST, HMG MAY HAVE ADDED TO THEIR STOCK OF DIPLOMATIC CAPITAL HERE AND THAT THIS MAY STAND US IN GOOD STEAD ON SOME OTHER OCCASION.

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FM TEHRAN 241315Z NOV 79

TO IMMEDIATE FCO

TELEGRAM NUMBER 1224 OF 24 NOVEMBER

AND TO IMMEDIATE WASHINGTON

INFO IMMEDIATE DUBLIN THE HAGUE BRUSSELS COPENHAGEN BONN

UKMIS NEW YORK PRIORITY PARIS ROME

MIPT: US EMBASSY., TEHRAN - COMMUNITY DEMARCHE

FOLLOWING IS JOINT RECORD OF THE CALL BY THE COMMUNITY AMBASSADORS ON MR BANI SADR AT 11.45 AM ON 24 NOVEMBER 1979

1. THE PRESIDENT OPENED SAYING THAT WE HAD NOT COME ON THIS OCCASION TO DISCUSS PRINCIPLES OF DIPLOMATIC IMMUNITY, THE INADMISSABILITY OF TAKING HOSTAGES OR THE INADMISSABILITY OF PUTTING DIPLOMATS ON TRIAL. OUR GOVERNMENTS, TO WHOM WE HAD CONVEYED THE IRANIAN GOVERNMENT'S VIEWS, HAD RESTATED THEIR POSITION ON THESE PRINCIPLES IN A STATEMENT ISSUED IN BRUSSELS ON 20 NOVEMBER (A COPY IN FARSI WAS HANDED OVER TO MR BANI SADR, WHICH HE READ). OUR PURPOSE IN CALLING WAS TO IMPRESS OUR ANXIETY OVER THE STATE OF THE HOSTAGES. WE WELCOMED THE RELEASE OF A NUMBER OF THEM BUT SOME OF THE WOMEN WERE STILL DETAINED CONTRARY TO THE PROMIS GIVEN AND INFORMATION AVAILABLE TO US SUGGESTED STRONGLY THAT THE REMAINING HOSTAGES WERE DETAINED IN CONDITIONS WHICH AMOUNTED TO PHYSICAL AND PSYCHOLOGICAL TORTURE. WE MUST PRESS AGAIN VERY STRONGLY FOR AN IMPROVEMENT IN CONDITIONS AND FOR DAILY VISITS PREFERABLY BY AMBASSADORS. FINALLY WE WANTED TO MAKE THE POINT THAT THE TRIAL OF THE HOSTAGES WOULD CONSTITUTE A FURTHER BREACH OF INTERNATIONAL LAW AND WOULD SERIOUSLY COMPROMISE ATTEMPTS TO REACH A SOLUTION.

2. MR BANI SADR SAID THAT THE STUDENTS HAD ASSURED HIM THAT THE CONDITION OF THE HOSTAGES HAD BEEN IMPROVED. HE HIMSELF HAD SPOKEN ON SEVERAL OCCASIONS TO THE IMAM WHO INSISTED ON SUCH AN IMPROVEMENT. HE WOULD CONTACT THE IMAM IMMEDIATELY AND HOPED TO

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BE ABLE TO SATISFY THE AMBASSADORS' REQUEST. AS FOR THE DAILY VISITS THEY HAD ENCOUNTERED AN OBJECTION ON THE PART OF THE STUDENT GROUP ON THE GROUNDS THAT AMBASSADORS MIGHT CONVEY INFORMATION ABOUT THE SITUATION IN THE US EMBASSY WHICH MIGHT HELP A WOULD-BE ATTACKER. BUT HE BELIEVED THAT THE AMBASSADORS COULD HOPE FOR A CONCRETE RESULT

3. AS FOR THE TRIALS, MR BANI SADR SAID THAT IT WAS SAD FOR HIM TO NOTE THE ESCALATION OF PROVOCATIONS ON BOTH SIDES. IF THE US GOVERNMENT WERE TO CEASE ITS PROVOCATIONS THERE WOULD BE NO SUCH ESCALATING REACTIONS ON THE IRANIAN SIDE. HE ASKED US TO LOOK AT THE PROBLEM IN ALL ITS ASPECTS. THE PROBLEM OF THE SHAH FOR THE IRANIANS WAS LIKE THE PROBLEM OF THE NAZIS FOR US. THE AMERICANS SHOULD TAKE ACCOUNT OF THE IMPORTANCE FOR IRAN OF THIS PROBLEM, IRAN HAD INTERVENED WITH THE SECRETARY-GENERAL OF THE UN AND AWAITED RESULTS. THEY WERE ALSO IN TOUCH WITH CONGRESSMAN HANSEN AND WITH A REPRESENTATIVE OF UNESCO (MR SEAN MACBRIDE). THESE HAD AGREED WITH THE IRANIAN OPINION THAT THE PROBLEM SHOULD BE TREATED AS A WHOLE. HE HOPED THAT THE AMBASSADORS WOULD INTERVENE WITH THEIR GOVERNMENTS SO THAT A SOLUTION ACCEPTABLE TO ALL COULD BE FOUND. THE AMBASSADORS COULD BE ASSURED THAT FOR HIM IT WAS A VERY PAINFUL THING TO PUT UP WITH SUCH A SITUATION AND THAT HE WAS DOING ALL HE COULD TO FIND A SOLUTION.

4. IN REPLY TO QUESTIONS FROM THE AMBASSADORS, BANI SADR MADE THE FOLLOWING POINTS:

A. HE WOULD DO HIS BEST TO TRY TO ARRANGE VISITS EITHER BY AMBASSADORS OR BY A SELECTED GROUP OF AMBASSADORS - HE TOOK NOTE THAT THE ORIGINAL GROUP HAD CONSISTED OF THE FRENCH, ALGERIAN, SYRIAN AND SWEDISH AMBASSADORS - HE SAID THAT THE STUDENTS CLAIMED THAT THERE WAS A GOOD MEDICAL SERVICE FOR THE HOSTAGES AND TOOK NOTE OF THE SUGGESTION THAT ACCESS TO THE DOCTORS CONCERNED MIGHT BE GIVEN TO THE AMBASSADORS.

B. THE IRANIAN GOVERNMENT WAS NOT POSING CONDITIONS FOR THE RELEASE OF THE HOSTAGES. THE TRUTH WAS THAT THEY HAD NO POWER THEMSELVES TO FREE THE HOSTAGES BUT THEY HAD PUT FORWARD THEIR IDEAS OF THE ELEMENTS WHICH MIGHT COMPOSE A SOLUTION WHICH WOULD CARRY THE IRANIAN PEOPLE AND IN DOING SO MAKE IT IMPOSSIBLE FOR THE STUDENTS TO CONTINUE TO HOLD THE HOSTAGES. IF IT RESTED WITH HIM HE WOULD FREE THE HOSTAGES AT ONCE.

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- C. THE ELEMENTS OF SUCH A SOLUTION INVOLVED ACCEPTANCE BY THE US GOVERNMENT OF THE PRINCIPLE OF THE INVESTIGATION OF THE SHAH'S CULPABILITY AND THE ACCEPTANCE OF THE CONSEQUENCES OF SUCH AN INVESTIGATION: THAT WAS TO SAY ACCEPTANCE OF THE PROPOSALS NOW BEING PUT FORWARD BY CONGRESSMAN HANSEN. THAT WOULD TOTALLY CHANGE THE SITUATION.
- D. THE IRANIAN PEOPLE WERE SHOCKED BY THE NEGLECT BY THE WORLD OF THE SHAH'S CRIMES WHICH WERE NOT EVEN REFERRED TO IN THE COMMUNIQUE ISSUED BY THE COMMUNITY FOREIGN MINISTER.
- E. THE CORRECT RESPONSE NO DOUBT WOULD HAVE BEEN TO BREAK RELATIONS WITH THE US ON THE FIRST DAY THAT THE SHAH ARRIVED IN NEW YORK BUT MR BAZARGAN HAD NOT DONE THAT AND IT WAS TOO LATE.
- F. USE OF FORCE WAS IRRELEVANT: NO ARMY COULD RELEASE THE HOSTAGES ALIVE.
- G. AS PROOF OF HIS LACK OF CONTROL OVER THE STUDENTS HE HAD TRIED TO ARRANGE FOR CONGRESSMAN HANSEN TO VISIT THE HOSTAGES BUT HAD FAILED. THE DANGER WAS THAT THE STUDENT GROUP IN OCCUPATION OF THE US EMBASSY MIGHT THEMSELVES BE OUTFLANKED BY A GROUP MORE EXTREME OR LEFT-WING, IF THEY SHOWED WEAKNESS.
- H. THE ONLY WAY TO RESOLVE THE PROBLEM WAS TO SHOW MORE COMPREHENSION OF THE SENSITIVITIES OF THE IRANIAN PEOPLE.
- I. HE AGREED THAT AN IMPROVEMENT IN THE CONDITIONS IN WHICH THE HOSTAGES WERE DETAINED COULD CONTRIBUTE TO A LOWERING OF TENSION WHICH MIGHT IN ITSELF HELP THE ACHIEVEMENT OF A SOLUTION AND SAID THAT HE WOULD DO HIS BEST TO BRING THIS POINT HOME TO THOSE INVOLVED.
- J. HE AGREED TO PUT FORWARD A SUGGESTION THAT THE STUDENTS THEMSELVES MIGHT MAKE A STATEMENT ABOUT THE IMPROVEMENT OF THE CONDITIONS OF THE HOSTAGES.
- K. THE CRISIS WHICH THE OCCUPATION OF THE US EMBASSY HAD PROVOKED HAD ENABLED THE IRANIAN GOVERNMENT TO GIVE A LEAD TO PUBLIC OPINION TO ENSURE THE RESPECT AND PROTECTION OF OTHER DIPLOMATIC MISSIONS AND FOREIGNERS IN IRAN. THEY COULD NOT CONTROL EVERY SINGLE IRANIAN, BUT THAT WAS A GAIN.

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5. WHEN QUESTIONED ABOUT HIS STATEMENTS YESTERDAY ABOUT IRAN DEFAULTING ON HER FOREIGN DEBT, MR BANI SADR SAID THAT HE HAD BEEN SPEAKING ONLY OF THE DEBTS INCURRED BY THE DIRECTORS OF PRIVATE BANKS, NOT IRAN'S FOREIGN DEBT AS A WHOLE. THE PROBLEM FOR IRAN WAS THAT THE US WAS NOT RESPECTING THE INDEPENDENCE OF THE EUROPEAN COUNTRIES AND WAS TRYING TO CONTROL MONEYS DEPOSITED IN BRANCHES OF AMERICAN BANKS IN EUROPE CONTRARY TO ALL INTERNATIONAL LAWS. SUBSIDIARIES OF AMERICAN BANKS WERE TRANSFERRING IRANIAN FUNDS TO THEIR PRINCIPALS IN THE US, WITHOUT INSTRUCTIONS FROM IRAN, IN ORDER TO BRING THEM WITHIN CONTROL OF THE US ORDER. THE AMBASSADORS MADE THE POINT THAT IN ALL OUR COUNTRIES THIS WAS A QUESTION FOR THE COURTS, IF THE IRANIANS HAD PROBLEMS WITH THEIR DEPOSITS IN EUROPE THEIR REMEDY WAS TO TAKE THE MATTER TO THE COURT.
6. IN CONCLUSION MR BANI SADR ASSURED THE AMBASSADORS THAT THEY COULD LEAVE THE ROOM IN THE KNOWLEDGE THAT HE WOULD USE HIS BEST ENDEAVOURS TO ACHIEVE A LOWERING OF TENSION AND AN IMPROVEMENT IN THE CONDITION OF THE HOSTAGES.

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Group/Class..... PREM 19.....
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FCO telegram to Washington
dated 24 November 1979,
and attachments.

Paper extracted and
temporarily retained
under Section 3(4)
pending completion of
review.

(date)..... 31 October 2009.....

(Signed)..... (M)Wayland.....

5. ACCORDING TO MIDDLETON, THE OPTION MOST FAVOURED BY U S MILITARY OPINION WAS STILL AN AIRBORNE DROP ON THE EMBASSY, ACCOMPANIED BY ONE ON TEHRAN AIRPORT, BOTH SUPPORTED BY FIGHTER UNITS WHILE THE TEHRAN MOBS DID NOT PRESENT AN INSURMOUNTABLE PROBLEM, IT WAS ACKNOWLEDGED THAT SUCH OPERATIONS WOULD PUT THE LIVES OF THE HOSTAGES AT EXTREME RISK. A LESS DANGEROUS ALTERNATIVE WOULD BE THE NAVAL BLOCKADE OF IRAN, SPECIFICALLY THE KHARG OIL TERMINAL. THIS COULD BE CARRIED OUT BY THE TWO CARRIER FORCES NOW APPROACHING THE GULF (MY TELNO 3833) BUT NEITHER FORCE HAD MUCH OF A LANDING OPERATIONS CAPABILITY. NATO SOURCES WERE REPORTED TO BELIEVE THAT THE ULTIMATE MISSION OF THE CARRIER FORCES WAS TO IMPOSE SUCH A BLOCKADE. WHILE SUCH AN OPERATION MIGHT CAUSE TROUBLE WITH THE GERMANS AND JAPANESE, THEY MIGHT ACCEPT THE BLOCKADE AS LONG AS IT LASTED NO MORE THAN TWO WEEKS.

6. FINALLY, MIDDLETON CLAIMED THAT PRECISION AIR-STRIKES AGAINST IRANIAN TARGETS (WHICH HAD FEATURED PROMINENTLY LAST WEEK IN THE U S PRESS AS A POSSIBLE MILITARY OPTION) HAD NOW BEEN RULED OUT BY THE PENTAGON FOR POLITICAL REASONS. THEIR EFFECT ON MUSLIM AND ALLIED OPINION, APART FROM RISKING THE LIVES OF THE HOSTAGES, WOULD HAVE BEEN UNACCEPTABLE.

7. THE SECOND NEW YORK TIMES ARTICLE (BY TERENCE SMITH) REPORTED THAT THE CARTER STATEMENT OF 20 NOVEMBER, RAISING THE POSSIBILITY OF MILITARY ACTION (MY TELNO 3834), HAD BEEN ISSUED BECAUSE OF WHITE HOUSE CONCERN THAT KHOMEINI HAD MISREAD THE U S SIGNALS. HIS STATEMENT ABOUT PUTTING THE HOSTAGES ON TRIAL AND THE LACK OF US DETERMINATION - QUOTE THE AMERICANS HAVE NO GUTS UNQUOTE - HAD CONVINCED THE ADMINISTRATION THAT THEY HAD TO RESPOND SWIFTLY AND FORCEFULLY.

8. WHITE HOUSE OFFICIALS WERE ALSO REPORTED TO CONCEDE THAT ANY MILITARY ACTION AGAINST IRAN COULD ONLY BE PURSUED AFTER THE HOSTAGE SITUATION WAS RESOLVED. THEY EXPLAINED THE REINFORCEMENT OF U S NAVAL FORCES IN THE INDIAN OCEAN AS MORE A RESPONSE TO INSTABILITY IN THE MUSLIM WORLD (WITH THE PROSPECT OF TURMOIL SPREADING TO NATIONS SUCH AS EGYPT AND TURKEY) RATHER THAN TO THE HOSTAGE SITUATION.

9. SEE MIFT (NOT TO ALL)

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TO PRIORITY F C O

TELEGRAM NUMBER 3882 OF 23 NOVEMBER 1979

INFO TEHRAN UKMIS NEW YORK

MY TELNO 3768: U S REACTIONS TO IRAN CRISIS

1. SENATOR MCGOVERN ENDED HIS STATEMENT ON 21 NOVEMBER (MY TELNO 3857 PARA 2), ATTACKING THE DETENTION OF THE HOSTAGES AND CALLING FOR MILITARY REPRISAL IN THE EVENT OF EXECUTIONS, WITH THE WORDS: QUOTE UNCLE SAM'S BEARD HAS BEEN AROUND A LOT LONGER THAN THE AYATOLLAH'S. ANYONE WHO PULLS THAT BEARD TOO HARD SHOULD BE PREPARED FOR REPRISAL FROM THE MIGHTIEST NATION ON THE FACE OF THE EARTH UNQUOTE.
2. THESE REMARKS, FROM A NOTED DOVE, SUM UP THE REACTION OF MOST AMERICANS TO THE CONTINUING CRISIS. GIVEN THE ENORMOUS MEDIA COVERAGE OF EVENTS IN TEHRAN AND ISLAMABAD, AND THE EMOTIONAL CIRCUMSTANCES OF THE RETURN OF SOME HOSTAGES TO THE U S, WITH THE ACCOUNTS NOW APPEARING OF THE ORDEAL OF U S PERSONNEL IN PAKISTAN, IT IS NOTEWORTHY THAT THE U S PUBLIC HAS SO FAR KEPT ITS COOL. FOR THE MOMENT THERE ARE ALMOST NO SIGNS OF THE CALM AND PATIENT APPROACH OF THE ADMINISTRATION LOSING THE SUPPORT OF MOST OF THE COUNTRY.
3. ON THE CONTRARY, SUPPORT FOR THE PRESIDENT'S ACTIONS ON THE HILL, IN THE MEDIA AND AMONG PUBLIC OPINION, CONTINUES TO BE ALMOST UNANIMOUS. TWO FACTORS CONTRIBUTING TO THIS ARE THE WIDESPREAD RECOGNITION THAT, WHILE THE HOSTAGES REMAIN IN TEHRAN, OTHER ALTERNATIVES (EG MILITARY ACTION) ARE NOT REALLY FEASIBLE: AND THE SATISFACTION GAINED FROM SUCH OVERT ACTS BY THE PRESIDENT AS THE EARLIER RESTRICTIONS AGAINST IRAN AND NOW THE STEPPING UP OF MILITARY FORCES IN THE VICINITY.
4. EVEN THOSE PRESIDENTIAL CANDIDATES WHO, EITHER OUT OF CONVICTION OR POLITICAL OPPORTUNISM, HAVE BEEN TEMPTED TO OFFER CRITICISM OF THE PRESIDENT'S ACTIONS, HAVE DONE SO DISCREETLY. ON THE WHOLE THESE INTERVENTIONS APPEAR TO HAVE MADE LITTLE IMPACT ON THE COUNTRY AND EDITORIAL OPINION, ALTHOUGH THERE IS A DISCERNIBLE TREND AMONG COMMENTATORS (PARTICULARLY OF THE RIGHT WING) TO STEP UP THE PRESSURE ON THE ADMINISTRATION FOR A MORE RESOLUTE (EVEN

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IF MORE RISKY TO THE HOSTAGES) RESPONSE. IT IS NOTABLE THAT KISSINGER (WHOSE ROLE IN THE SHAH'S ADMITTANCE TO THE U S HAS NOT ESCAPED CRITICISM) HAS BEEN ONE OF THE MOST ACTIVE CRITICS OF THE ADMINISTRATION'S APPROACH, TELLING A MEETING OF REPUBLICAN GOVERNORS THAT AMERICANS WERE QUOTE SICK AND TIRED OF SEEING AMERICANS PUSHED AROUND UNQUOTE. ON THE OTHER HAND GENERAL HAIG HAS ADMITTED THAT THE U S WOULD BE HARD PRESSED TO PUT EVEN ONE DIVISION OF FIGHTING MEN INTO POSITION IN THE MIDDLE EAST WITHIN 45 DAYS.

5. WHETHER THE PRESIDENT CAN KEEP DOWN THE NATIONAL TEMPERATURE, BY OFFERING PUBLIC AND CONGRESSIONAL OPINION AN OCCASIONAL NEW INCENTIVE TO CONTINUE SUPPORT FOR HIS POLICIES, REMAINS IN DOUBT. THE ENDLESS DIET, PARTICULARLY ON TELEVISION, OF DEMONSTRATIONS FROM THE MIDDLE EAST OF ANTI-AMERICAN FEELING, UNDISGUISED CONTEMPT, AND PURE PROVOCATION, MUST EVENTUALLY HAVE A MORE INFLAMMATORY EFFECT ON THE PUBLIC MOOD THAN IT HAS PRODUCED SO FAR. THE IMPACT ON PUBLIC OPINION OF AN IRANIAN DECISION TO BRING THE HOSTAGES TO TRIAL WOULD BE PARTICULARLY HEAVY (SEE CARTER'S STATEMENT ON THIS POSSIBILITY OF 19 NOVEMBER - MY TELNO 3791). SUCH AN EVENT, CONDUCTED (AS IT PRESUMABLY WOULD BE) IN THE FULL GLARE OF INTERNATIONAL PUBLICITY, WOULD HAVE A DAMAGING EFFECT ON U S SELF-CONTROL. ADMINISTRATION SOURCES ARE QUOTED TODAY AS SAYING THAT THEY WERE TRYING TO PREVENT A TRIAL, BUT ADDED THAT THEY WOULD NOT USE FORCE TO DO SO.

6. THE PRESIDENT HAS ALREADY USED UP A NUMBER OF THE BEST CARDS IN HIS HAND. IF THE CRISIS CONTINUES HE MAY WELL (FOR REASONS OF DOMESTIC AS WELL AS FOREIGN POLICY) BE DRIVEN TO TAKE MORE DRAMATIC MEASURES. THE ADMINISTRATION ARE WELL AWARE OF THIS DANGER, AND OF THE CRISIS ESCALATING EVEN FURTHER OUT OF CONTROL. THEY ARE DETERMINED IF AT ALL POSSIBLE TO MAINTAIN THEIR GRIP ON EVENTS AND TO PURSUE QUIET DIPLOMACY AS LONG AS POSSIBLE. BUT THEY KNOW THAT TIME IS NOT ON THEIR SIDE.

HENDERSON

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Prime Minister
[Signature]

WASHINGTON TELNO 3872: IRAN: HOSTAGES

1. PARA 4 POSES THE QUESTION WHETHER THE DEPARTURE OF THE SHAH FROM THE US WOULD BE LIKELY TO DEFUSE OR INFLAME THE SITUATION.
2. MY JUDGEMENT IS THAT AT THE STAGE NOW REACHED, THE IMMEDIATE REACTION HERE TO THE SHAH'S DEPARTURE IS LIKELY TO BE ONE OF ANGER, WITH THE RISK, BUT NOT I THINK A HIGH ONE, THAT THE TREATMENT OF THE HOSTAGES WOULD BECOME HARSHER AND/OR RATHER MORE PROBABLE, THAT SOME MIGHT BE PUT ON TRIAL. AS TUR NOTE, 29/30 NOV ARE TASSU'A AND ASHURA, WHEN EMOTIONS ARE AT THEIR HEIGHT.
3. ON THE OTHER HAND AS LONG AS THE SHAH REMAINS IN THE US, WITHOUT A GENERAL SETTLEMENT IN THE LINES BEING DISCUSSED IN NEW YORK, THE RISK OF IRAN TRYING TO INCREASE PRESSURE ON THE US THROUGH THE HOSTAGES, INCLUDING THROUGH TRIAL, EXISTS.
4. IDEALLY THEREFORE THE DEPARTURE OF THE SHAH OUGHT TO FORM PART OF OR COINCIDE WITH ANY PACKAGE WORKED OUT IN NEW YORK.

GRAHAM



With the Compliments
of the
Chancellor of the Exchequer's
Private Secretary

Treasury Chambers,
Parliament Street,
S.W.1.

C - v. w. p. l.

CHANCELLOR OF THE EXCHEQUER

ASH ~~7/12~~ of No. 10

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~~short statement~~P. 4/12
R. Lancaster
again

cc Chief Secretary
 Financial Secretary
 Sir Douglas Wass
 Sir Kenneth Couzens
 Mr Barratt
 Mr Jordan-Moss
 Mrs Hedley-Miller
 Mr Bridgeman
 Mr Gill
 Mr Slater
 Mr Peretz
 Mr Ridley
 Mr Cardona
 Mr Hosker - Tsy Sol
 Mr Payton) B of E
 Mr Edgley) B of E
 Mr Bayne) FCO
 Mr Hannay) FCO
 Mr Ryrie - UKTSD

P. 4/12

IRANIAN DEPOSITS

This note assesses some of the effects and possible wider implications of the US Presidential Order to freeze official Iranian assets. With the passage of time since the order was made on 14 November some of these effects are now beginning to make themselves felt.

Value of Assets Frozen

2. The following table sets out the latest public US Treasury estimate of the total value of Iranian assets affected by the Presidential Order.

Frozen Iranian Official Assets

	<u>£m</u>
US Government Securities	1,200
Gold in New York Fed	600
Bank deposits in US	1,000
Deposits with overseas branches and subsidiaries of US banks	4,000
Deposits on Military purchases	400
Funds held by other US companies	500
Other	300
TOTAL	<u>8,000</u>

Of the total of \$4 billion held in the form of deposits with US banks outside of the USA, the bulk is in London.

3. The estimate of \$8 billion is higher than the original estimate given by Secretary Miller, namely \$5 billion; and we understand in confidence that there may be further upward revisions on the way and that the real figure may be nearer \$10 billion.

Motives for US action

4. At his Press conference to announce the Presidential Order on 14 November, Secretary Miller said that the action was intended to ensure that the transfer of Iranian deposits would not impair the rights of Americans and that the claims of Americans would be handled and provided for in an orderly way. In a statement to the IMF Executive Board, the US Executive Director said that the action was a temporary measure taken in response to an Iranian announcement that they would withdraw dollar funds from US institutions. He said that the US action was designed "exclusively to permit time to ascertain the extent and status of US claims on Iran, in response to the Iranian move". Since then, some of the actions of US banks seem to have been more than purely defensive - see below.

Reaction of other large official holders of dollars, and effect on the dollar

5. Secretary Miller also said on 14 November that the reactions from other Governments to which he had spoken before the Presidential Order was made had been understanding, and that in particular the Saudi Arabian leaders had expressed sympathy with the US position. The Saudi representative at the IMF Board on November 14 said that the action disturbed his authorities; however reports from Jedda indicate that the Saudis who had expressed concern seemed to have been placated by US assurances.

6. There has been a public reaction from Kuwait. Speaking after a Cabinet meeting on 18 November, Mr Hussein, Minister of State, said:-

"From our point of view the step is an extremely important precedent which widens the definition of national interest and leaves the door open for individual interpretation. Kuwait does not sanction such a freeze and warns against its consequences".

The Kuwaiti statement may reflect a more widespread concern on the part of Middle East dollar holders that could make itself felt in a shift of dollar assets out of the US, and perhaps also out of subsidiaries and branches of US banks, to countries and banks less exposed to such governmental action. Such a shift would not necessarily take the form of sales of dollars for other currencies, but could be confined to the transfer of dollar deposits to non-US banks.

8. So far there has been no sign of any such shift - or indeed of any substantial movement of dollar funds at all, although there has been cases of Middle East dollar deposits being offered to non-US banks who have not usually had them in the past. The fluctuations in the dollar over the last days seem to have reflected a spate of rumours, counter-rumours and statements about Iranian or OPEC intentions to seek payment for oil sales in currencies other than the dollar and not anxiety about the repercussions of the American blocking of Iranian assets.

Legal position of official Iranian deposits with branches and subsidiaries of US banks outside the USA

9. We have taken advice from Treasury Solicitor and FCO Lawyers about the legal position in the UK. Their advice is that, if the London branch or subsidiary of a US bank refused to execute a legitimate instruction from an official Iranian depositor to release a deposit made with it in the UK, the Iranians could have recourse to an English Court. The first thing the Court would have to consider would be whether English law applied to the transaction, and this would depend very much on the particular circumstances. But we believe that in the majority of cases English law would apply. If so, the Court would not be likely to accept a plea that the repayments would contravene the Presidential Order, but would be likely to decide in favour of the Iranian depositor.

10. If the branch failed to comply with the judgement of the English Court, it would be in default. This could create difficulties for the bank over recognition or licensing under our new Banking Act when it comes into effect next year. We would expect that, before the point were reached when a default would be declared, the bank would put strong pressure on the US authorities to let the payment be made. In practice, of course, we hope that the US Order would be lifted long before any case got to the Courts. This could take months - during which period the freeze would continue to have effect.

11. We do not wish to embarrass the Americans by making any explicit public statement of our assessment of the UK legal position; but, in the face of persistent questioning, the Bank of England have put out a statement which says that the matter is one for the Courts to decide. The Foreign Secretary has warned Mr Vance in a letter of our understanding of the legal position in the UK.

12. According to reports received from overseas posts and in the press, it seems that the legal position is much the same in other Western countries, including Germany, France, the Netherlands and Belgium. The Bank of Italy have reportedly gone further and said that US law cannot affect Italian banks. The President of the Swiss National Bank commented publicly on 15 November that the Presidential Order could not cover assets in Switzerland, even those with Swiss branches of US banks. (Any official Iranian deposits in Switzerland might, of course, be in numbered accounts, in which case there would be no way for the Swiss or US authorities to tell whether or not withdrawals were being made.)

Implications for the International Banking System

13. Major US banks are taking steps to permit them to offset Iranian official deposits against their loans to Iran. Our understanding is that they can do this lawfully if they declare a default on the loan in question. The Financial Times today, 22 November, correctly reports that a default has been declared on a \$500 million loan and that the Iran Government is being asked to repay this loan immediately. The reason for the declaration is said to be that interest payments on the loan were not made when they were due. We believe that the leading bank, Chase Manhattan, in fact had instructions from the Iranian Government to pay the interest when it was due out of their official Iranian deposits but decided not to do so on the grounds that they could not draw on the deposits because of the Presidential Order. Chase canvassed the other members of the syndicate for the loan and obtained a majority vote, as required, in favour of declaring the default.

14. Once a default is declared on one loan, others will almost certainly follow as a result of the cross-default provisions in other loan agreements involving the same borrower or guarantor. (Loans guaranteed by the Government of Iran in fact amount to a further \$860 million.) Some British banks are members of the syndicates for loans to Iran including the

large loan on which a default has already been declared. They are now obliged to take steps to protect their position. Some are informing the Iranian authorities that, through no desire on their part, a default has been declared on the loan and they are therefore regarding a corresponding part of the Iranian deposits they hold as available for offset against their share of the loan when the relevant deposits mature. We have, so far, no indication of the Iranian response to these moves.

15. The loan contracts usually include a requirement that the benefits of any offsetting be shared equitably with other loan syndicate members. It is possible that, in order to protect their own position, the US banks will place an injunction on the UK banks not to allow Iranian deposits to run down. The effects of such action could take years to unravel in the Courts; and it could constrain the British banks freedom of manoeuvre.

Net position of Western Banks

16. In aggregate, official Iranian deposits with Western banks greatly exceed the value of outstanding loans to Iran. But particular banks do have net creditor positions and are therefore exposed. (We understand, for example, that the Japanese banks have very few deposits but have participated in a number of loans to Iran.) Banks that are not fully covered may be able to benefit from provisions in the relevant loan agreements whereby any member of a syndicate who receives payment before time has to share the proceeds with its syndicate partners pro rata. The freeze might, of course, prevent US banks passing on funds in this way.

17. Official Iranian deposits with British banks are substantially more than double their loans to Iran. We understand, however, that, within this overall position, some British banks have net claims on Iran.

Effect on the financing of trade

18. The US Treasury has already granted a number of exemptions from the freeze so as not to hinder normal trade with Iran. At the same time the Iranian authorities and banks seem to have been quick to take steps to ensure that payments to them - for example for oil or interest payments - are, from now on, made into accounts outside the US and not with US banks, so that the funds when received are not blocked. It is still not clear whether or not Iran will continue to accept dollars in payment for oil, or whether the

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Revolutionary Council will adopt a policy of only accepting payments in other currencies. There have been conflicting official Iranian statements on this point.

Extension of the Presidential Order to Sterling

19. The US Treasury regulations under the Presidential Order apply to all assets held directly or indirectly by persons under US jurisdiction. Originally therefore, this included sterling and other non-dollar deposits with US banks as well as dollar deposits. Following informal representations by the Bank of England and other central banks, this part of the regulations has been modified to remove this block on non-dollar official deposits with US banks.

Conclusion

20. The US action has undoubtedly created many problems for the international banking system, the full extent of which cannot at present be judged. The main worry is that the eventual result will be a loss of confidence by the non-industrial world in the leading banking centres. London would of course be damaged by such a development as well as New York. But, so far, there has been no evidence of any attempt by dollar holders other than Iran to move their deposits out of US banks in London and only minor signs that they are switching out of dollars into other currencies or gold. In the longer term, the eventual result of the US action could be to make countries more reluctant to hold their reserves in dollars.

21. A more immediate worry is that British banks will be directly damaged as a result of an Iranian default on a loan which they cannot offset. But, as reported above, the banks concerned are taking steps to protect their interests while making it clear to the Iranian authorities that the problem has arisen as a result of actions by others.

22. The American authorities and banking community are clearly in an emotional state about Iran. Partly for this reason and also because we cannot at present show that our interests are being damaged in any specific way, we have not so far approached the US Treasury directly to explain our concern. An opportunity for full discussion will occur on Thursday 29 November when Secretary Miller and his Legal Counsel, Mr Mandheim, are visiting London on their way back from the Middle East. By that time we should have a clearer view of the likely consequences of the President's Order.

D.H.

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TO IMMEDIATE FCO

TELEGRAM NUMBER 1607 OF 22 NOVEMBER

INFO IMMEDIATE TEHRAN

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[Handwritten initials]

MY TELNO 1587: HOSTAGES IN TEHRAN

1. DURING THE LAST TWO DAYS THE INITIATIVE HAS PASSED FROM THE PRESIDENT OF THE SECURITY COUNCIL TO THE SECRETARY-GENERAL, WHO HAS BEEN CONDUCTING SEPARATE AND CONFIDENTIAL DISCUSSIONS WITH THE AMERICANS AND SALAMATIEN.

2. WALDHEIM GAVE ME AN ACCOUNT TODAY OF HOW HE WAS GETTING ON. HE SAID THAT HE WAS WORKING ON A PACKAGE WHICH MIGHT CONTAIN THE FOLLOWING ELEMENTS:

(A) THE ESTABLISHMENT OF SOME KIND OF INTERNATIONAL COMMITTEE OF ENQUIRY INTO THE SHAH'S ALLEGED CRIMES:

(B) AGREEMENT BY THE AMERICANS NOT TO OPPOSE RECOURSE BY THE IRAN-

(B) AGREEMENT BY THE AMERICANS NOT TO OPPOSE RECOURSE BY THE IRANIANS TO THE US COURTS IN THEIR ATTEMPT TO LAY HANDS ON THE SHAH'S PROPERTY:

(C) RELEASE OF THE HOSTAGES:

(D) A CALL BY THE UN TO THE UNITED STATES AND IRAN TO RESTORE FRIENDLY RELATIONS, SETTLE THEIR DISPUTES PEACEFULLY AND RESCIND THE ECONOMIC MEASURES THEY HAVE TAKEN AGAINST EACH OTHER.

3. WALDHEIM SAID THAT THE AMERICANS HAD BEEN CONSTRUCTIVE IN THEIR RESPONSE TO THESE IDEAS. SALAMATIAN WAS ALSO NOT ENTIRELY OPPOSED AND NOW SEEMED TO REALISE THAT EARLIER IRANIAN INSISTENCE ON EXTRADITION OF THE SHAH WAS SIMPLY NOT FEASIBLE. BUT SALAMATIAN KEPT ON REFERRING TO THE NEED FOR A PSYCHOLOGICAL AND POLITICAL APPROACH TO THE PROBLEM. IF THE HOSTAGES WERE TO BE RELEASED, THE REGIME IN IRAN WOULD HAVE TO BE ABLE TO GIVE THE STUDENTS SOMETHING TO SHOW THAT THE INTERNATIONAL COMMUNITY "RECOGNISED THE JUSTICE OF THEIR PRINCIPLES". WALDHEIM WAS THEREFORE WORKING ON A STATEMENT WHICH HE MIGHT ISSUE HIMSELF, EITHER IN ADVANCE OF THE REST OF THE PACKAGE OR PREFERABLY AS PART OF IT. THIS STATEMENT WOULD EXPRESS UNDERSTANDING OF THE STRONG EMOTIONS FELT IN IRAN, SYMPATHY FOR THE IRANIAN PEOPLE'S RESENTMENT AT THE VIOLATIONS OF HUMAN RIGHTS THAT HAD TAKEN PLACE UNDER THE PREVIOUS REGIME AND SO ON.

4. WALDHEIM ASKED WHETHER I THOUGHT HE WAS WORKING ON THE RIGHT LINES. I SAID THAT I THOUGHT HE WAS AND ENCOURAGED HIM TO PERSEVERE. THE IMPORTANT THING WAS TO AVOID FORMAL PROCEEDINGS IN THE SECURITY COUNCIL, LET ALONE THE GENERAL ASSEMBLY, FOR AS LONG AS POSSIBLE. PUBLIC SPEECHES COULD ONLY RAISE THE TEMPERATURE HERE AND IN TEHRAN. WALDHEIM CONFIRMED THAT THE AMERICANS WERE STILL VERY HESITANT ABOUT ANY FORMAL MEETING.

5. TODAY'S NEW YORK TIMES CARRIES A GARBLED VERSION OF WALDHEIM'S IDEAS, LEAKED, HE SAID, BY BISHARA OF KUWAIT, WHO HAS BEEN KEPT GENERALLY IN THE PICTURE.

6. THE AMERICAN MISSION TOLD US THIS MORNING THAT MCHENRY IS IN WASHINGTON TODAY FOR TALKS WITH THE PRESIDENT AND THE SECRETARY OF STATE, AS A RESULT OF WHICH AMERICAN POLICY ON THIS ISSUE AT THE UNITED NATIONS MIGHT TAKE A NEW DIRECTION. THEY SAID THAT THEY THOUGHT MCHENRY WOULD WANT TO CONSULT ME ABOUT THIS AS SOON AS HE GETS BACK TOMORROW MORNING.

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 WASHINGTON, UKMIS NEW YORK.
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 ISLAMABAD, JEDDA, KABUL, KUWAIT, MOSCOW, TOKYO, MUSCAT,
 NEW DELHI, EEC POSTS.

SITUATION IN IRAN.

1. SINCE MY TELNO 1135 I HAVE NOT SENT A GENERAL ASSESSMENT OF THE SITUATION. ON THE ONE HAND WE HAVE BEEN SENDING DAILY SITREPS AND IRAN IS FULLY COVERED IN THE NEWS, AND ON THE OTHER THE SITUATION REMAINS SO UNPREDICTABLE THAT I HAVE LITTLE OR NOTHING TO ADD TO MY EARLIER TELEGRAM. NEVERTHELESS I HAVE THE FEELING THAT THE SITUATION HAS WORSEMED IN THE LAST 48 HOURS AS THE RESULT OF THE SAILING OF THE KITTYHAWK, THE STATEMENT IN WASHINGTON TELEGRAM 3834 TO YOU, AS THE INCIDENT IN MECCA AND KHOMEINI'S WICKED STATEMENT ABOUT IT YESTERDAY (ONLY EXPLICABLE BY INSENSATE HOSTILITY AND THE FACT THAT THE FIRST

EXPLICABLE BY INSENSATE HOSTILITY AND THE FACT THAT THE FIRST ANNOUNCEMENT OF THE INCIDENT CAME FROM WASHINGTON). THE TOWN IS FULL OF RUMOURS OF UNCERTAIN RELIABILITY. WHILE NORMAL WORK APPEARS TO BE GOING ON BOTH IN THE MINISTRIES AND EVEN ON SOME BUILDING SITES (IN FACT MORE THERE THAN I HAVE SEEN FOR SOME TIME) WE SEEM TO BE MORE DELICATELY POISED THAN WE HAVE BEEN SO THAT ALMOST ANY UNTOWARD INCIDENT E.G. THE ARREST OF DEMONSTRATORS IN LONDON, SOME FURTHER MOVE IN THE US DICTATED BY PUBLIC FEELING THERE, OR, AS SIR A PARSONS HAD MENTIONED, A SLANGING MATCH IN THE UN, COULD TIP THE BALANCE AND PRODUCE MOB VIOLENCE EITHER AGAINST SPECIFIC TARGETS OR AGAINST FOREIGNERS IN GENERAL. AS I HAVE SAID IN ANOTHER TELEGRAM, YOU DO NOT NEED A LARGE MOB TO MAKE THING VERY DIFFICULT.

2. WE HAVE MADE THE POINT IN THE AGREED COMMUNICATION FROM THE EEC AMABSSADORS (MY TELNO 1182 NOT TO ALL) THAT THE TWO PARTIES TO THE DISPUTE, THE IRANIANS AND THE US, ARE SPEAKING TO EACH OTHER ON DIFFERENT PLANES, THE IRANIANS MOTIVATED BY EMOTION AND REVOLUTIONARY RELIGIOUS FERVOUR AND THE AMERICANS WHILE THE REST OF THE WORLD STANDS ON LEGAL GROUNDS WHICH REVOLUTIONARY IRAN DOES NOT RECOGNISE. THERE ARE SOME IN THE IRANIAN HIERARCHY AND GOVERNMENT, INCLUDING I THINK BANI SADR, WHO ARE AWARE OF THE DANGEROUS SITUATION INTO WHICH KHOMEINI AND HIS CONFIDANTS HAVE LET THE COUNTRY AND WHO ARE LOOKING FOR A WAY OUT. THE FRENCH AMBASSADOR WHO RETURNED TWO DAYS AGO, SAW BANI SADR YESTERDAY ON INSTRUCTIONS AND SPOKE VERY FIRMLY OF THE TOTAL UNACCEPTABILITY OF THE IRANIAN POSITION. HE RECEIVED THE STANDARD RESPONSE, BUT BANI SADR ADDED THAT HE RECOGNISED THAT PRESIDENT CARTER AND THE US GOVERNMENT ALSO HAD A PROBLEM WITH PUBLIC OPINION AND IF ONLY THEY COULD BRING THEMSELVES TO SAY THAT THEY RECOGNISED THAT THE SHAH WAS REGARDED AS A CRIMINAL BY THE IRANIAN PEOPLE, THOUGH HE WAS NOT EXPLICIT ON THIS, THE PROBLEM COULD BE SETTLED. THERE WAS NO MENTION OF EXTRADITION OR HANDING THE SHAH OVER.

3. MY FEAR IS THAT THINGS MAY HAVE NOW GONE TOO FAR FOR A SOLUTION ON THESE LINES, EVEN IF THE US FELT IT POSSIBLE TO MAKE A STATEMENT LIKE THAT, AND THAT IT MUST BE DOUBTFUL WHETHER BANI SADR COULD FULFIL ANY UNDERTAKING HE MIGHT GIVE. HE HAS FAILED TO ACHIEVE THE DAILY VISITS BY AMBASSADORS TO THE HOSTAGES; AND THE RELEASE OF THE WOMEN AND THE BLACKS TOOK SEVERAL DAYS TO ACHIEVE AND EVEN THEN HAS NOT BEEN COMPLETELY CARRIED OUT. YESTERDAY'S STATEMENT FROM QOM ABOUT THE MECCA INCIDENT, MOREOVER, MUST PUT IN DOUBT WHETHER KHOMEINI HAS ANY INTEREST IN A PEACEFUL SETTLEMENT. WE HAVE TO RECOGNISE RATHER THAT PROBABLY FOR KHOMEINI

SETTLEMENT. WE HAVE TO RECOGNISE RATHER THAT PROBABLY FOR KHOMEINI AND CERTAINLY FOR MANY IRANIANS THE FACT THAT IRAN FINDS ITSELF AT THE CENTRE OF AN INTERNATIONAL STORM IS A CAUSE ALMOST OF PRIDE. IT WOULD BE NO EXAGGERATION TO SAY THAT, WITH THE CURRENT EMPHASIS ON MARTYRDOM, SOME IRANIAN OPINION EVEN SEEMS TO BE WELCOMING THE POSSIBILITY, OF WHICH THE LOCAL PRESS INCREASINGLY TALKS, THAT IRAN MIGHT BE THE OCCASION FOR WAR BETWEEN THE US AND THE SOVIET UNION.

4. AGAINST THIS BACKGROUND, THE COMMUNITY AMBASSADORS DISCUSSED THIS MORNING BOTH THE APPROACH TO BANI SADR, OUR MEETING WITH WHOM IS NOW FIXED FOR 11 A.M. ON SATURDAY 24 NOVEMBER, AND THE INSTRUCTIONS RECEIVED BY THE DANISH AMBASSADOR YESTERDAY TO WARN HIS COMMUNITY THAT THE SITUATION COULD GET OUT OF HAND AT ANY MOMENT, WITH OR WITHOUT WARNING, AND THAT IT WAS UNLIKELY IN THAT EVENT THAT ANY ARRANGEMENTS FOR EVACUATION WOULD BE POSSIBLE. THE DANISH AMBASSADOR FEELS BOUND BY HIS INSTRUCTIONS AND WILL SPEAK TO HIS COMMUNITY TO-DAY. THE FRG AMBASSADOR WILL SAY NO MORE TO HIS COMMUNITY, BUT BELIEVES THAT THE MESSAGE TO THE DANES WILL QUICKLY REACH THEM AND HAVE ITS EFFECT. THE DUTCH AMBASSADOR WILL SPEAK IN THE SAME TERMS AS THE DANES. THE FRENCH AMBASSADOR FEELS STRONGLY THAT ADVICE OF THIS KIND WILL NOT IMPRESS THE IRANIANS, WILL BE INEFFECTIVE FROM A SECURITY POINT OF VIEW, AND COULD PRECIPITATE THE XENOPHOBIC REACTION WHICH WE HOPE TO AVOID, BUT ACCEPTS, I THINK, THAT SOME COMMUNITIES MAY BE MORE AT RISK THAN OTHERS. HE IS RIGHT THAT AS A GESTURE, THINNING OUT IS INEFFECTIVE. I BELIEVE HOWEVER THAT SECURITY CONSIDERATIONS WARRANT A PRUDENT THINNING OUT, PREFERABLY PRESENTED IN AS ROUTINE TERMS AS POSSIBLE SO AS TO PREVENT DIFFICULTIES BEING MADE BOTH FOR THOSE WHO LEAVE AND THOSE WHO STAY.

5. OUR OWN COMMUNITY IS EFFECTIVELY DOWN TO THE HARD CORE. THERE ARE VIRTUALLY NO DEPENDANTS OUTSIDE THE EMBASSY AND THE BRITISH COUNCIL, AND I DOUBT IF ANY DECIDED TO LEAVE AFTER MY LAST MESSAGE TO THEM. A RUN-DOWN IN THE EMBASSY WILL HAVE AN EFFECT ON THEM, BUT IT IS DIFFICULT TO FORECAST HOW MUCH. I PROPOSE TO SEE THEM IN THE COURSE OF THE NEXT TWO DAYS TO TELL THEM OF THE RUN-DOWN IN SUITABLE TERMS AND TO UNDERLINE ONCE AGAIN THAT THE SITUATION IS VERY DELICATE, AND THAT SHOULD IT GO WRONG WE MIGHT WELL NOT BE ABLE TO HELP THEM, SO THAT THEY SHOULD THINK VERY SERIOUSLY ABOUT THEIR POSITION.

6. I AM GIVING THIS TELEGRAM A WIDE REPETITIONS BUT SHOULD BE GRATEFUL IF POSTS TO WHICH IT IS REPEATED WOULD

6. I AM GIVING THIS TELEGRAM A WIDE REPETITIONS BUT
SHOULD BE GRATEFUL IF POSTS TO WHICH IT IS REPEATED WOULD
NOT VOLUNTEER MY VIEWS TOO FREELY AND IN ANY CASE NOT QUOTE MY
COMMENTS ON THE BRITISH COMMUNITY OR STAFFING.
CCN..PARA 1 EVEN ON SOME BUILDING SITES..

GRAHAM

BT

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IMMEDIATE

PS
 PS/SIR I GILMOUR
 PS/MR HURD
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 MR F R BARRATT TREASURY

Prime Minister
(Change in the US Change in Tehran)

IMMEDIATE

ADVANCE COPY

CONFIDENTIAL
 FM TEHRAN 221415Z NOV 79
 TO IMMEDIATE WASHINGTON
 TELEGRAM NUMBER 34 OF 22 NOVEMBER
 INFO IMMEDIATE FCO (FOR MED)

FOLLOWING IS MESSAGE FROM LAINGEN ADDRESSED TO SECRETARY VANCE, WHICH HE HANDED TO THE NORWEGIAN AMBASSADOR WHEN THE LATTER VISITED HIM TO-DAY. AS NORWEGIANS HAVE ONLY LIMITED FACILITIES WE HAVE BEEN ASKED TO TRANSMIT IT. I SHOULD BE GRATEFUL IF TEXT COULD BE CONVEYED URGENTLY TO MR VANCE.

BEGINS: FOR THE SECRETARY.

1. WE HAD AN OPPORTUNITY TO SEND A MESSAGE SEVERAL DAYS AGO VIA THE BRITISH AMBASSADOR WITH SOME SPECIFIC SUGGESTIONS ON THE SITUATION HERE AND WHICH WE HOPE YOU HAVE SEEN. THIS MORNING THE AUSTRALIAN AMBASSADOR WAS ALLOWED TO SEE US AND WE ASKED HIM ORALLY TO CONVEY VIA HIS EMBASSY IN WASHINGTON SOME OF OUR CONCERNS ABOUT THE PERIOD IMMEDIATELY AHEAD. WE REITERATE THEM BELOW, HOPING WE WILL HAVE SOME MEANS LATER TODAY TO COMMUNICATE THEM ON THE RECORD.
2. BEFORE DOING SO, I MUST NOTE WITH REGRET THAT ASIDE FROM THESE OCCASIONAL AMBASSADORIAL CONTACTS AND ACCESS TO A PORTION OF THE MEDIA, OUR ABILITY TO KNOW WHAT IS UNDERWAY IN THE BACKGROUND IS EXTREMELY LIMITED. I HAVE HAD NO SUBSTANTIVE CONTACT WITH IRANIAN AUTHORITIES FOR THE PAST TEN DAYS.
3. THE PUBLIC ATMOSPHERE HERE IS ONE OF DANGEROUS EMOTIONAL

3. THE PUBLIC ATMOSPHERE HERE IS ONE OF DANGEROUS EMOTIONAL FRENZY. YESTERDAY'S DEMONSTRATIONS AROUND OUR EMBASSY WERE ALMOST UNPRECEDENTED IN SIZE AND VENOM AND WERE SUPPLEMENTED BY SIMILAR AFFAIRS IN CITIES ALL OVER THE COUNTRY. KHOMEINI AND HIS ENTOURAGE OF CLERICS HAVE SKILLFULLY USED THE SEIZURE OF OUR EMBASSY, CHARGES THAT OUR DIPLOMATS ARE SPIES, AND OUR REFUSAL TO HAND OVER THE SHAH, TO DEVELOP A MASS PSYCHOLOGY OF HATE THAT MAY HAVE FEW PARALLELS IN HISTORY. THE FEW IRANIANS WHO RECOGNISE THE DISASTROUS IMPLICATIONS OF THE COURSE KHOMEINI HAS SET FOR HIS COUNTRY ARE TOO FRIGHTENED TO SPEAK OUT.

4. WORSE, WE ARE NOW ENTERING THE MOURNING MONTH OF MOHARRAM, A PERIOD WHEN EVEN DURING NORMAL TIMES EMOTIONS RUN HIGH. HENCE THE NEXT WEEK TO TEN DAYS WILL BE EXCEEDINGLY DANGEROUS FOR THE HOSTAGES. WE CANNOT EMPHASIZE TOO MUCH THE IMPORTANCE OF AVOIDING AS MUCH AS POSSIBLE ANY ACTIONS AND STATEMENTS ON OUR SIDE DURING THIS PERIOD THAT RISK EXACERBATING THE SITUATION HERE, NO MATTER HOW COMPELLING THEY MAY APPEAR IN TERMS OF PUBLIC OPINION AT HOME. IT IS IN ANY EVENT VITAL THAT WE AVOID ANY ACTION THAT RISKS VITIATING IN ANY WAY THE OVERWHELMING SUPPORT WE NOW HOLD WITH WORLD PUBLIC OPINION ON THE SEIZURE OF OUR EMBASSY AND THE TREATMENT OF OUR HOSTAGES.

5. WE ARE DEALING WITH A POPULACE FOR WHOM DEMONSTRATIONS HAVE BECOME A WAY OF LIFE, A RELIGIOUS PERIOD (MOHARRAM) THAT GLOFIFIES MARTYRDOM, A REVOLUTIONARY LEADERSHIP THAT SEES ITS SUCCESS IN OVERTHROWING THE SHAH AS ASSURANCE THAT MASS DEMONSTRATIONS WILL AGAIN SUCCEED, AND A SINGLE LEADER WHOSE WHOLE LIFE HAS BEEN ONE OF REFUSING TO BROOK COMPROMISE. REGRETTABLY, BECAUSE OF THIS MENTALITY AND BECAUSE OF THE WAY KHOMEINI'S ACTIONS AND STATEMENTS HAVE IN THEMSELVES RESTRICTED IRAN'S OPTIONS, THERE MAY REMAIN VERY FEW COURSES OF ACTION THAT HE CAN TAKE (AND THAT WOULD BE TOLERABLE FOR US) WITHOUT RISK OF GREAT LOSS OF FACE FOR IRAN INTERNATIONALLY AND FOR KHOMEINI DOMESTICALLY. IT SEEMS TO US THERE ARE ESSENTIALLY ONLY TWO BROAD OPTIONS IN TERMS OF COURSES OF ACTION THAT KHOMEINI WILL OR COULD TAKE.

6. THE FIRST IS THAT HE MAY HIMSELF DECIDE TO HOLD THE LINE IN TERMS OF FURTHER THREATS AND ACTIONS UNTIL AT LEAST THE CONSTITUTIONAL REFERENDUM PROCESS IS COMPLETE ON DECEMBER 2. WITH THE OVERWHELMING ENDORSEMENT THAT THE CAMPAIGN AGAINST US HELPS ASSURE HIM IN THAT VOTE IT IS CONCEIVABLE THAT HE MIGHT THEN BE PREPARED EITHER A) SIMPLY TO ANNOUNCE A FULL RUPTURE OF RELATIONS AND AN EXPULSION OF THE HOSTAGES (WITHOUT TRIAL) AS SPIES OR B) TO CONTINUE HOLDING AT LEAST SOME OF THE HOSTAGES WHILE CARRYING ON A

EXPULSION OF THE HOSTAGES (WITHOUT TRIAL) AS SPIES OR B) TO CONTINUE HOLDING AT LEAST SOME OF THE HOSTAGES WHILE SIGNALING A WILLINGNESS TO BEGIN TALKS THROUGH SOME UN ARRANGEMENT OR THIRD PARTY INTERMEDIARY.

7. THE FIRST OF THESE IS AT LEAST FEASIBLE, GIVEN KHOMEINI'S OVERWHELMING AUTHORITY, BUT IT WOULD NOT BE EASY GIVEN THE HEADY TALK OF TRIALS HERE. THE SECOND IS ALSO FEASIBLE BUT ONLY IF OFFERED PROMISE OF MEETING AT LEAST SOME OF IRANS DEMANDS VIS A VIS THE SHAH.

8. BUT MORE LIKELY THAN EITHER OF THESE MAY WELL BE THAT KHOMEINI WILL GO AHEAD WITH TRIALS OF SOME SORT, FOR ALL OR A SELECTED NUMBER OF THE HOSTAGES, FOLLOWED BY THEIR TOTAL EXPULSION FROM IRAN. THE CALL BY THE STUDENT OCCUPIERS OF THE EMBASSY ON NOVEMBER 21 FOR TRIALS AND BANI SADR'S ALMOST DESPERATE APPEAL TO THE US VIA HIS TELEPHONIC INTERVIEW WITH NBC'S "TODAY" PROGRAM THE SAME DAY NOT TO BE "TOO AFRAID" OF THE "EVENTUALITY" OF TRIALS, SUGGESTS THAT THIS OPTION IS UNDER ACTIVE CONSIDERATION.

9. THERE IS OBVIOUSLY GREAT RISK IN SUCH A COURSE, BOTH IN PRACTICAL TERMS AND IN TERMS OF PRINCIPLE. THERE IS THE DANGER THAT THE "SENTENCES" HANDED DOWN WOULD GO BEYOND MERE EXPULSION. AND FOR US TO ACQUIESCE IN SUCH TRIALS WOULD MEAN ACCEPTING A PROCESS THAT FLIES IN THE FACE OF ALL INTERNATIONAL CONVENTION AND PRACTICE AND CIVILIZED BEHAVIOUR AND UNDERMINES THE VERY PRINCIPLE ON WHICH WE NOW STAND. WE BELIEVE OUR PREFERRED COURSE MUST REMAIN THAT OF STRENUOUS OPPOSITION TO SUCH TRIALS, WHILE BUYING TIME TO SECURE THE HOSTAGES' RELEASE (OR SIMPLE EXPULSION) BY DIPLOMATIC MEANS.

10. BUT ACQUIESCENCE IN TRIALS MAY YET PROVE THE ONLY MEANS OF SECURING THE RELEASE OF THE HOSTAGES UNHARMED. IF WE ARE REDUCED TO THAT OPTION, WE WOULD NEED TO CONTINUE TO HOLD FIRMLY TO OUR PUBLIC POSITION THAT SUCH TRIALS ARE TOTALLY CONTRARY TO INTERNATIONAL LAW AND THAT THE IRANIAN GOVERNMENT REMAINS FULLY RESPONSIBLE FOR THE SAFETY OF OUR DIPLOMATIC PERSONNEL. IT CAN BE ARGUED THAT BY TAKING THIS POSITION, WHILE THE REGIME HERE GOES AHEAD WITH THE SPECTACLE OF SUCH TRIALS, THAT IRAN IS HUMILIATED MORE THAN WE. BUT THAT IS A JUDGEMENT THAT AFFECTS BOTH PRINCIPLE AND PUBLIC OPINION AT HOME THAT WE CANNOT AND SHOULD NOT MAKE FROM HERE.

11. WE WISH YOU AND ALL OUR COLLEAGUES IN WASHINGTON A VERY BLESSED THANKSGIVING DAY.

PS
 PS/SIR I GILMOUR
 PS/MR HURD
 PS/PUS
 MR J C MOBERLY
 HD/MED
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 MR F R BARRATT TREASURY

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DESKBY FCO 230900Z
 DESKBY TEHRAN 230430Z
 FM WASHINGTON 222225Z NOV 79
 TO IMMEDIATE FCO
 TELNO 3872 OF 22 NOVEMBER 1979
 INFO IMMEDIATE TEHRAN
 FROM ROBINSON

IMMEDIATE

Ronnie Armstrong
Russ

MIPT: IRAN: HOSTAGES

1. STATE DEPARTMENT HOPE THAT WHEN COMMUNITY AMBASSADORS SEE BANI SADR ON 24 NOVEMBER THEY WILL PRESS AGAIN FOR REGULAR VISITS TO THE HOSTAGES. THEY SAY THAT SOME OF THOSE STILL HELD ARE SIMPLY NOT UP TO STANDING THE SORT OF TREATMENT REPORTED BY THE THIRTEEN RELEASED HOSTAGES.
2. THERE IS THE CUSTOMARY DIVISION OF VIEW HERE BETWEEN BRZEZINSKI JOINED NOW BY SOME OF THOSE CONCERNED WITH CARTER'S DOMESTIC IMAGE, WHO ADVOCATE A TOUGH PUBLIC STAND, KITTY HAWK ETC.; AND VANCE AND THOSE CONCERNED IN THE STATE DEPARTMENT WHO DOUBT WHETHER A TOUGH LINE IS CALCULATED TO SAVE THE HOSTAGES. I AM TOLD IN CONFIDENCE THAT VANCE HIMSELF IS NOW PINNING HIS MAIN HOPE ON SOME KIND OF PACKAGE EMERGING FROM THE U.N., INVOLVING THE RELEASE OF THE HOSTAGES, A DEBATE IN THE SECURITY COUNCIL, AND SOME FORM OF ENQUIRY INTO THE SHAH, BUT WITHOUT PREJUDICE TO U.S. LAW OR TREATMENT OF THE SHAH.
3. THE PLO IS APPARENTLY INTERMITTENTLY ACTIVE. THEY WERE RESPONSIBLE FOR INVITING THE IRANIANS TO TUNIS, WHICH APPEARS TO HAVE MISFIRE. BUT RATHER LESS HOPE APPEARS TO BE PLACED BY THE

3. THE PLO IS APPARENTLY INTERMITTENTLY ACTIVE. THEY WERE RESPONSIBLE FOR INVITING THE IRANIANS TO TUNIS, WHICH APPEARS TO HAVE MISFIRED. BUT RATHER LESS HOPE APPEARS TO BE PLACED BY THE AMERICANS ON THE PLO TO-DAY THAN A WEEK AGO. THE AMERICANS HAVE NO CONFIRMATION OF A REPORT TO-DAY FROM TUNIS THAT THE PLO HAVE SAID THAT THE HOSTAGES COULD BE RELEASED ONCE THE SHAH HAS LEFT THE U.S.

4. THE LATTER IS THE QUESTION WHICH TROUBLES THE AMERICANS MOST. IF THE SHAH LEAVES THE U.S. FOR EG. MEXICO (AND THE BEGINNING OF DECEMBER MIGHT NOT BE THE BEST MOMENT IN THE IRANIAN CALENDAR) IS THIS MORE LIKELY TO DEFUSE OR INFLAME THE POSITION FOR THE HOSTAGES? OPINIONS HERE ARE DIVIDED, AND STATE DEPARTMENT WOULD VALUE SIR J. GRAHAM'S CONSIDERED VIEWS ON THIS QUESTION.

5. AS THINGS STAND HERE, THE ADMINISTRATION COULD NOT ACQUIESCE IN, STILL LESS AGREE TO, A TRIAL. A QUICK TRIAL (QUOTE PREFERABLY DURING THE NIGHT UNQUOTE - WASHINGTON TIME - AND QUOTE OVER IN AN HOUR OR TWO UNQUOTE WITH PROMPT EXPULSION OF THOSE TRIED) WOULD BE MANAGEABLE HERE, THOUGH NOONE WOULD BELIEVE IT WOULD HAPPEN THIS WAY. THE LONGER A TRIAL LASTED, AND THE GREATER THE APPARENT LIKELIHOOD OF SENTENCES BEING CARRIED OUT, THE GREATER THE DIFFICULTIES AND UNCERTAINTIES HERE.

6. BUT I THINK THAT THE AMERICANS THINK IT MORE REALISTIC AT PRESENT TO EXPECT THE EXPULSION OF SOME OF THE HOSTAGES STILL LEFT, LEAVING THE REMAINDER (HOPEFULLY ONLY A FEW) IN CUSTODY OR PRISON UNTIL THE POSITION OF THE SHAH IS RESOLVED. HENCE THE IMPORTANCE OF THE QUESTION IN PARA 4 ABOVE.

HENDERSON

NNNN

Iran
Original letter
'T' managed

Comms. Centre
'phoned through to
White House - PM's
letter dated 21.11.79.

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FM CABINET OFFICE LONDON
TO WHITE HOUSE
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C O N F I D E N T I A L
FOR THE PRESIDENT OF THE UNITED STATES OF AMERICA:
BEGINS:
DEAR MR PRESIDENT.

THANK YOU FOR YOUR LETTER OF 14 NOVEMBER ABOUT THE APPALLING SITUATION WHICH YOUR PEOPLE ARE FACING IN IRAN. I WAS GLAD TO BE ABLE TO DISCUSS THE PROBLEM WITH YOU ON THE TELEPHONE ON MONDAY.

I AM FOLLOWING DEVELOPMENTS CLOSELY. AS I SAID IN THE HOUSE OF COMMONS YESTERDAY I ADMIRE THE RESTRAINT WITH WHICH YOU HAVE DEALT WITH THE SITUATION AND YOUR REFUSAL TO YIELD TO BLACKMAIL. I HAVE NOTED IN PARTICULAR THAT EACH OF YOUR ACTIONS HAS BEEN A MEASURED RESPONSE TO IRANIAN PROVOCATION AND THAT YOU HAVE MADE IT CLEAR BOTH TO PUBLIC OPINION AT HOME AND TO THE WORLD AT LARGE THAT YOU ARE DETERMINED TO CONTINUE ACTING WITH BOTH FIRMNESS AND RESTRAINT. AS YOU KNOW WE, TOGETHER WITH OUR EUROPEAN PARTNERS, HAVE BEEN DOING WHAT WE CAN IN TEHRAN TO PRESS THE IRANIANS TO RELEASE THE HOSTAGES WITHOUT CONDITION.

IT WAS KIND OF YOU TO REFER TO THE HELP WHICH OUR OWN PEOPLE HAVE BEEN ABLE TO GIVE TO YOURS IN TEHRAN. I VERY MUCH HOPE THAT WE WILL BE ABLE TO CONTINUE TO RENDER SUCH ASSISTANCE UNTIL THE CRISIS IS OVER. IN THAT CONNECTION, I HAVE BEEN CONSIDERING YOUR SUGGESTION THAT WE SHOULD MAKE A PUBLIC GESTURE OF OUR DISAPPROVAL OF IRANIAN BEHAVIOUR BY REDUCING THE SIZE OF OUR DIPLOMATIC STAFF IN TEHRAN. WE HAVE BEEN KEEPING THE LEVEL OF OUR STAFFING AT THE EMBASSY UNDER CONSTANT REVIEW WITH THE AIM OF ENSURING THAT IT IS NO MORE THAN SUFFICIENT FOR OPERATIONAL NEEDS.

THERE WILL BE SOME THINNING OUT OVER THE NEXT FEW WEEKS. BUT WE HAVE NOT HITHERTO BELIEVED IT WISE TO MAKE A POLITICAL POINT OF ANY REDUCTION, PARTLY BECAUSE WE DOUBT WHETHER THE IRANIANS WOULD BE MUCH IMPRESSED AND PARTLY BECAUSE OF THE RISK OF RETALIATORY ACTION AGAINST THOSE REMAINING.

IT SEEMS TO ME THAT, IF THE IRANIANS ARE TO BE IMPRESSED AT ALL BY THE SORT OF MOVE YOU SUGGEST, IT WOULD BE NECESSARY FOR A SUFFICIENT NUMBER OF US TO TAKE ACTION TOGETHER. THIS COULD ALSO REDUCE THE RISK OF RETALIATION TO WHICH, AS YOU KNOW, OUR EMBASSY IS PARTICULARLY VULNERABLE. WE ARE THEREFORE GOING TO CONSIDER YOUR SUGGESTION URGENTLY WITH OUR EUROPEAN PARTNERS AND WE SHALL CONTINUE TO KEEP IN THE CLOSEST TOUCH WITH THEM ABOUT HOW WE CAN MOST EFFECTIVELY HELP. IN THE MEANTIME YOU WILL HAVE SEEN THAT THE STATEMENT OF THE FOREIGN MINISTERS OF THE NINE WHICH I MENTIONED TO YOU ON MONDAY WAS DULY ISSUED YESTERDAY. I HOPE YOU WILL HAVE FOUND ITS TERMS HELPFUL.

I AGREE WITH YOU THAT WE ARE DEALING HERE WITH A QUESTION OF FUNDAMENTAL PRINCIPLES AS WELL AS A QUESTION OF HUMAN LIVES. ON BOTH YOU HAVE OUR FULL SUPPORT.

YOURS SINCERELY
MARGARET THATCHER
PRIME MINISTER

ENDS.

NNNN

SENT 22/1219Z GMH

KK

AND MATE QSL AT 1220Z AND HAVE A NICE THANKSGIVING KKKK

22 November 1979

Iran

I enclose the signed copy of a letter from the Prime Minister to President Carter about the situation in Tehran. This is in reply to President Carter's letter of 14 November.

I have arranged for the text of the Prime Minister's letter to be sent to Washington by the direct line. You may like to arrange for the signed copy to be delivered by the Embassy.

MICHAEL ALEXANDER

G.G.H. Walden, Esq.,
Foreign and Commonwealth Office.

TWC

cc CO
CC FO tops TW
cc Martin, Set

T149/79T



PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T149/79T

10 DOWNING STREET

THE PRIME MINISTER

21 November 1979

Dear Mr. President,

Thank you for your letter of 14 November about the appalling situation which your people are facing in Iran. I was glad to be able to discuss the problem with you on the telephone on Monday.

I am following developments closely. As I said in the House of Commons yesterday I admire the restraint with which you have dealt with the situation and your refusal to yield to blackmail. I have noted in particular that each of your actions has been a measured response to Iranian provocation and that you have made it clear both to public opinion at home and to the world at large that you are determined to continue acting with both firmness and restraint. As you know we, together with our European partners, have been doing what we can in Tehran to press the Iranians to release the hostages without condition.

It was kind of you to refer to the help which our own people have been able to give to yours in Tehran. I very much hope that we will be able to continue to render such assistance until the crisis is over. In that connection, I have been considering your suggestion that we should make a public gesture of our disapproval of Iranian behaviour by reducing the size of our diplomatic staff in Tehran. We have been keeping the level of our staffing at the Embassy under constant review with the aim of ensuring that it is no more than sufficient for operational needs.

/There

There will be some thinning out over the next few weeks. But we have not hitherto believed it wise to make a political point of any reduction, partly because we doubt whether the Iranians would be much impressed and partly because of the risk of retaliatory action against those remaining.

It seems to me that, if the Iranians are to be impressed at all by the sort of move you suggest, it would be necessary for a sufficient number of us to take action together. This could also reduce the risk of retaliation to which, as you know, our Embassy is particularly vulnerable. We are therefore going to consider your suggestion urgently with our European partners and we shall continue to keep in the closest touch with them about how we can most effectively help. In the meantime you will have seen that the statement of the Foreign Ministers of the Nine which I mentioned to you on Monday was duly issued yesterday. I hope you will have found its terms helpful.

I agree with you that we are dealing here with a question of fundamental principles as well as a question of human lives. On both you have our full support.

Yours sincerely,

Reginald Delia

The President of the United States of America

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 PS/SIR I GILMOUR
 PS/MR HURD
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 MR F R BARRATT TREASURY

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 TEHRAN DESKBY 220430Z
 FM WASHINGTON 212325Z NOV 79
 TO IMMEDIATE F C O
 TELEGRAM NUMBER 3857 OF 21 NOVEMBER 1979
 INFO IMMEDIATE TEHRAN

IMMEDIATE

U S EMBASSY IN TEHRAN

1. WHITE HOUSE SPOKESMAN ANNOUNCED TODAY THAT CARTER HAD SENT PERSONAL MESSAGES YESTERDAY TO A NUMBER OF FOREIGN LEADERS OF COUNTRIES WITH LARGE MUSLEM POPULATIONS, ASKING THEM DIRECTLY TO ASSURE THE PROTECTION OF U S EMBASSIES AND DIPLOMATIC PERSONNEL STATIONED IN THESE COUNTRIES. HE EMPHASISED THAT THE UTMOST SERIOUSNESS MUST BE ATTACHED TO THE WHITE HOUSE STATEMENT YESTERDAY (MY TELNO 3834). IT WOULD BE A MOST SERIOUS MISTAKE FOR ANYONE TO DOUBT THAT THE U S HELD IRAN STRICTLY ACCOUNTABLE FOR THE SAFETY OF U S CITIZENS.
2. IN THE STRONGEST STATEMENT YET BY ANY CONGRESSIONAL LEADER, SENATOR MCGOVERN, A NOTED LIBERAL AND LEADING OPPONENT OF U S INVOLVEMENT IN VIETNAM, SAID TODAY THAT THE EXECUTION OF ANY OF THE HOSTAGES WOULD PROBABLY TRIGGER QUOTE A SEVERELY PUNISHING AND TOTALLY JUSTIFIABLE MILITARY REPRISAL UNQUOTE. IN ADDITION QUOTE AN AIRTIGHT BLOCKADE TO PREVENT ANYTHING MOVING IN OR OUT OF IRAN UNQUOTE SHOULD BE CONSIDERED.

HENDERSON

IRAN: ADVANCE COPIES

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ADVANCE COPY
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AS *Prime Minister* (2)

GR 500

UNCLASSIFIED

FM WASHINGTON 211607Z NOV 79

TO IMMEDIATE F C O

TELEGRAM NUMBER 3833 OF 21 NOVEMBER

INFO IMMEDIATE TEHRAN, PRIORITY UKMIS NEW YORK, ROUTINE BONN, PARIS, UKREP BRUSSELS, UKDEL NATO.

21.11.79

US EMBASSY IN TEHRAN: US DEVELOPMENTS.

1. THE WHITE HOUSE ISSUED YESTERDAY EVENING A STRONG STATEMENT IN RESPONSE TO REPORTS (BASED ON STATEMENTS BY KHOMEINI) THAT THE HOSTAGES WOULD BE PUT ON TRIAL. TEXT IN MY IMMEDIATELY FOLLOWING TELEGRAM. THIS IS WIDELY INTERPRETED IN TODAY'S PRESS AS MEANING A SHIFT IN THE ADMINISTRATION'S POSITION, AND OPENING UP THE POSSIBILITY OF MILITARY ACTION AGAINST IRAN IF ALL ELSE FAILS.
2. AT THE SAME TIME US OFFICIALS REVEALED THAT A NAVAL TASK FORCE, INCLUDING THE AIRCRAFT CARRIER KITTY HAWK (WITH 85 AIRCRAFT ABOARD), HAD BEEN ORDERED TO SAIL FROM SUBIC BAY IN THE PHILIPPINES INTO THE INDIAN OCEAN SOUTH OF IRAN. THE FORCE CONTAINED FIVE ESCORT VESSELS INCLUDING A GUIDED MISSILE CRUISER. STEAMING TIME FROM SUBIC BAY TO THE ARABIAN SEA WAS ESTIMATED AT A WEEK TO TEN DAYS. THIS GROUP WOULD JOIN ANOTHER US NAVAL TASK FORCE OF EIGHT SHIPS LED BY THE AIRCRAFT CARRIER MIDWAY (75 AIRCRAFT), WHICH HAD JUST COMPLETED ITS

AIRCRAFT CARRIER MIDWAY (75 AIRCRAFT), WHICH HAD JUST COMPLETED ITS MANEOUVRES WITH THE ROYAL NAVY IN THE ARABIAN SEA. IN ADDITION THE US HAD FIVE SHIPS OF ITS MIDDLE EAST TASK FORCE IN THE AREA - THREE IN THE PERSIAN GULF AND TWO IN THE ARABIAN SEA.

3. PENTAGON SPOKESMEN REFUSED TO COMMENT ON THE MOVEMENT OF THE KITTY HAWK AND DENIED THAT US FORCES HAD BEEN PLACED ON ALERT. US OFFICIALS ARE QUOTED IN TODAY'S PRESS AS SAYING THAT NO MARINE LANDING FORCE WAS INCLUDED IN THE KITTY HAWK FORCE. THEY ALSO CLAIMED THAT NEITHER THE 82ND AIRBORNE DIVISION NOR THE RANGERS (QUICK REACTION FORCES BASED IN THE US) HAD BEEN ALERTED.

4. LATE LAST NIGHT IT WAS ANNOUNCED THAT ANDY YOUNG (MY TELNO 3820) HAD CALLED OFF HIS PROPOSED VISIT TO IRAN, OWING TO THE DISCOURAGEMENT HE HAD RECEIVED FROM THE ADMINISTRATION.

5. VANCE MET SOVIET AMBASSADOR DOBRYNIN FOR AN HOUR YESTERDAY. THEIR DISCUSSION WAS SAID TO BE LARGELY CONCERNED WITH DEVELOPMENTS IN IRAN. WHILE NO CONNECTION BETWEEN THE TWO EVENTS IS IMPLIED, US MEDIA REPORT TODAY THAT SOVIET RADIO BROADCASTS TO IRAN ARE NOW CALLING UNEQUIVOCALLY FOR THE RELEASE OF THE HOSTAGES.

6. LATEST REPORTS OF THE SHAH'S CONDITION (MY TELNO.3819) ARE THAT HIS RADIATION TREATMENT SHOULD BE COMPLETED QUOTE WITHIN A DAY OR TWO UNQUOTE, AND HE MIGHT BE READY TO LEAVE THE HOSPITAL BY THE WEEKEND, PROVIDED THAT HIS DOCTORS DO NOT PURSUE THE GALLSTONE OPERATION.

7. TODAY'S NEW YORK TIMES REPORTS ADMINISTRATION VIEWS OF THE ATTITUDES AND REACTIONS OF THE ALLIES.

EXTRACTS IN MY 2ND IMMEDIATELY FOLLOWING TELEGRAM.
HENDERSON

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FM UKREP BRUSSELS 201703Z NOV 79

TO IMMEDIATE FCO

TELEGRAM NUMBER 6192 OF 20 NOV

INFO IMMEDIATE UKMIS NEW YORK, WASHINGTON, TEHRAN.

INFO PRIORITY BRUSSELS, COPENHAGEN, THE HAGUE, ROME, DUBLIN,
PARIS, BONN, LUXEMBOURG.

TEHRAN TELNOS 1181 AND 1182:

OCCUPATION OF THE U.S. EMBASSY IN TEHRAN.

1. AT THEIR MEETING IN POLITICAL COOPERATION HERE TODAY,
THE FOREIGN MINISTERS OF THE NINE AUTHORISED THE PRESIDENCY TO
TRANSMIT TO THE UNITED STATES THE AGREED COMMUNIC-
ATION FROM COMMUNITY HEADS OF MISSION IN TEHRAN, MAKING IT CLEAR

(A) THAT THE SUGGESTIONS BY HEADS OF MISSION HAVE NOT BEEN
SCRUTINIZED OR APPROVED BY THE FOREIGN MINISTERS, DO NOT
COMMIT THEIR GOVERNMENTS AND ARE BEING CONVEYED TO THE
AMERICANS FOR THEIR INFORMATION,

(B) THAT CONFIDENTIALITY MUST OF COURSE BE PRESERVED.

2. SEE ALSO MY TELNO 6190.

BUTLER.

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FM UKREP BRUSSELS 201635Z NOV 79

TO FLASH FCO

TELEGRAM NUMBER 6190 OF 20 NOVEMBER

AND TO FLASH TEHRAN, WASHINGTON

INFO IMMEDIATE UKMIS NEW YORK, TUNIS, PRIORITY ALL EEC POSTS.

TEHRAN TELNO 1195 TO FCO

IRAN: STATEMENT BY THE NINE

1. FOLLOWING IS THE TEXT OF A STATEMENT AGREED BY MINISTERS OF THE NINE IN POLITICAL COOPERATION, TO BE MADE BY THE PRESIDENCY AFTER THEIR MEETING:

"MINISTERS OF THE NINE MEETING IN BRUSSELS ON 20 NOVEMBER CONSIDERED THE LATEST DEVELOPMENTS IN IRAN. THEY EXPRESSED THEIR DEEP CONCERN AT THE FACT THAT THE IRANIAN AUTHORITIES HAVE NOT FULFILLED THEIR OBLIGATIONS UNDER THE VIENNA CONVENTION AND HAVE NOT GIVEN APPROPRIATE PROTECTION TO BOTH THE STAFF AND THE PREMISES OF THE AMERICAN EMBASSY IN TEHRAN. THEY HAVE ALREADY MADE THIS CONCERN KNOWN TO THE IRANIAN AUTHORITIES ON SEVERAL OCCASIONS THROUGH DIPLOMATIC CHANNELS.

AT THIS MEETING TODAY THE MINISTERS RECALLED THAT IN 1976 THE EUROPEAN COUNCIL EXPRESSLY CONDEMNED ANY ATTEMPT TO EXERT PRESSURE ON GOVERNMENTS BY THE TAKING OF HOSTAGES. THEY CONSIDER THAT WHATEVER THE NATURE OF THE DISPUTE BETWEEN IRAN AND THE UNITED STATES THE CONTINUED HOLDING OF DIPLOMATIC PERSONNEL OF THE EMBASSY OF A FOREIGN STATE AS HOSTAGES AND THE THREAT TO PUT THEM ON TRIAL AS A BREACH OF

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/INTERNATIONAL

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INTERNATIONAL LAW AND AS SUCH MUST BE REJECTED BY THE GOVERNMENTS OF THE NINE AND BY THE INTERNATIONAL COMMUNITY AS A WHOLE. THE MINISTERS REJECT THIS VIOLATION OF INTERNATIONAL LAW AND CALL UPON THE IRANIAN GOVERNMENT TO RELEASE ALL THE HOSTAGES.''

FCO ADVANCE TO:-

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R. COOPER (PO CO UNIT)

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PS/PUS

SIR A DUFF

MR J MOBERLY

[ADVANCED AS REQUESTED]



Foreign and Commonwealth Office

London SW1A 2AH

20 November 1979

(2)

h.g. Pms 26/11
MB
 Dear John,

Pms 27/11
 Annie Amster

IRAN: DR BAKHTIAR

You may by now be aware through your own office as a result of their contacts with the police that Dr Bakhtiar is planning to visit Britain tomorrow. We were first alerted to this possibility over the weekend by Special Branch who had been approached by Dr Bakhtiar's agent in London, Mr P A Parviz. We were also told that while here, Dr Bakhtiar proposed to have dinner with Mr Heath.

One of the charges made against us at the time of the occupation of our Embassy in Tehran on 5 November was that Britain was sheltering Dr Bakhtiar and supporting his cause. The French have escaped criticism altogether for allowing him to live in Paris. In view of this recent history and the heightened tension in Tehran with the continued occupation of the American Embassy and the threat to put the staff there on trial for espionage, we came to the conclusion that, if at all possible, Dr Bakhtiar should be put off from visiting Britain without going so far as asking the Home Office to ban him officially. Accordingly, instructions have been sent to our Embassy in Paris to contact Dr Bakhtiar to put to him the following request for an assurance:

"The British Government understands that Dr Bakhtiar is planning to visit the UK this week. In view of recent events in Tehran, the government would welcome an assurance from Dr Bakhtiar that he will not, on this occasion, undertake any political activities while he is in the UK."

If Dr Bakhtiar refuses to comply or postpone his visit, then our Embassy will seek fresh instructions.

The tactics which we have adopted in handling Dr Bakhtiar should be seen against the background of the case of Princess Ashraf who came to Britain privately during the week beginning 13 November. Your people were fully in the picture about the case, but I attach for ease of reference the three telegrams (FCO telegrams nos 681, 684 and 695) which tell the full story. We are lucky that no news about her presence broke here and we can only hope that in the case of Dr Bakhtiar, he will decide to give the UK a miss on this occasion. I shall, of course, ensure that the reply from Paris and any other telegrams about Dr Bakhtiar's movements are sent to you quickly.

I am copying this letter to the Private Secretary at No 10.

Private Secretary to the
 Secretary of State for the Home Department

7-22
8-22
 (G G H Walden)

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FM FCO 131931Z NOV 79

TO FLASH TERRAN

TELEGRAM NUMBER 681 OF 13 NOVEMBER

INFO IMMEDIATE WASHINGTON AND PARIS.

PRINCESS ASHRAF.

1. WE BELIEVE THAT PRINCESS ASHRAF HAS ENTERED THE UK, THIS EVENING. THE POLICE WERE GIVEN TWO HOURS NOTICE BY A MEMBER OF HER ENTOURAGE THAT SHE WOULD BE ARRIVING AT GATWICK ON A PRIVATE AIRCRAFT FROM PARIS WHERE SHE HAS BEEN UP TO NOW. THE POLICE WERE TOLD THAT SHE INTENDED TO STAY IN LONDON FOR A PRIVATE VISIT OF ONE WEEK.
2. MINISTERS HAVE DECIDED THAT, ALTHOUGH THERE MUST BE SOME RISK THAT HER PRESENCE HERE WILL CONSTITUTE A THREAT TO THE SECURITY OF YOU AND YOUR STAFF, IT WOULD NOT BE JUSTIFIED TO REFUSE HER ENTRY OR TO ASK HER TO LEAVE AFTER SHE HAS ENTERED. WE WILL NATURALLY TAKE NO STEPS TO PUBLICISE THE VISIT BUT, IF IT BECOMES KNOWN TO THE PRESS, PROPOSE TO TAKE THE FOLLOWING LINE:
 - (I) THE BRITISH GOVERNMENT WAS NOT ASKED TO AUTHORISE THE VISIT IN ADVANCE. AS THE POSSESSOR OF A VALID PASSPORT WHICH DOES NOT REQUIRE A VISA THERE IS NO SUCH REQUIREMENT BEFORE SHE ENTERS.
 - (II) IF SHE IS REPORTED TO BE RECEIVING POLICE PROTECTION WE WILL SAY THAT THIS IS NOT A GOVERNMENTAL DECISION RELATED TO HER RANK OR STATUS BUT REFLECTS A JUDGEMENT BY THE POLICE THEMSELVES THAT SHE COULD BE AT RISK FROM ATTACK.
 - (III) NO REQUEST HAS BEEN RECEIVED FROM PRINCESS ASHRAF TO RESIDE IN THE UK, SHE IS SIMPLY A VISITOR. IF A REQUEST TO RESIDE WERE TO BE RECEIVED IT WOULD BE CAREFULLY CONSIDERED.

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/ 3. WHILE

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1-3. WHILE THIS MAY BE OF LITTLE RELEVANCE IF THERE IS AN ADVERSE REACTION IN TEHRAN, IT IS OF COURSE A FACT THAT PRINCESS ASRAF HAS BEEN SINCE THE REVOLUTION IN THE UNITED STATES AND CE WITHOUT, SO FAR AS WE KNOW, ANY PROTEST BEING LODGED THE IRANIAN GOVERNMENT WITH EITHER OF THOSE GOVERNMENTS.

NGTON

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OO TEHRAN

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FM FCO 141550 Z NOVEMBER 79

TO IMMEDIATE TEHRAN

TELEGRAM NUMBER 684 OF 14 NOVEMBER

REPEATED TO PRIORITY WASHINGTON AND PARIS

OUR TEL NO 681 PRINCESS ASHRAF

1. PRINCESS ASHRAF ENTERED BRITAIN ACCOMPANIED BY TWO PERSONAL STAFF. SO FAR THERE HAS BEEN NO PUBLICITY. WE BELIEVE THAT SHE INTENDS TO TAKE AN ONWARD FLIGHT TO THE UNITED STATES AT THE WEEKEND.

2. A MESSAGE WAS DELIVERED TO PRINCESS ASHRAF AS FOLLOWS:
'THE BRITISH GOVERNMENT ASSUMES THAT PRINCESS ASHRAF WILL UNDERTAKE NO POLITICAL ACTIVITIES WHILE ON HER PRIVATE VISIT TO THE UK SEMICOLON IT WOULD BE HELPFUL IF SHE COULD ASSURE US THAT THIS IS THE CASE.'

IN REPLY PRINCESS ASHRAF GAVE AN ASSURANCE THAT SHE WOULD NOT SEEK PUBLICITY WHILE IN THIS COUNTRY NOR TAKE PART IN ANY POLITICAL ACTIVITIES. SHE WAS HERE FOR A FAMILY CONFERENCE AT WHICH PRINCESS FATEMEH MAY BE PRESENT.

3. IN THE MEANTIME, PRINCESS ASHRAF IS BEING GIVEN POLICE PROTECTION.

CARRINGTON

NNNN

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FM FCO 161645 Z NOVEMBER 79

TO PRIORITY TEHRAN

TELEGRAM NUMBER 695 OF 16 NOVEMBER

AND TO ROUTINE PARIS WASHINGTON

YOUR TEL NO 1158

PRINCESS ASHRAF

1. PRINCESS ASHRAF LEFT LONDON BY TODAY'S CONCORDE. THERE HAS BEEN NO PUBLICITY ABOUT HER STAY HERE.
2. ACCORDING TO OUR RECORDS, THE MFA NOTE OF 8 MAY LISTED THE PASSPORTS OF THE DIPLOMATIC AND SERVICE PERSONNEL WHO WERE ACCOMPANYING THE SHAH INTO EXILE. AS PRINCESS AHSRAF WAS NOT WITH HIM AT THE TIME WE ASSUME THAT HER NAME WAS FOR THAT REASON OMITTED.

CARRINGTON

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 SIR R ARMSTRONG 2)
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 MR LE CHEMINANT) OFFICE
 CABINET OFFICE DIO
 MR F R BARRATT TREASURY

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FM TEHRAN 191100Z NOV 79

TO IMMEDIATE FCO

TELEGRAM NUMBER 1193 OF 19 NOVEMBER

INFO IMMEDIATE WASHINGTON AND UKMIS NEW YORK

INFO PRIORITY EEC POSTS

WASHINGTON TELNO 3780: AMERICAN EMBASSY

Prime Minister
IMMEDIATE

oab

1. MY COLLEAGUES AND I WERE GRATEFUL FOR THIS HELPFUL INFORMATION. EVEN ON THE PRACTICAL LEVEL THERE SEEMS TO BE A GOOD DEAL OF CONFUSION, SINCE KLM WERE ASKED YESTERDAY BY THE STATE DEPARTMENT IN WASHINGTON TO RESERVE 20 SEATS FOR RELEASED HOSTAGES, BRITISH AIRWAYS WERE ALSO ASKED TO HOLD BACK THEIR FLIGHT LEAVING TEHRAN YESTERDAY MORNING AND IN THE EVENT ARRANGEMENTS FOR THE FIRST THREE RELEASED WERE MADE BY THE IRANIANS DIRECT WITH SAS.

2. THE EEC HEADS OF MISSION HAVE REQUESTED AN APPOINTMENT WITH BANI SADR TOMORROW. WE SHALL THEREFORE, IN THE ABSENCE OF FURTHER GUIDANCE, CONFINE OURSELVES TO THE FOLLOWING:

(A) WELCOME THE RELEASE OF THE WOMEN HOSTAGES, REMINDING BANI SADR THAT WE PUT THIS SUGGESTION TO KHARAZI ON 8 NOVEMBER, BUT REGRET THAT NOT ALL THE WOMEN SEEM TO HAVE BEEN RELEASED:

(B) REMIND BANI SADR OF OUR PROPOSAL THAT REGULAR DAILY VISITS TO THE HOSTAGES SHOULD BE AUTHORISED AND EXPRESS REGRET

(B) REMIND BANI SADR OF OUR PROPOSAL THAT REGULAR DAILY VISITS TO THE HOSTAGES SHOULD BE AUTHORISED AND EXPRESS REGRET THAT THE HOPE OF THIS WHICH HE HELD OUT TO THE REPRESENTATIVES OF THE SECURITY COUNCIL MEMBERS ON 15 NOVEMBER HAS NOT BEEN REALISED:

(C) EXPRESS OUR STRONG RESERVATIONS, ON PRINCIPLE, ABOUT THE STATEMENTS THAT SOME OR ALL (IT IS NOT CLEAR) OF THE REMAINING HOSTAGES MAY BE PUT ON TRIAL, REMINDING HIM OF THE CLEAR POSITION IN INTERNATIONAL LAW THAT THE STAFF OF DIPLOMATIC MISSIONS ARE IMMUNE AND MAY NOT BE PROSECUTED, THE HOST GOVERNMENT'S REMEDY FOR ANY GRIEVANCE OVER "INADMISSIBLE ACTIVITIES" BEING EXPULSION.

2. I AM AWARE THAT WE MAY SEEM TO BE STEPPING OUTSIDE OUR FUNCTION OR MAY BE THE RIGHT TO BE MUSCLEING IN. I HOPE THAT WASHINGTON CAN REASSURE THE STATE DEPARTMENT: OUR COMMENTS AND SUGGESTIONS ARE INTENDED AS SUCH ONLY, TO BE HELPFUL TO THE AMERICANS, IN THE ABSENCE OF ANY DIRECT ADVICE FROM THEIR OWN STAFF HERE. WE HAVE NO DESIRE TO MUSCLE IN AND CERTAINLY NOT TO CROSS WIRES.

3. THAT SAID, IT HAS OCCURRED TO ME THAT THE THREAT TO PUT SOME OR ALL OF THE REMAINING HOSTAGES ON TRIAL, WHILE TOTALLY UNACCEPTABLE AS A MATTER OF PRINCIPLE, MIGHT IN PRACTICE PROVIDE THE IRANIAN GOVERNMENT AND KHOMEINI HIMSELF WITH A WAY OUT OF THE IMPASSE IN WHICH THEY NOW FIND THEMSELVES, WITHOUT AN EXCESSIVE LOSS OF FACE LOCALLY. MY THOUGHT IS THAT THE SEED OF AN IDEA MIGHT BE SOWN IN SAY, BANI SADR'S MIND THAT A TRIAL, PROVIDED THAT A SATISFACTORY RESULT (E.G. THAT THE PEOPLE CONCERNED WERE CONVICTED AND SENTENCED TO EXPULSION) COULD BE ASSURED, MIGHT PROVIDE THE IRANIANS WITH A FACE-SAVING EXIT. OBVIOUSLY THE US GOVERNMENT COULD NOT ACCEPT SUCH A PROCEDURE AND THERE WOULD BE AN OUTCRY IN THE US, BUT THAT MIGHT EVEN HELP THE IRANIAN GOVERNMENT WITH THEIR OWN PUBLIC OPINION. THERE IS A PRECEDENT FOR SOMETHING ON THESE LINES, I BELIEVE. IN ABOUT 1961 THE EGYPTIAN GOVERNMENT ARRESTED TWO FRENCH DIPLOMATS WORKING AS PART OF THE FRENCH INTERESTS SECTION IN THEIR PROTECTING POWER'S EMBASSY, IN THE BELIEF THAT THEY DID NOT HAVE IMMUNITY. WHEN THE EGYPTIAN AUTHORITIES REALISED THEIR MISTAKE, THE TWO MEN WERE PUT ON TRIAL, AFTER SEVERAL MONTHS, CONVICTED AND EXPELLED.

4. ANY SUGGESTION ALONG THESE LINES WOULD OBVIOUSLY HAVE TO BE HANDLED VERY DELICATELY. THERE WOULD BE A RISK THAT BANI SADR OR WHOEVER THE IDEA WAS PUT TO, WOULD ASSUME THAT IT HAD

SADR OR WHOEVER THE IDEA WAS PUT TO, WOULD ASSUME THAT IT HAD OFFICIAL AMERICAN BLESSING, WHEREAS IN FACT IT WOULD BE ESSENTIAL FROM THE US GOVERNMENT'S POINT OF VIEW, THAT THEY SHOULD BE ABLE TO DENY ANY SPONSORSHIP OR ACCEPTANCE OF IT. IT IS CLEARLY NOT AN IDEA TO BE FLOATED IN A JOINT SESSION BETWEEN BANI SADR AND ONE OR OTHER OF THE VARIOUS GROUPS THAT SEE HIM; AND HIS REJECTION OF SECRET DIPLOMACY CARRIES WITH IT SOME RISK THAT HE WOULD REJECT THE IDEA AND IN PUBLIC DESCRIBE IT AS AN INTOLERABLE ATTEMPT TO RIG A JUDICIAL PROCEDURE. BEHESHTI MIGHT BE A BETTER INTERLOCUTOR.

5. I SHOULD BE GRATEFUL FOR INSTRUCTIONS WHETHER YOU THINK THIS IDEA WORTH PURSUING, EITHER AFTER CONSULTATION WITH THE AMERICANS OR WITHOUT IT.

GRAHAM

IMMEDIATE

NNNN

SECRET



Iran
Foreign and Commonwealth Office

London SW1A 2AH

Type for signature

4

19 November 1979

Dear Michael,

IRAN: MESSAGE FROM PRESIDENT CARTER

--- Thank you for your letter of 15 November.
I enclose a draft reply which the Foreign and
Commonwealth Secretary suggests the Prime
Minister might wish to send to President
Carter's message of 14 November.

Yours etc

(P Lever)

M O'D B Alexander Esq
10 Downing Street

SECRET

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM: Prime Minister

Reference

DEPARTMENT: TEL. NO:

SECURITY CLASSIFICATION

TO: President Carter

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
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.....In Confidence

CAVEAT.....

I was glad to be able to discuss the problem with you on the telephone ~~on Monday~~ on Monday

Type for signature

Enclosures—flag(s).....

Thank you for your letter of 14 November about the appalling situation which your people are facing in Iran. ^{As I said} I am following developments closely. ~~and~~ ^{in the House of Commons yesterday I ~~was~~ ~~made~~ ~~the~~ ~~statement~~ ~~with~~ ~~which~~ ~~you~~ ~~have~~ ~~dealt~~ ~~with~~ ~~the~~ ~~situation~~ ~~of~~ ~~your~~ ~~refusal~~ ~~to~~ ~~yield~~ ~~to~~ ~~blackmail~~. ~~have~~ ~~taken~~. I have noted in particular that each of your actions has been a measured response to Iranian provocation and that you have made it clear both to public opinion at home and to the world at large that you are determined to continue acting with both firmness and restraint. As you know we, together with our European partners, have been doing what we can in Tehran to press the Iranians to release the hostages without condition.}

It was kind of you to refer to the help which our own people have been able to give to yours in Tehran. I very much hope that we will be able to continue to render such assistance until the crisis is over. In that connection, I have been considering ~~the~~ ^{your} suggestion ~~that you have put forward~~ that we should make a public gesture of our disapproval of Iranian behaviour by reducing ^{have been} the size of our diplomatic staff in Tehran. We ~~are already~~ keeping the level of our staffing at the Embassy under constant review with the aim of ensuring that it is no more than sufficient for operational needs. There will be some thinning out over the next few weeks. But we have not hitherto believed it wise to make a political point of any reduction, partly because we doubt whether the Iranians would be much impressed and



19 NOV 61

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File
Iran



10 DOWNING STREET

From the Private Secretary

19 November, 1979.

Situation in Iran

As you know, President Carter spoke on the telephone this afternoon with both the Prime Minister and President Giscard d'Estaing about the situation in Tehran.

President Carter said that he hoped the Prime Minister and President Giscard would talk over in the course of the afternoon what they could do to help the United States in the present situation. Specifically, he hoped that the two Heads of Government could condemn publicly the idea that members of the staff of the American Embassy in Tehran might be put on trial; and that they would protest to Ayatollah Khomeini about his present policies. President Carter said that he himself seemed to have little influence on the Ayatollah, but that world opinion was having some effect. President Carter also asked the Prime Minister and President Giscard to consider whether there were any other actions they could take to show solidarity, for example, by lowering the numbers of their staff in Tehran.

The Prime Minister said that she completely understood and sympathised with the difficult position in which the United States Government found itself. It would be impossible for the American Government to surrender the Shah. No country which did so could hold up its head again. As regards the position of the British Government, the staff of the British Embassy in Tehran was being steadily run down. She would consider whether further reductions could be made. The Nine would be meeting at Foreign Minister level in Brussels tomorrow. The Foreign and Commonwealth Secretary and M. Francois Poncet would seek the agreement of their colleagues to a public condemnation of what was happening in Iran. Such a condemnation would be stronger and more effective than if issued by a national Government. President Carter expressed his gratitude for what the British Government had done already, and said that it would be helpful if the Prime Minister could repeat publicly her remark about the impossibility of surrendering the Shah. He went on to say that he thought the Iranians would release

/ more

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- 2 -

more hostages in the days ahead, but that it would be as unacceptable to the American Government if one member of the staff were put on trial for spying as if all 60 hostages were arraigned.

President Giscard d'Estaing told President Carter that the French Government would both join in the Nine statement condemning Ayatollah Khomeini's attitude and would issue a statement of its own following the meeting of the French Cabinet on Wednesday morning. He suggested that the Government of the United States and the European Governments should stay in touch at Foreign Minister level, and that President Carter should say nothing about the telephone conversations.

President Carter agreed to say nothing. He said that it would be helpful if the Governments of the Nine could use their influence with other Governments in the Middle East, including the Government of Iraq, to bring pressure to bear on the Ayatollah. Finally, he said that he hoped we would pass on to the American Government any information, however minor, relevant to the situation in Tehran. Having expressed the hope that a solution would be found, President Giscard ended the conversation by saying that he feared a difficult time lay ahead.

M. O'D. B. ALEXANDER

Paul Lever, Esq.,
Foreign and Commonwealth Office.

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DC - FCO
H. Smith
- 27/11

TELEPHONE CONVERSATION BETWEEN LORD CARRINGTON AND MR. VANCE
ON MONDAY 19 NOVEMBER 1979

Mr. Whitmore: Mr. Vance, it's the Prime Minister's Private Secretary. I'm just going to get Lord Carrington who's in a meeting with President Giscard and the Prime Minister at the moment. But this will only take two seconds. Can you hold on?

Mr. Vance: Sure.

Lord Carrington: Cy, I'm so sorry to have kept you waiting. We are in a meeting with President Giscard.

Mr. Vance: I realise that.

Lord Carrington: What a perfectly awful time you're having.

Mr. Vance: Well, it really is a ghastly time, Peter. We've got a large number of different channels that we are pursuing. But it's extremely difficult as you can see.

Lord Carrington: I can see. It's difficult to see exactly what you can do that's going to make things better and not worse.

Mr. Vance: That's right. The President told me about his talk with the Prime Minister and the fact that the Group may be meeting, I guess in the next day or two.

Lord Carrington: We're meeting tomorrow afternoon.

Mr. Vance: And will probably be issuing a statement.

Lord Carrington: We're drafting it now.

Mr. Vance: That's what the President just asked me to check with you for a moment about. This would be very helpful. Obviously we will say nothing about it but it will be extremely helpful, Peter, if a good strong statement could be made.

Lord Carrington: What we've got Cy is, I've got Francois Poncet here too and we've had a talk since the President rang up. He's got his political director here and I've got mine. And they are at the moment drafting a statement about blackmail and hostages and all the rest of it. And if Jean and I can agree this I don't myself think there will be much difficult in getting the other seven to come along. And we would then issue that tomorrow.

Mr. Vance: That would be great. Also I think the trial aspect of it, if that could be specifically commented on.

Lord Carrington: The what?

Mr. Vance: The trial, their threats of trying these people.

Lord Carrington: The trial, yes, yes, sure. I think we ought certainly to say that.

Mr. Vance: The trial of the hostages particularly.

Lord Carrington: Yes, certainly. It ought to come out, you see, probably in the afternoon here, which ought to be morning your time. It will be quite good from that point of view.

Mr. Vance: That would be just splendid.

Lord Carrington: Did the President talk to Helmut?

Mr. Vance: He has not reached him but he was trying to get through to him.

Lord Carrington: I think it would be quite helpful because if he gets us three alongside we will telegraph the text of what we suggest to Hans-Dietrich, and if the President's already spoken I think that would be helpful.

Mr. Vance: He is going to get through to him today, either this morning or at the latest, some time in the afternoon but he is trying to press the call.

Lord Carrington: OK. Is there anything we can do, Cy, other than that?

Mr. Vance: You are doing everything you can at this point, Peter.

Lord Carrington: It's very difficult to see how else we could help.

Mr. Vance: I think you're doing everything, quite frankly but if there is anything further we won't hesitate to get in touch with you.

Lord Carrington: Yes, we'll do what we can. You know that.

Mr. Vance: I know that. Let me congratulate you, Peter, on how magnificently you and the Prime Minister are handling the Lancaster House thing.

Lord Carrington: Well, we're not quite home and dry yet, I'm afraid. We had a meeting this morning in which they put in some impossible terms for the cease-fire. But what I'm going to try and do is to get the thing wrapped up by the end of the week because if you can't get a cease-fire by the end of the week you can't get one at all. So, we've just got to do our best. We can't let it break now.

Mr. Vance: Right, I quite agree on that.

Lord Carrington: And I don't think they'll let it break now. But the only way, they'll argue here until January. The only way is to bring them up against reality.

Mr. Vance: I agree with you and I think that they will not let it drop having come this far.

Lord Carrington: I hope not. Then God alone knows what would happen. Fasten your seat belt. Let's hope for the best, Cy. Anyway, the best of luck in what you're doing and our thoughts are with you. Many thanks for ringing. Goodbye.

Mr. Vance: Goodbye.

f: ~~SUBJECT~~ 2/21

TELEPHONE CONVERSATION BETWEEN THE PRIME MINISTER AND THE PRESIDENT OF THE UNITED STATES OF AMERICA ON MONDAY 19 NOVEMBER 1979

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T147A/19T

Prime Minister: Hello, Margaret here. How are you?

President Carter: Just fine. The same as always. Is Giscard with you?

PM: He is here with me, we have just finished lunch and are waiting your message a little bit anxiously because we know you have very difficult times and we are full of sympathy and just wondering exactly what we can do.

PC: Well that is why I called you. We are having a difficult time. You have been very helpful to us so far. I called to ask you and Valery to talk over between yourselves what you might do to express your condemnation publicly of the potential trials of hostages in Iran and to take the strongest possible protestation to Khomeini that you can and to consider anything else you might do to help. I think the pressure of world opinion on Khomeini has been to some degree effective but the prospective trial of our hostages is something that causes me deep concern and I just hope that you and Valery can do everything possible to try and let the world know it is an unacceptable thing.

PM: We had a preliminary word about it because Peter Carrington and Francois-Poncet are here as well. The European Nine Foreign Ministers are meeting in Brussels tomorrow and they have an agenda but they feel very strongly we should try to get a condemnation by the Nine which would be very, very much firmer and more powerful than us acting separately. And so from here tomorrow morning, Peter Carrington and M. Francois-Poncet, will be going over to Brussels to try and discuss it with the Nine European countries. Now is there anything else we can do in addition.

PC: Well, I don't know what can be done between your own Government and the officials in Iran in addition to the European Community Nine but anything that you might do in lowering the number of ^{your} people in

/the Embassy

the Embassy or letting Khomeini know directly from you what deep concern you address this, would be helpful to us. I am not in a position of telling you what to do or advising you really.

PM: You are asking for help. That we're the first to understand. We have steadily been getting down the numbers in our Embassy and we have not a lot there at the moment. We are running at about 10 per cent of our normal strength. We have run down 10 per cent (I have got Peter Carrington here) but we will certainly have a look at that. And we will have a go with the Nine tomorrow and we will consider any other action we can take. Would you now like to have a quick word with President Giscard.

PC: Yes I would. Look, before you hang up, I will have Secretary Vance give Lord Carrington a call also and may be discuss with him the possibilities before the EEC Nine meets.

PM: Yes, Peter will be going over to the Foreign Office shortly and so perhaps if Secretary Vance could do that in half an hour or so it would be very helpful I hope both to him and to you and to us because we want to do as much as we can.

PC: Good. One thing I might say, I am sure you don't have any doubt about it, there is no way that we can permit the blackmail to work and send the Shah back to Iran. That is completely out of the question.

PM: We are wholly with you on that. I quite agree. There is no way you could send the Shah back. It would be the most inhumane thing and no country that did this could ever hold up its head again.

PC: If you could say something like that publicly it would help us.

PM: It would help if we could say something like that publicly.

PC: It really would.

PM: All right. Perhaps if Cyrus has a word with Peter later in the afternoon we will just see if we can get as strong a statement out as we can.

PC: I will tell Cy to call Peter.

PM: Right. Now. Would you like a word with President Giscard?

PC: Yes, I would.

President Giscard: Hello

PCarter: Valery, good afternoon.

President Giscard: How are you?

President Carter: Just fine. I placed a call to you in Paris not knowing that you were enjoying the delightful company of the Prime Minister of Great Britain and I am glad to talk to you. I just called to ask you and Margaret - and also I have a call in for Chancellor Schmidt. I just wanted to ask all three of you collectively or individually to support us strongly and publicly in the condemnation of Khomeini in what he is doing and to let it be known to the world that no country - as Margaret just said - could possibly succumb to this kind of blackmail. And to ask you both within the European Community and individually to make the strongest possible importunities to Khomeini to release the hostages unharmed. I know you are already doing this but I wanted to let you know personally that we are doing the best we can. We are not going to release the Shah to the Iranians obviously and if you could help us in any way we would appreciate it.

President Giscard: But what do you expect tactically for the moment?

President Carter: Well I understand that they will release ten more hostages today and Khomeini has said in some equivocal terms that the other hostages could be tried - some interpretations are will be tried - I think the accurate is could be tried as spies. And the fact that this is absolutely unacceptable....

President Giscard: Absolutely, yes.

President Carter: ... would be helpful. I think that the likelihood is that they will cut down the number of hostages being held sequentially. May be releasing a few at a time until they get down to a small number. And our position is that if any of our hostages are harmed it was the same as though all 60 of them were being harmed. We cannot accept the punishment of any of our hostages.

President Giscard: Absolutely. But what can you imagine to do?

President Carter: What can we do? Well all we are doing is trying to marshal moral support for our position and let Khomeini and his people know that not only we but our allies and friends like you, and also as many of the non-aligned movement countries as possible, do publicly condemn what is going on in Iran. In the meantime we are using every possible avenue to get Khomeini both within the Islamic world and among those like the PLO and others who have a direct connection with him.

President Giscard: And do you think you have a chance to influence him?

President Carter: Well, I think the release of these few hostages already is some indication of the influence of world opinion. I don't think I have any influence on him, no.

President Giscard: Yes, well we had a message from your Ambassador this morning, which is early for you, it was during the night, and I asked my assistant to inform him that we will deliver a statement supporting your position. I mean condemning Khomeini's attitude to the hostages. I think that the best way to do it is to do it for the Nine. And we have a meeting of the Nine tomorrow and the first thing on the agenda will be to make a joint statement on this question. But also the French Cabinet will issue a statement the next time it meets.

President Carter: I think that is very fine. One of the things that Margaret just said was that she would state publicly that no civilised country could release the Shah under these circumstances as long as the hostages are being held. We have a real need to stay in close touch with you as future circumstances develop and I think that might best be done at the Foreign Minister level.

President Giscard: Yes, of course, yes.

President Carter: But I am available any time you have a question.

President Giscard: All right, Jimmy. Tomorrow there will be this joint statement by the Nine. I think it is better not to announce it on your side.

President Carter: I won't say anything about that.

President Giscard: No, because it is better if it looks like being a spontaneous decision taken by your own countries and also nationally we will state a public position on that.

President Carter: I agree completely. One other thing you might do is, we don't have diplomatic relations with Iraq but we have had some encouraging private words from the Iraqi officials who ...

President Giscard: Yes.

President Carter: to Iran in the first place. So among the Islamic non-aligned countries at least whatever influence you might use with them to express your concern about the situation and to ask their intercession might pay dividends. We don't know for sure but every possible avenue ought to be explored.

President Giscard: I think also it is a possibility.

President Carter: Yes, I do too.

President Giscard: All right, Jimmy, so we will review this now. There will be this joint statement tomorrow morning at an early hour and then a national statement on Wednesday morning.

President Carter: That would be helpful and any time your people in Iran get any information, even of the most minor nature, about the attitude of the Iranian officials you will let us know directly. We would appreciate it.

President Giscard: All right. We will. I hope everything will be solved but I think that we still will have some difficult moments because it is difficult to influence these fanatic people.

President Carter: Yes, I know it is difficult. Well thank you again and have a nice day in London.

President Giscard: Thank and goodbye





je B

10 DOWNING STREET

From the Private Secretary

[Handwritten initials]

15 November 1979

US Relations with Iran

I enclose a copy of a message to the Prime Minister from President Carter about the situation in Iran. As you will see, President Carter asks the Prime Minister to consider reducing the number of staff in the Embassy in Tehran as a way of protesting against Iranian treatment of persons with diplomatic immunity.

The Prime Minister has not yet seen the message. But you may think that the Foreign and Commonwealth Secretary should have a word with her in the course of the day about the line we should take in reply to President Carter.

I am sending a copy of this letter and enclosure to Martin Vile (Cabinet Office).

M. O'D. B. ALEXANDER

G.G.H. Walden, Esq.,
Foreign and Commonwealth Office.

Subject

T 142/79T

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FM THE WHITE HOUSE
TO CABINET OFFICE, LONDON
ZEM

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 142/79T

SECRET VIA CABINET OFFICE CHANNELS DELIVER AT OPENING OF BUSINESS
WH92162

NOVEMBER 14, 1979

DEAR MADAME PRIME MINISTER,

I APPRECIATE THE CONTRIBUTION WHICH THE UNITED KINGDOM HAS MADE IN MAKING IT CLEAR THAT CONDUCT BY ONE GOVERNMENT AGAINST THE INNOCENT CITIZENS AND DIPLOMATIC ESTABLISHMENT OF ANOTHER IS UNACCEPTABLE. I PARTICULARLY APPRECIATE THE LOGISTIC SUPPORT WHICH HAS BEEN PROVIDED BY YOUR MISSION IN TEHRAN.

HOWEVER, I BELIEVE THAT THE TIME HAS COME WHEN ALL OF THE MAJOR POWERS MUST DO MORE TO INSURE THE INTEGRITY OF THE INTERNATIONAL DIPLOMATIC SYSTEM AGAINST SUCH OUTLAW ACTS. I, THEREFORE, HOPE THAT I CAN RECEIVE FURTHER SUPPORT FROM YOU AND YOUR GOVERNMENT BOTH PUBLIC AND PRIVATE IN THE DIFFICULT DAYS TO COME.

THE STRONGEST POSSIBLE REMONSTRATION OR ACTION BY YOUR OWN GOVERNMENT COULD BE OF GREAT BENEFIT IN INDUCING THE IRANIAN AUTHORITIES TO RELEASE THE AMERICAN HOSTAGES. YOU MAY WANT TO CONSIDER REDUCING THE NUMBER OF YOUR OFFICIAL PERSONNEL IN TEHRAN AS A WAY TO PROTEST IRANIAN TREATMENT OF PERSONS WITH DIPLOMATIC IMMUNITY. WE HAD EARLIER WITHDRAWN NINETY PERCENT OF OUR EMBASSY PERSONNEL AND MEXICO HAS DECIDED TO REMOVE ALL EMBASSY PERSONNEL FROM TEHRAN. WE WILL CONTINUE TO BE IN TOUCH WITH YOUR FOREIGN MINISTER TO DISCUSS OUR DIPLOMATIC STRATEGIES BOTH IN NEW YORK AND IN TEHRAN.

YOUR SUPPORT IS NECESSARY TO MAKE CLEAR THAT WHAT IS AT ISSUE IS A QUESTION OF FUNDAMENTAL PRINCIPLE ON WHICH THE ENTIRE INTERNATIONAL COMMUNITY, REGARDLESS OF IDEOLOGICAL OR POLITICAL PERSUASION, MUST NOT YIELD.

FAILURE OF OUR EFFORTS TO PRESERVE THIS PRINCIPLE WOULD INVITE SIMILAR ACTS OF BLACKMAIL BOTH BY THE GOVERNMENT OF IRAN AND BY OTHERS WHO WOULD SOW ANARCHY IN THE INTERNATIONAL SYSTEM. THEREFORE, I HOPE I CAN COUNT ON YOU TO JOIN WITH US IN SETTING OURSELVES FIRMLY AGAINST ANY INCLINATION TO CONTINUE BUSINESS AS USUAL WITH THE GOVERNMENT OF IRAN SHOULD THE HOSTAGE SITUATION CONTINUE TO REMAIN UNRESOLVED.

LET ME THANK YOU AGAIN FOR YOUR SUPPORT,

SINCERELY,

JIMMY CARTER

PRIME MINISTER

IRAN AND THE DOLLAR

If the Chancellor has not told you already, you should be aware that President Carter has made an order aimed at freezing all official Iranian assets held in the United States, including deposits in US banks and their foreign branches and subsidiaries. This was in response to the announcement from Iran earlier today that they intended to withdraw all their assets - estimated at \$12 billion - from US banks around the world.

The Administration's reaction is probably the least they could have done. But it is none the less a worrying development. The danger now is that other oil producers will try to withdraw their funds; or if not, that they will stop putting their funds into dollars. There is bound to be a period of considerable uncertainty in the currency markets ahead.

Even if the Iranians could take out their deposits from US banks, it does not follow that they would switch out of dollars. They might very well move their deposits into Euro dollars with European banks, since there is no obvious alternative for holding their reserves. To the extent that they did move out of dollars, the Treasury seem reasonably confident that other central banks would provide compensating support to the FED.

There is also the question of the Administration's jurisdiction over US banks operating in London. The Bank of England's preliminary advice is that, if an Iranian were refused the withdrawal of his deposit from an American bank in London and if he were to take this to a UK court, the judgement would go in his favour. In addition, under UK law, British banks are obliged to accept deposits: in other words, if an Iranian were to write a cheque to his account at Barclays

/drawn on an

drawn on an American branch in London, Barclays would have to accept that cheque. Thus, it seems unlikely that the Administration's order will have effect here in London. We do not know the volume of Iranian funds held here.

In these circumstances, the Administration may put pressure on us to take action to make their order effective here. The Bank would almost certainly strongly resist this.

The one certainty from today's developments is that the price of gold will go up.

72.

14 November 1979

CONFIDENTIAL



Prime Minister

Chancellor

Bank

(2)

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

14th November, 1979

[Handwritten signature]

Dear Michael,

IRANIAN DOLLAR BALANCES

As the Prime Minister knows, the Iranian Government announced this morning that Iran's foreign currency holdings, said to be "around \$12 billion", would be withdrawn from American banks, both in the United States and in other countries, and placed with banks of countries more favourable to Iran such as France and West Germany. In response to this move, President Carter signed an order blocking all official Iranian assets in the United States including deposits in US banks and their foreign branches and subsidiaries. The value of these assets is thought to be not much more than half the \$12 billion figure mentioned by Iran. The White House announcement said that the purpose of the order was to ensure that claims on Iran by the United States and its citizens were provided for in an orderly manner.

Earlier this afternoon the Chancellor received a telephoned call from Mr. Carswell (Deputy Secretary of the US Treasury) to say that the President had just signed this order. Mr. Carswell said that the US Treasury had tried to notify the Chancellor before the order was signed but had been unable to contact him. The United States saw the seriousness of the implications of this decision for the Euro-markets; they would consider all possible avenues of mitigating them.

The Chancellor thanked Mr. Carswell for contacting him so promptly. He said that he would, of course, have counselled caution had the conversation taken place before the President's decision. But he certainly understood the special difficulties of the situation; in the circumstances

/he noted

M. O'D. Alexander, Esq.,
10, Downing Street

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he noted the importance of what Mr. Carswell had said, and looked forward to further discussions of the ramifications of this sequence of events.

Secretary Miller subsequently telephoned. He apologised for having been unable to warn the Chancellor in advance. He said that blocking would not be total; transactions deemed appropriate by the US Government could be permitted. He trusted that our authorities will remain in touch, so that disruptive action could be avoided. The Chancellor said we would do our best to be helpful. We understood the Americans' reasons for this action and would consider each issue which arose in this uncharted territory as and when it arose.

There are grounds for doubting whether it would be possible for the United States to enforce their order in London in all cases. If a branch or subsidiary of a United States bank in London refused to act on an order by Iran to release a deposit, the Iranian Government could take the bank to an English Court. The Court would have to consider which law applied and the answer would depend on the precise circumstances in which the deposit came to be placed with the bank in question. If the decision was that the deposit was held under UK law, the Court would presumably rule in favour of the Iranian Government. If the decision was that the deposit was held under US law, the deposit would presumably not be released. Further consideration is being given to the legal aspects of the matter including whether there is likely to be any difference of view between the British and US Governments on which jurisdiction applies in any particular case.

The Americans have not asked us to take any action to reinforce the effect of their order in London. The language used by Mr. Carswell - and subsequently by Mr. Miller - in speaking to the Chancellor quoted in paragraph 2 above suggests that the United States authorities do not wish us to take any Draconian steps in their support.

To do so would severely damage the reputation of the City of London and banking relationships all over the world. It would also, we think, be against the interests of the United States. So long as the deposits remained in dollars and were simply switched from United States banks to other banks in the Euro-markets, this action in itself would bring no downward pressure on the dollar (although of course it might affect confidence to some degree). But any action on our part in support of the United States could create doubt in the minds of holders of dollars all over the world about whether dollar deposits were safe either in the United States or in the centre of the Euro-dollar market here in London. The incentive to switch out of dollars would in such circumstances be greatly increased and the interests of the United States, as well as the UK, adversely affected.

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/A note

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..... A note on the effect of the days events on the foreign exchange markets is attached.

I am sending copies of this letter to the Private Secretaries to the Foreign and Commonwealth Secretary, the Secretaries of State for Energy, Industry, Defence and Trade, the Attorney General, the Governor of the Bank of England and Sir Robert Armstrong.

Yours ever,

MA

(M.A. HALL)
Private Secretary

CONFIDENTIAL

EFFECT ON FOREIGN EXCHANGE MARKETS

The news about the US freeze on Iranian balances unsettled the foreign exchange markets today and there were wide fluctuations in rates. The dollar weakened generally this morning on news that the Iranians proposed to withdraw their balances but strengthened when the Americans announced that the balances would be blocked. The UK trade figures did not seem to have had any marked impact. Markets generally were nervous and volatile.

2. Sterling opened at \$2.1072 and then fell to below \$2.09 on the miners' rejection of the NCB pay offer. It rose to \$2.11 on the news that the Iranians would withdraw their dollar funds and fell back to \$2.10 when the Americans made their announcement. The closing rate was \$2.1072, i.e. unchanged from the opening. The effective rate for sterling fell from 67.94 to 67.67 during the day. The dollar fell during the day against the deutschemark and the Swiss franc; but the gold price did not rise as sharply as might have been expected.

3. Euro-dollar rates were a little firmer than at the opening but, at 15 per cent, lower than last night's close. Sterling inter-bank rates rose to over 16 per cent because the market expects a rise tomorrow in the MLR.

EF1

HM Treasury

14th November, 1979

GR 320

UNCLASSIFIED

FM TEHRAN 131135Z NOV 79

TO PRIORITY FCO

TELEGRAM NUMBER 1146 OF 13 NOVEMBER

Prime Minister

BRITISH COMMUNITY IN IRAN

OUR CURRENT ESTIMATE OF THE TOTAL SIZE OF THE COMMUNITY IS NOT MORE THAN 500. THE BREAKDOWN IS AS FOLLOWS:

A. TEHRAN

- I) PRIVATE BRITISH SUBJECTS, MAINLY WITH COMMERCIAL FIRMS, REGISTERED WITH THE CONSULATE (THE FIGURE COULD BE A SLIGHT UNDER-ESTIMATE, SINCE THERE MAY BE SOME NEW ARRIVALS WHO HAVE NOT BEEN IN TOUCH WITH US.) ... 230
- II) EMBASSY STAFF AND DEPENDANTS ... 76
- III) BRITISH COUNCIL STAFF AND TEACHERS PLUS DEPENDANTS 20
- SUB-TOTAL 326

B. PROVINCES

- I) MARPLES RIDGWAY ROAD PROJECT IN ZAHEDAN, BALUCHISTAN 50
- II) TURRIF TAYLOR PROJECT AT SIRRI ISLAND IN THE PERSIAN GULF 37
- III) RELATIVELY SMALL, SCATTERED GROUPS OF WHOM THE LARGEST ARE:

ABADAN/KHORAMSHAHR (30): SHIRAZ (10): AND ISFAHAN (15). THE FIGURS ARE ESTIMATES IN SOME CASES BUT THE TOTAL IS PROBABLY NOT MORE THAN 70
- SUB-TOTAL 157

2. OUR LATEST INFORMATION ON OTHER FOREIGN COMMUNITIES IS:

- A) ITALY - ABOUT 2,000:
- B) GERMANY - 1,500 TO 1,600, BUT THIS FIGURE WILL ALMOST CERTAINLY HAVE FALLEN FOLLOWING THE RECENT LEIB ASSASSINATION AND THE GERMAN AMBASSADOR'S ADVICE TO HIS COMMUNITY (MY TELNO 1119) (BANI SADR EXPRESSED ANXIETY TO MY GERMAN COLLEAGUE YESTERDAY AT THE DEPARTURE OF GERMAN TECHNICIANS):
- C) FRANCE - 2/300
- D) DENMARK - UNDER 100 (SEE ALSO PARA 2 OF MY TUR)
- E) CANADA - NOT MORE THAN 70:
- F) UNITED STATES - WHEN WE LAST DISCUSSED WITH THE U.S. EMBASSY, THEY ESTIMATED 4/500. IN THE LIGHT OF RECENT EVENTS, WE DOUBT WHETHER THERE IS NOW MORE THAN A HANDFUL OVER AND ABOVE THOSE HELD IN THE EMBASSY AS HOSTAGES, ALTHOUGH I HAVE HEARD A REPORT THAT 60 FLUOR EMPLOYEES HAD DIFFICULTY IN GETTING AWAY.

GRAHAM

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SIR J MUNT)
ASSESSMENTS STAFF) CABINET
MR LE CHEMINANT) OFFICE
~~MR THOMPSON~~
CABINET OFFICE DIO
MR F R BARRATT TREASURY

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FM TEHRAN 130600Z NOV 79

TO PRIORITY FCO

TELEGRAM NUMBER 1139 OF 13 NOVEMBER

BY TELNO 1096: BRITISH COMMUNITY

Bmie Amster

1. LAST NIGHT I MET ABOUT 30 REPRESENTATIVES OF THE BRITISH COMMUNITY.
2. I SAID THAT THERE HAD BEEN A LURCH TOWARDS EXTREMISM AND THAT THE SITUATION WAS DELICATE AND UNPREDICTABLE. XENOPHOBIA AND SPY-MANIA WERE APPARENT. THE AMERICANS WERE OBVIOUSLY BEARING THE BRUNT OF THIS, BUT WE AND OTHER EUROPEAN COUNTRIES HAD BEEN ACCUSED IN PARTICULAR CASES.
3. I REPEATED THE ADVICE GIVEN AT THE TIME OF THE REVOLUTION IN FEBRUARY THAT THOSE WITHOUT A STRONG NEED TO BE IN IRAN AT THE PRESENT TIME SHOULD SERIOUSLY CONSIDER LEAVING. A STRONG NEED COULD BE CONSTITUTED BY BUSINESS OR CONTRACTUAL OBLIGATIONS OR FAMILY TIES. THE DECISION MUST BE FOR THE INDIVIDUAL IN EACH CASE. BUT THEY SHOULD KEEP IN MIND THAT IF THINGS TOOK A BAD TURN, IT COULD BECOME DIFFICULT TO GET OUT.
4. THE EMBASSY WOULD CONTINUE TO CARRY OUT ALL ITS FUNCTIONS AS USUALLY AS POSSIBLE. I DID NOT WISH TO SAY THAT...

4. THE EMBASSY WOULD CONTINUE TO CARRY OUT ALL ITS FUNCTIONS AS NORMALLY AS POSSIBLE. I DID NOT WISH TO LAY DOWN THAT PEOPLE SHOULD SERVE HERE UNACCOMPANIED ON A LONG TERM BASIS, AND I WAS NOT SENDING HOME EMBASSY DEPENDANTS. EMPHASISING THAT THIS WAS PURELY A PIECE OF CONTINGENCY PLANNING I SAID THAT IF THE EMBASSY WAS ATTACKED AND UNABLE TO FUNCTION, BRITISH AIRWAYS AND GRAY MACKENZIE HAD AGREED TO COORDINATE ARRANGEMENTS FOR BRITISH COMMUNITY TO DEPART.
5. APART FROM PROVIDING AN OPPORTUNITY TO MEET SOME OF THE COMMUNITY AND REITERATE THE WARNING, THE MEETING SERVED TO BRING UP TO DATE OUR "PYRAMID" SYSTEM FOR DISTRIBUTING INFORMATION AND ADVICE AMONGST THE COMMUNITY. I ASKED THOSE PRESENT TO PASS ON WHAT I HAD SAID TO OTHER BRITISH PEOPLE IN THEIR COMPANIES AND TO OTHERS WHOSE NAMES WE GAVE THEM. I SAID THAT MY MESSAGE WAS NOT FOR REPORTING TO THE PRESS, ALTHOUGH OBVIOUSLY THEY MIGHT GET TO HEAR OF IT.
6. IN RESPONSE TO PRESS ENQUIRIES WE ARE ONLY GIVING THE SPECIFIC ADVICE QUOTED IN PARA. 3 ABOVE.
7. THE TELEPHONE NUMBERS OF BRITISH AIRWAYS AND GRAY MACKENZIE WERE ISSUED:

THEY ARE:

B.A. (OFFICE) 674373 671564. (MR PAXTON'S HOME) 297377.

G.M. (OFFICE) 314156-9 (MR MALCOLM'S HOME) 281091

(MR CLARK'S HOME) 280714

GRAHAM

ZICNNNY

IRAN: ADVANCE COPIES

28

PS
 PS/SIR I GILMOUR
 PS/MR HURD
 PS/PUS
~~SIR A DUFF~~
~~SIR A PARSONS~~
 MR J C MOBERLY
~~MR LEAHY~~
 HD/MED
 HD/NENAD (2)
 HD/UND (2)
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 MISS BROWN (2)
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 RESIDENT CLERK

2 No 10 ~~DOWNING ST~~
 SIR ~~R HONE~~ ^{Armstrong})
 ASSESSMENTS STAFF) CABINET
 MR LE CHEMINANT) OFFICE
~~DR J THOMPSON~~)
 CABINET OFFICE DIO
 MR F R BARRATT TREASURY

IMMEDIATE

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GR 1000

CONFIDENTIAL

FROM TEHRAN 121555Z NOV 79

(2.11)

TO PRIORITY FCO

TELEGRAM NUMBER 1135 OF 12 NOVEBER

TO MODUK DS11, MODUK D14, CABINET OFFICE (DIO) MODUK SIC UZG
 PRIORITY WASHINGTON, EEC POSTS, BAGHDAD, KUWAIT, BAHRAIN,
 JEDDA, ABU DHABI, MUSCAT, CAIRO, DUBAI, DOHA, DAMASCUS,
 ANKARA, KABUL, ISLAMABAD, NEW DELHI, UKMIS NEW YORK

MYTELNO 1122: THE SITUATION IN IRAN.

1. IT IS CLEAR THAT IRAN HAS MADE A LURCH IN THE THREE WEEKS SINCE I LEFT AND ONE THAT I CONFESS I DID NOT PREDICT AT THAT TIME. THE MOST OBVIOUS EVIDENCE, OF COURSE, IS THE ATTACK ON THE AMERICAN EMBASSY AND ITS OCCUPATION, AS WELL AS THE INCURSION INTO THIS EMBASSY . THE OTHER OUTWARD SIGN IS THE ASSUMPTION OF FULL EXECUTIVE AUTHORITY BY THE REVOLUTIONARY COUNCIL FOLLOWING THE RESIGNATION OF BAZARGAN AND HIS MINISTERS . THESE DRAMATIC EVENTS, WHICH HAVE CERTAINLY CAPTURED THE HEADLINES, HAVE TO AN ASTONISHING EXTENT LEFT UNAFFECTED ORDINARY DAY-TO-DAY LIFE IN TEHRAN AND IN THE COUNTRYSIDE, AND EVEN ROUTINE BUSINESS IN THE MINISTRIES AND BANKS SEEMS TO BE PROCEEDING NORMALLY AND IF ANYTHING MORE SMOOTHLY THAN IN THE EARLIER DAYS OF THE REVOLUTION. NEVERTHELESS THERE IS CLEARLY AN UNDERLYING TENSION, REFLECTED IN THE FRENETIC QUALITY

... AND OTHER WORKS... MOST PEOPLE I HAVE TALKED

IN THE EARLIER DAYS OF THE REVOLUTION. NEVERTHELESS THERE IS CLEARLY AN UNDERLYING TENSION, REFLECTED IN THE FRENETIC QUALITY OF OFFICIAL AND OTHER PRONOUNCEMENTS. MOST PEOPLE I HAVE TALKED TO ARE AGREED THAT THE SITUATION IS DELICATE AND UNPREDICTABLE AND THAT FURTHER TROUBLE COULD BE SET OFF BY SOME EVENT OR STATEMENT OR EVEN BY A RUMOUR.

2. THERE ARE VARIOUS THEORIES TO ACCOUNT FOR THESE POLITICAL DEVELOPMENTS. THE MILITANTS OCCUPYING THE AMERICAN EMBASSY (WHO DESCRIBE THEMSELVES AS MUSLIM STUDENTS FOLLOWING THE LINE OF KHOMEINI, THOUGH WE HAVE BEEN TOLD THAT BY NO MEANS ALL ARE IN FACT STUDENTS) APPEAR TO BE RELIGIOUS FANATICS. THEY COMBINE FUNDAMENTALISM WITH RADICAL POLITICAL AND ECONOMIC IDEAS, FOR THE MOST PART NOT CLEARLY FORMULATED OR WORKED OUT. ALTHOUGH THEY ARE NOT COMMUNISTS IN THE FORMAL SENSE, THEY HAVE MANY IDEAS IN COMMON WITH THE COMMUNISTS AND IN GENERAL THEIR ACTIVITIES ARE NO DOUBT WELCOME TO THE RUSSIANS. THE GENERAL BELIEF SEEMS TO BE THAT, WHAT EVER KHOMEINI OR THEY MAY SAY, THEY ARE RESPONSIVE TO HIS WISHES AND WERE INCITED TO THEIR ACTION AGAINST THE AMERICAN EMBASSY BY HIS STATEMENTS AND KNOWN VIEWS EVEN IF HE DID NOT ACTUALLY PUT THEM UP TO IT. THE GROUP MAY VERY WELL HAVE BEEN FORMED SPECIFICALLY FOR THIS ATTACK., NO ONE HERE HAD HEARD OF THEM BEFOREHAND. THE RESIGNATION OF THE BAZARGAN GOVERNMENT, HOWEVER, ALTHOUGH IT APPEARED TO HAVE TAKEN PLACE AS A RESULT OF THE OCCUPATION OF THE AMERICAN EMBASSY, WAS IN FACT, I HAVE BEEN TOLD, RELATED MORE TO THE CRITICISM THAT BAZARGAN AND YAZDI CAME IN FOR FOLLOWING THE FORMER'S MEETING WITH BRZEZINSKI IN ALGIERS, A MEETING WHICH IT IS CLAIMED NEITHER HE NOR YAZDI CLEARED WITH KHOMEINI IN ADVANCE.

3. ONE CURIOSITY ABOUT THE SITUATION IS THE FACT THAT THE INITIAL REACTION TO THE ARRIVAL OF THE SHAH IN NEW YORK FOR MEDICAL TREATMENT WAS VERY MILD AND THAT ANTI-AMERICAN FEELING HAS BUILT UP ONLY OVER A PERIOD OF 2 WEEKS. ONE THEORY TO ACCOUNT FOR THIS IS THAT THE RELIGIOUS AUTHORITIES AT THE TOP CAME TO THE CONCLUSION THAT WITH THE ELECTIONS ON THE HORIZON; FURTHER STUDENT UNREST WHICH RISKED A STUDENTS/REVOLUTIONARY GUARD CONFRONTATION, AND THE GOVERNMENT'S LACK OF SUCCESS OVER HOUSING, UNEMPLOYMENT, KURDESTAN ETC, THERE WAS A NEED TO STIR UP POPULAR FEELING IN A CAUSE IN WHICH VIRTUALLY ALL IRANIANS WOULD BE ABLE TO UNITE, SO AS TO ENSURE BOTH A BIG TURN-OUT AND A LARGE VOTE FOR THE ISLAMIC REPUBLICAN PARTY. THE PRESENCE OF THE SHAH IN THE U S PROVIDED SUCH A CAUSE AND THE MILITANTS' ACTION FOLLOWED. IT CLEARLY SURPRISED THE GOVERNMENT (YAZDI AND OTHERS) AND PERHAPS EVEN SOME OF THE REVOLUTIONARY LEADERS.

OF THE SHAH IN THE U S PROVIDED SUCH A CAUSE AND THE MILITANTS' ACTION FOLLOWED. IT CLEARLY SURPRISED THE GOVERNMENT (YAZDI AND OTHERS) AND PERHAPS EVEN SOME OF THE RELIGIOUS AUTHORITIES THEMSELVES, BUT THEY QUICKLY ADOPTED IT AND ARE NOW, AS BANI SADR'S VARIOUS STATEMENTS SHOW, RATIONALISING WHAT WAS EVENIDENTLY AN INSTINCTIVE AND ILL-CONSIDERED ACTION. IN THE PROCESS THEY ARE STIRRING UP A GENERAL SPY MANIA AND THERE IS AN OBVIOUS RISK THAT THIS COULD GET OUT OF HAND (THE CHRISTIAN HOSPITAL IN ISFAHAN IS THE LATEST " NEST OF SPIES" TO BE " IDENTIFIED"), A RISK OF WHICH PERHAPS THEY ARE AWARE IF THEIR PROTESTATIONS AND APPEALS ABOUT THE SECURITY OF OTHER EMBASSIES CAN BE TAKEN AS EVIDENCE.

4. I HAVE DESCRIBED THE SITUATION AS UNPREDICTABLE. SIMILARLY I CANNOT FORECAST HOW LONG THIS PHASE WILL LAST. IT SEEMS CLEAR HOWEVER THAT THE RELIGIOUS FUNDAMENTALISTS WILL BE CONFIRMED IN POWER BY THE ELECTIONS, IF WE GET THAT FAR, AND ARE LIKELY TO BE WITH US FOR SOME TIME. AS THEIR OWN POPULARITY AND THE PEOPLE'S ENTHUSIASM FOR THE REVOLUTION FOR WHICH THEY STAND WANE, AND PARTICULARLY IF THERE ARE FURTHER CHALLENGES IN THE STREETS TO THEIR AUTHORITY WHICH THEY LACK THE SECURITY APPARATUS TO CONTROL, THEY MAY BE INCREASINGLY DRIVEN TO ATTEMPTING TO RALLY SUPPORT BY ACTIONS AIMED AGAINST FOREIGNERS AND FOREIGN COUNTRIES. THIS IS GOING TO MAKE THEM EXTREMELY DIFFICULT TO HANDLE IN ANY DIFFERENCE OF OPINION, SUCH AS FOR EXAMPLE THE LARGE CLAIMS WE HAVE AGAINST THEM OVER DEFENCE SALEZBM NONETHELESS WE HAVE MAJOR INTERESTS HERE, BOTH IN THE SHORT AND LONG TERM, AND I SEE NO ALTERNATIVE TO CONTINUING TO TRY TO DEAL WITH THEM PRUDENTLY AND COOLY, GIVING AS FEW HOSTAGES FORTUNE AS WE CAN (WE ARE NOW OPERATING WITH VIRTUALLY NO RECORDS AT ALL AND THE FEW THAT WE HAVE CAN BE SPEEDILY DESTROYED: I SHOULD BE GRATEFUL IF THIS COULD BE TAKEN INTO ACCOUNT IN ANY COMMUNICATIONS TO US). THIS SITUATION HAS IMPLICATIONS FOR STAFFING, AND I AM TELEGRAPHING SEPARATELY ON THIS

GRAHAM
BT



Iran ✓

10 DOWNING STREET

From the Private Secretary

12 November 1979

I enclose a copy of the letter to the Prime Minister from President Carter which I mentioned to you on the 'phone just now.

As I also told you on the telephone, the news of the American decision to discontinue buying crude oil from Iran was on the tapes before the letter was delivered.

I am sending copies of this letter to George Walden (Foreign and Commonwealth Office) and Martin Vile (Cabinet Office).

M. O'D. B. ALEXANDER

8

W.J. Burroughs, Esq.,
Department of Energy.



2

10 DOWNING STREET

PRIME MINISTER

I attach a letter to you from the President of the United States about his decision to discontinue buying crude oil from Iran. The letter was received after the news had begun to appear on the tapes.

Ans

A. G.

Ans

Ans

12 November 1979



T 140/79T

EMBASSY OF THE
UNITED STATES OF AMERICA

November 12, 1979

The Duty Clerk
The Prime Minister's Office
London

Sir :

Enclosed is the text of a
letter we have just received
from the President for the
Prime Minister.

Sincerely yours,

Edward J. French
Minister

PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. T140/79T

SUBJECT

cc Master) set
Ops J

November 12, 1979

Dear Prime Minister:

I will shortly be making a statement announcing that, in the interest of removing oil as an issue in our efforts to free the American hostages held in Iran, the U.S. will discontinue buying crude oil from Iran for importation into the United States. This is intended to demonstrate that the issues at stake are protection of our citizens abroad, an end to the use of hostages for political purposes, and respect for diplomatic personnel and property.

I also seek to demonstrate by this measure the willingness of the United States to make sacrifices in responding to situations of the kind we currently face in Iran. I will point out that this, once again, shows the need for the United States to reduce its dependence on foreign oil supplies.

Our highest priority is to secure the release of the hostages. Therefore, we are removing from that issue the question of oil supplies to the United States by Iran. In addition, the importance of restoring stability to the world oil market continues to be a fundamental objective of U.S. policy.

I know that you share our concerns about the situation in Tehran, and I wanted you particularly to have an explanation of this latest step.

Sincerely,

Jimmy Carter

PS
 PS/SIR I GILMOUR
 PS/MR HURD
 PS/PUS
~~SIR A DUFF~~ - Lord N. Sudeon - Lennox
~~SIR A PARSONS~~
 MR J C MOBERLY
~~MR LEAHY~~ Hd Pa + CD.
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 ASSESSMENTS STAFF) CABINET
 MR LE CHEMINANT) OFFICE
 DR J THOMPSON)
 CABINET OFFICE DIO
 MR F R BARRATT TREASURY

Amie Amie

CONFIDENTIAL

DESKBY 101000Z

FM TEHRAN 100905Z NOV 79

TO IMMEDIATE FCO

TELEGRAM NUMBER 1116 OF 10 NOVEMBER

INFO IMMEDIATE WASHING (DESKBY 101100Z) UK MIS NEW YORK

INFO PRIORITY BONN, PARIS, DUBLIN, COPENHAGEN, HAGUE,
 BRUSSELS, ROME AND MOSCOW

MY TELNO 1108 (NOT TO ALL): OCCUPATION OF US EMBASSY.

MY COLLEAGUES AND I SAW BANI SADR THIS MORNING AS ARRANGED.
 AN AGREED RECORD WILL FOLLOW BUT YOU AND THE AMERICANS MAY
 WISH TO HAVE THIS OUTLINE REPORT.

2. WE SPOKE ON THE SAME LINES AS ON 8 NOVEMBER,
 CONCENTRATING ON THE PRINCIPLE OF DIPLOMATIC IMMUNITY,
 RATHER THAN THE AMERICAN CASE AS SUCH, ALTHOUGH INEVITABLY
 THE DISCUSSION TURNED LARGELY IN ON THAT.

3. BANI SADR TOOK THE LINE THAT THE IRANIAN GOVERNMENT RESPECTS
 DIPLOMATIC IMMUNITY TOTALLY AND GUARENTEES THE SECURITY OF
 DIPLOMATIC MISSIONS, BUT THAT THE AMERICAN EMBASSY HAD PUT ITSELF
 OUTSIDE THE LAW BY ENGAGING IN UNACCEPTABLE ACTIVITIES. CONTRADICTING
 THIS, IMPLICITLY, HE SAID THAT THE WHOLE PROBLEM WOULD BE QUICKLY
 SOLVED IF THE AMERICANS HANDED OVER THE SHAH, THE CRIMINAL OF THE
 CENTURY. IT WAS THEIR ACCEPTANCE OF THE SHAH IN DISREGARD OF

8. THE ACTING DEAN OF THE CORPS (THE CZECH) IS CONVENING ANOTHER REPRESENTATIVE MEETING THIS AFTERNOON TO CONSIDER WHETHER A FULL MEETING OF THE CORPS SHOULD BE HELD. THE IRISH CHARGE WILL PRESS FOR SUCH A MEETING AND FOR A STRONG LINE TO BE TAKEN IN A JOINT DEMARCH, PREFERABLY IN QOM.

PLEASE CORRECT IN TEXT: PAR A 6. LINE 1 : HE AT FIRST SAID ETC:

GRAHAM

NNNN

GPS 845
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FROM TEHRAN 061440Z NOV 79

Rennie Amster

TO IMMEDIATE FCO

TELEGRAM NUMBER 1092 OF 6 NOVEMBER

TO IMMEDIATE CABINET OFFICE (DIO), MODUK DS11, MODUK D14,
PUSD,

PRIORITY WASHINGTON

ROUTINE BAHRAIN, ABU DHABI, DUBAI, DOHA, ANKARA, KUWAIT,

MUSCAT, BAGHDAD, JEDDA, KABUL, NEW DELHI, ISLAMABAD.

MY TELEGRAM NO 1079: US/IRAN RELATIONS

am

1. THE QUESTION OF RELATIONS WITH THE UNITED STATES HAS BECOME THE MOST IMPORTANT ISSUE OF THE DAY. BAZARGAN'S GOVERNMENT HAS FINALLY GIVEN UP, PRESUMABLY PUSHED BEYOND ENDURANCE BY THE DISAVOWAL OF THE BAZARGAN/ BRZEZINSKI MEETING AND ITS IMPOTENCE OVER THE LEGALLY INDEFENSIBLE OCCUPATION OF THE AMERICAN EMBASSY. KHOMEINI CONTINUES BITTERLY TO ASSAIL THE US, AND THE CRY IS ECHOED BY THE MEDIA AND DEMONSTRATORS IN THE STREETS. (THERE ARE FEARS FOR THE SAFETY OF THE US CHARGE' , SINCE IT IS NOW WIDELY KNOWN THAT HE IS IN THE MFA (AND A RECENT ANNOUNCEMENT ON THE RADIO IS REPORTED TO HAVE DESCRIBED HIM AS A SPY AND TO HAVE CALLED FOR HIS SURRENDER).

2. YAZDI FINALLY SAW LAINGEN LAST NIGHT BUT DID LITTLE BEYOND REITERATING THE LINE IN HIS PRESS CONFERENCE EARLIER IN THE DAY, IN WHICH HE TRIMMED TO THE KHOMEINI LINE ON ALL COUNTS, SAYING IN ANSWERS TO A QUESTION, THAT ALTHOUGH HE DID NOT HIMSELF FAVOUR BREAKING OF RELATIONS WITH THE US, HE WOULD DO SO IF THIS WAS THE DECISION OF THE REVOLUTIONARY COUNCIL. BUT IT IS NOT CLEAR WHETHER , AS A MEMBER OF THE REVOLUTIONARY COUNCIL, HE WILL REMAIN IN CHARGE OF THE MFA.

3. THE AMERICAN HOSTAGES REMAIN OUT OF CONTACT. THEIR CAPTORS REFUSED TO SEE THE DANISH, SPANISH AND PAKISTANI AMBASSADORS WHO OFFERED THEIR GOOD OFFICES, AND THERE ARE SIGNS THAT KHOMEINI, INSTEAD OF SOFTENING (MY TUR), IS UNDER PRESSURE TO ENDORSE

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/THE LINE

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THE LINE TAKEN BY THE CAPTORS, WHO MAY NOT BE ENTIRELY UNDER HIS CONTROL, THE GERMAN AMBASSADOR CLAIMS TO HAVE EVIDENCE OF THIS ON THE BASIS OF A DISCUSSION BETWEEN KHOMEINI AND A GERMAN JOURNALIST, IN WHICH KHOMEINI RECOGNIZED HIS DUTY TO PROTECT THE LIVES OF DIPLOMATS, BUT NOT DIPLOMATIC PREMISES).

4. THE IRANO-AMERICAN CHAMBER OF COMMERCE HAS ADVISED AMERICAN MEMBERS TO LEAVE THEIR PREMISES BECAUSE OF INSTANCES OF AMERICANS BEING ARRESTED BY REVOLUTIONARY GUARDS. PAN AM HAVE EVACUATED THEIR STAFF FROM IRAN AND CEASED OPERATIONS.

5. THE ABROGATION OF THE 1959 AND 1921 AGREEMENTS WITH THE USA AND USSR RESPECTIVELY WAS ANNOUNCED TODAY (UNILATERALLY, AT LEAST IN THE CASE OF THE AMERICANS: THE US CHARGE HAS RECEIVED NO COMMUNICATION).

6. THE SITUATION IS THEREFORE TENSE AND THE PROSPECT SOMBRE. GOVERNMENTAL AUTHORITY IS IN QUESTION. THE EFFICIENCY OF RULE BY THE REVOLUTIONARY COUNCIL HAS YET TO BE PROVED. THE ABILITY OF THE REVOLUTIONARY GUARDS TO DEAL WITH THREATS TO ORDER MUST BE IN DOUBT. KHOMEINI AND THE MASSES WHO SUPPORT HIM ARE DEVELOPING AN INCREASINGLY FERVENT PHOBIA ABOUT THE RETURN OF THE SHAH AND AMERICAN POLICY IN GENERAL, ON WHICH IT IS HARD TO SEE THEM WINNING ANY SATISFACTION.

7. (FCO AND WASHINGTON ONLY) PLEASE SEE MIFT
WYATT

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PS/MR HURD
PS/PUS
SIR J GRAHAM
MR FIGG
MR J C MOBERLY

ADDITIONAL DISTN.
TEHRAN SPECIAL



Foreign and Commonwealth Office

London SW1A 2AH

8 November 1979

*Overlaken 2 part**For - [unclear] 8/11**Dear Michael,*Iran

You will be seeing from the telegrams what is happening in Iran but it may be useful for you to have the following supplementary report to fill this out.

Our own Embassy is now functioning more or less normally. Their communications system is expected to be fully operational by early next week but, in the meantime, they can handle essential traffic adequately. Sir J Graham who was kept in London after the Middle East Heads of Mission Conference in order to help with the Rhodesia negotiations returned with his wife last night. We judge that, although the heat is off our Embassy for the moment, there is still some risk of further incursions. We have just heard that a mob is attacking the premises jointly owned by the Financial Times and the BBC, and the Embassy are doing what they can to help.

The Americans' situation is much worse than ours. The Americans have now secured the agreement of Ayatollah Beheshti, (leader of the Islamic Republican Party, founded to support Khomeini, and believed to be Chairman of the Revolutionary Council, which is now running the country following the resignation yesterday of Prime Minister Bazargan) to a visit to Tehran by two senior emissaries, Ramsay Clark, the former Attorney-General, and William Miller, Staff Director of the Senate Intelligence Committee. They will be carrying a letter from President Carter and have authority to negotiate. It is possible that they will be allowed to see Khomeini himself.

We have taken the initiative in the Nine in favour of a joint demarche in Tehran urging the Iranian Government to take all necessary steps to protect diplomatic lives and premises and, where incursions do take place, to return diplomatic premises without delay and without condition to the control of their owners. This has been agreed by the Nine and the Irish Presidency are sending instructions to Tehran. This action to impress upon the Iranian authorities the solidarity of the Nine will not only serve our own interests but is also designed to assist the Americans. A message to the Iranian Government from Dr Waldheim, which has now been sent, could also help.

/Meanwhile

M O'D B Alexander Esq
10 Downing Street



Meanwhile our own Embassy are doing all they can to help the Americans in a practical way, acting as a channel for communications and harbouring some of their people. Their ability to continue to do this, without undue risks to themselves, requires us to be discreet.

Following the resignation of the Bazargan Government individual ministers have apparently been asked to stay on as caretakers until new arrangements can be made. It is not clear whether this will involve the nomination of a new government or whether Iran will henceforth be governed in name, as well as in fact, by the Revolutionary Council. We also do not know whether Dr Yazdi will retain his present functions as Foreign Minister; but, since he is thought to be a member of the Revolutionary Council, this may turn out to be the case.

Yours etc

Paul

(P Lever)

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

House of Commons Hansard, 6 November 1979
columns 225-228 "Tehran (British Embassy)"

Signed A Wayland Date 31 October 2009

PREM Records Team

PS
 PS/SIR I GILMOUR
 B/MR HURD
 PS/PUS
 SIR A DUFF *J. GRAHAM*
~~SIR I PARSONS~~ *MR RUSSELL*
 MR J C MOBERLY
~~MR DEATHY~~
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 DR J THOMPSON)
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 MR F R BARRATT TREASURY

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CONFIDENTIAL
 FROM TEHRAN 061035Z NOV 79
 TO IMMEDIATE FCO
 TELEGRAM NUMBER 1082 OF 06 NOVEMBER

Prmie Amiker

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Purl

6.11.79

TO MODUK SIC AZB/UZA/UZG .
 INFO CABINET OFFICE (CIO) . PUSD. MODUK (DS14) . MODUK (DS10)

MY TELEGRAM NO 1081: OCCUPATION OF THE EMBASSY

1. AS REPORTED TO THE DEPARTMENT BY TELEPHONE, THE EMBASSY COMPOUND WAS ATTACKED AT 1740 LAST NIGHT. ARMED INTRUDERS CAME OVER THE WALL IN SEVERAL PLACES AND RAPIDLY OCCUPIED THE HOUSES OF THE STAFF. THEY FORCED THEIR WAY INTO THE CHANCERY BUILDING THROUGH A FIRST FLOOR WINDOW AND TOOK POSSESSION OF THE BUILDING.

2. THE INTRUDERS WERE A COMPOSITE GROUP OF " MOSLEM STUDENTS FOLLOWING THE LEADERSHIP OF THE IMAM " (THE BODY CURRENTLY OCCUPYING THE AMERICAN EMBASSY), REVOLUTIONARY GUARDS AND KOMITEH GUARDS WHO CLAIMED TO BE OCCUPYING IT FOR OUR PROTECTION. THE ATTACK WAS WELL CONCERTED. MANY OF THE KOMITEH GUARDS INVOLVED HAD BEEN ASSISTING THE POLICE WHO WERE GUARDING US DURING THE DAY.

3. THE INTRUDERS DEMANDED ACCESS TO THE SECURE ZONE, SAYING THAT THEY WISHED TO SCRUTINIZE OUR DOCUMENTS AND COMMUNICATIONS SYSTEM. AFTER THEY HAD ESTABLISHED THAT THERE WERE NO PLOTS

3. THE INTRUDERS DEMANDED ACCESS TO THE SECURE ZONE, SAYING THAT THEY WISHED TO SCRUTINIZE OUR DOCUMENTS AND COMMUNICATIONS SYSTEM. AFTER THEY HAD ESTABLISHED THAT THERE WERE NO PLOTS BEING MOUNTED FROM THE EMBASSY (GP UNDEC), WE SHOULD NO DOUBT BE ALLOWED TO GO FREE. THEY CLAIMED THAT THIS WAS IN CONFORMITY WITH THE LINE LAID DOWN BY THE IMAM. AFTER PROLONGED NEGOTIATIONS, DURING WHICH THE TWO MEMBERS OF THE STAFF WHO WERE INSIDE THE SECURE ZONE AND INSTRUCTED THEM TO COME OUT AFTER CARRYING OUT THE NECESSARY DESTRUCTION OF OUR CYPHERS. THE DEFENCE SECTION WAS NOT ENTERED. WE THEN ALLOWED THE INTRUDERS TO INSPECT THE COMMUNICATIONS OFFICES, THE CHANCERY REGISTRY, AND THE STRONG ROOM, ALTHOUGH WE SUCCEEDED IN RE-LOCKING THE STRONG ROOM IMMEDIATE AFTER THE VISUAL INSPECTION. THE SUB-REGISTRY WAS NOT ENTERED. THUS NO SERIOUS BREACH OF SECURITY OCCURRED. THE CONFIDENTIAL AREA WAS THEN COMPLETELY EVACUATED AND WE WENT UNDER ESCORT TO MY HOUSE. THE WIVES AND OTHER MEMBERS OF THE STAFF HAD BEEN PERMITTED TO CONGREGATE THERE AT OUR REQUEST UNDER SUPERVISION OF THE INTRUDERS. THE INTRUDERS TRIED TO PREVENT US USING TELEPHONES DURING THIS PERIOD BUT WE MANAGED TO GET CERTAIN MESSAGES OUT TO GOLHAK AND TO JOURNALISTS AND OTHERS WHO HAD BEEN ALLOWED INTO THE FERDOWSI COMPOUND.

4. THE FIRST SECRETARY (COMMERCIAL) AT GOLHAK SUCCEEDED IN DELIVERING A TELEPHONED PROTEST TO THE DUTY OFFICER IN THE

MINISTRY OF FOREIGN AFFAIRS IN THE GENERAL TERMS OF THE COREU TELEGRAM REPORTED BY TELEPHONE FROM THE DEPARTMENT.

ALSO THE STAFF IN GOLHAK REMAINED IN ACTIVE COMMUNICATION WITH OTHER EMBASSIES ABOUT METHODS OF NEGOTIATING OUR RELEASE.

OFFERS OF HELP OVER COMMUNICATIONS WERE MADE BY THE NEW ZEALAND DANISH AND AUSTRALIAN EMBASSIES. THE GERMAN AMBASSADOR REPORTED THAT HE HAD SPOKEN TO TABATABAIE (DEPUTY PRIME MINISTER AND GOVERNMENT SPOKESMAN) WHO HAD SAID THAT THE GOVERNMENT WAS POWERLESS TO HELP. A MEMBER OF THE STAFF, WHO WAS LATER CONFINED IN FERDOWSI, ALSO MANAGED, BEFORE ENTERING THE COMPOUND, TO CONTACT AYATOLLAH NOURI AND THE PRIME MINISTER'S OFFICE.

5. AT ABOUT 2230, WHILE WE WERE TRYING TO NEGOTIATE THE RETURN OF THE STAFF TO THEIR HOUSES (THE INTRUDERS HAD MADE A LIST OF THE STAFF AND WERE AT ONE STAGE INTENDING NOT TO ALLOW ANYONE OUT OF MY HOUSE), WE THEN CONDUCTED A JOINT INSPECTION OF THE BUILDING, AFTER WHICH THEY ASKED US TO AGREE A JOINT STATEMENT (TEXT BY BAG), WHICH CONFIRMED THAT THE EMBASSY HAD BEEN HANDED BACK AND THAT THE STAFF WERE WELL, WHILE ALSO MENTIONING THE ALLEGED MOTIVES OF THE INTRUDERS. (IN FACT, THEY LEFT BY BUS IMMEDIATELY AFTER EVACUATING THE OFFICES THOUGH THEY SAID THEY

ALLEGED MOTIVES OF THE INTRUDERS. (IN FACT, THEY LEFT BY BUS IMMEDIATELY AFTER EVACUATING THE OFFICES THOUGH THEY SAID THEY WERE PATROLLING OUTSIDE THE COMPOUND WALL).

6. THE INTRUDERS WERE IN FREQUENT DISPUTE AMONG THEMSELVES ABOUT THE LINE TO BE FOLLOWED. ONE GROUP CLEARLY WANTED TO STEAL OUR FILES, PHOTOGRAPH OUR COMMUNICATIONS AND ESTABLISH NEFARIOUS MOTIVIES FOR OUR ACTIVITY HERE. EQUALLY, IT WAS CONTINUALLY REITERATED THAT THE INTRUDERS WERE PROTECTING US AGAINST COUNTER-REVOLUTIONARIES AND/OR LEFTISTS. THIS, AND THE EVIDENTLY CONCERTED NATURE OF THE ATTACK, HAS LED US TO SPECULATE THAT FOLLOWING THE ACTION OF THE MOSLEM STUDENT GROUP AGAINST THE US EMBASSY (THIS ELEMENT WAS THE MOST HOSTILE AMONGST OUR INTRUDERS), THE REVOLUTIONARY GUARDS INSISTED ON A JOINT OPERATION HERE. THE MOTIVE FOR WITHDRAWL IS UNCLEAR. IT WAS VERY HARD TO GET THE INTRUDERS TO DISCUSS THEIR RESPECTIVE ROLES AND MOTIVES. IT IS LIKELY THAT THE RELIGIOUS LEADERSHIP DECIDED THAT IT WAS GOING TOO FAR TO OCCUPY OUR EMBASSY GIVEN THE PROBLEMS THAT THE SEIZURE OF THE US EMBASSY IS NOW CAUSING (AND THERE WAS NO REASON FOR TAKING BRITISH HOSTAGES). THIS AND THE STATEMENT BY AHMAD KHOMEINI (MY TUR) MAY HAVE LED TO ORDERS TO THE REVOLUTIONARY GUARDS TO HAND BACK THE PREMISES AND EASE OUT THE MOSLEM STUDENTS - THEY MAY HAVE BEEN INTENDING THE LATTER IN ANY CASE AFTER THE AGREED FORCING AND INSPECTION OF OUR PREMISES.

AN IRANIAN JOURNALIST ASKED THE '' STUDENTS'' TO SHOW THIER STUDENT'S IDENTITY CARDS BUT THEY COULD NOT PRODUCE EVEN ONE EXCLAMATION MARK.

7. I AM DELIVERING A PROTEST NOTE TO THE MFA AT 12.30 TODAY.

8. THROUGHOUT THE EPISODE, ALTHOUGH THERE WERE THREATS TO USE FORCE TO OBLIGE US TO OPEN DOORS, NO PERSONAL VIOLENCE WAS OFFERED TO ANY MEMBERS OF THE STAFF AND THE WOMEN AND CHILDREN WERE GIVEN DUE COURTESY. UNFORTUNATELY, THEFTS OF INDIVIDUALS' PROPERTY ARE NOW COMING TO LIGHT FROM CERTAIN OF THE HOUSES. WE ARE PURSUING THIS

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FM WASHINGTON 052325Z NOV 79

TO IMMEDIATE F C O

TELEGRAM NUMBER 3551 OF 5 NOVEMBER 1979

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Rumi Amster

SJP Duty Clerk
H MODRA
6.11.79

MY TELNO 3548

TEHRAN EMBASSIES

1. FOLLOWING FURTHER POINTS CAME UP IN TALK WITH NEWSOM WHO SAID THAT WARREN CHRISTOPHER HAD ASKED HIM TO GO OVER THE GROUND WITH US AND TO MAINTAIN CLOSE CONTACT.
2. HE SAID THAT LAINGEN HAD REFRAINED FROM PRESSURIZING YAZDI TODAY, HAVING FOUND THAT BY THE END OF YESTERDAY YAZDI WAS GETTING TESTY. THERE HAD ONLY BEEN TWO MEETINGS TODAY. YAZDI HAD SOUGHT TO REASSURE LAINGEN ABOUT THE ULTIMATE SATISFACTORY OUTCOME, BUT THE AMERICAN IMPRESSION WAS THAT THE INCIDENT HAD PRECIPITATED AN EVEN GREATER STRUGGLE BETWEEN THE DIFFERENT CENTRES OF AUTHORITY WITHIN IRAN. YAZDI AND BARZAGAN APPEARED TO BE IN NO POSITION TO DO ANYTHING AND THIS IMPRESSION HAD BEEN CONFIRMED WHEN THE STATE DEPARTMENT HAD SUMMONED THE IRANIAN CHARGE D'AFFAIRES HERE WHOSE WHOLE MESSAGE HAD BEEN THAT THE AMERICANS SHOULD SEEK WAYS OF STRENGTHENING YAZDI'S HAND WITH QOM. YAZDI HAD BEEN ARMED WITH ONE OFFICIAL MESSAGE FROM VANCE (ALSO TELEPHONED TO LAINGEN) TO THE EFFECT THAT THE AMERICANS WERE AWARE THAT KHOMEINI'S SON WAS IN THE U S COMPOUND AND THAT LAINGEN WOULD BE WILLING TO SPEAK TO HIM IF IT WOULD HELP.
3. DESPITE THE REASONABLY POSITIVE RESPONSES THEY HAD RECEIVED FROM OTHER GOVERNMENTS THEY HAD APPROACHED ABOUT CONCERTED DIPLOMATIC ACTION, THE AMERICANS HAD CONCLUDED THAT AS FAR AS THEIR PROBLEM WAS CONCERNED NOT MUCH HEADWAY COULD BE MADE UNTIL THEY WERE ABLE TO CONTACT THE RELIGIOUS AUTHORITIES IN QOM. HENCE THE PROPOSAL TO THE PRESIDENT (MY TELEGRAM UNDER REFERENCE). NEWSOM MADE IT CLEAR THAT THE AMERICANS HAVE NOT BEEN PRESENTED WITH ANY FORMAL REQUEST TO HAND OVER THE SHAH, WHICH COULD NOT BE DISCUSSED SINCE THERE WAS NO EXTRADITION TREATY.
4. A BULLETIN ON THE SHAH'S HEALTH WAS TO BE ISSUED BY THE NEW YORK HOSPITAL TODAY WHICH WOULD MAKE IT CLEAR THAT HE WOULD NEED TO REMAIN IN HOSPITAL FOR AT LEAST 4 TO 5 WEEKS. (HE IS APPARENTLY SUFFERING FROM A DIFFICULT GALL BLADDER PROBLEM AS WELL AS A CANCEROUS CONDITION IN THE NECK - IT IS NOT NECESSARILY TERMINAL BUT IS CERTAINLY SERIOUS).

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5. ROBINSON GAVE NEWSOM THE INFORMATION IN FCC TELNO 461 TO BONN, ADDING THAT FOR THE MOMENT OUR COMMUNICATIONS WITH THE EMBASSY WERE OUT BUT THAT IF THEY WERE RESTORED, WE WOULD BE HAPPY TO PASS CONFIDENTIAL MESSAGES FOR THE AMERICANS IF THEY CONSIDERED IT USEFUL.

6. NEWSOM SAID THAT THE AMERICANS HAD IDENTIFIED A NUMBER OF SUBJECTS WHICH THEY KNEW TO BE TROUBLING THE IRANIANS IN THEIR RELATIONS WITH THE U S WHICH WOULD HAVE TO BE ADDRESSED:

(I) THE PRESENCE OF THE SHAH. HERE THE AMERICANS COULD ONLY SEEK TO CONVINCE THE IRANIANS OF THE GENUINE NATURE OF THE SHAH'S MEDICAL PROBLEM WITHOUT GIVING ANY COMMITMENT ABOUT THE LENGTH OF HIS PROJECTED STAY IN THE U S. A FURTHER ASPECT WAS THAT THE IRANIANS FIRMLY BELIEVED THAT THE SHAH HAD A NUMBER OF ASSETS IN THE U S & THE AMERICANS HAD NO INFORMATION ON THIS AND U S BANKERS HAD ADVISED THAT, EVEN IF IT WERE TRUE, THE REGISTRATION OF ANY SUCH ASSETS WOULD BE AT LEAST TWO OR THREE TIMES REMOVED FROM THE SHAH'S OWN NAME.

(II) U S INVOLVEMENT IN KURDUSTAN. HERE THE AMERICANS COULD GIVE THE IRANIANS CATEGORICAL ASSURANCE.

(III) U S MEDIA TREATMENT OF THE IRANIAN REVOLUTION. ON THIS THE AMERICANS COULD ONLY HOPE TO CONTINUE THE SLOW EDUCATION OF THE IRANIANS ABOUT THEIR LACK OF CONTROL OVER THE U S MEDIA.

(IV) SOME LINGERING MYTHS ABOUT OUTSTANDING PROBLEMS IN THE MILITARY RELATIONSHIP. HERE THE PROBLEM WAS THAT SUSPICIONS AND MISUNDERSTANDINGS SURVIVED AT HIGH LEVEL EVEN WHEN THEY HAD BEEN RESOLVED AT WORKING LEVEL. THE AMERICANS COULD CONTINUE TO WORK ON IT.

7. ROBINSON ASKED WHAT LONGER TERM THOUGHT THE AMERICANS HAD GIVEN TO MAINTAINING THEIR EMBASSY IN TEHRAN. NEWSOM SAID THAT AT A MEETING TODAY ATTENDED BY BROWN, BRZEZINSKI, CHRISTOPHER, AND ADMIRAL TURNER, IT HAD BEEN CONCLUDED THAT THE AMERICANS SHOULD MAINTAIN AN EMBASSY POSSIBLY WITH REDUCED STAFF. IRAN WAS STILL STILL SO IMPORTANT A COUNTRY THAT IF THE GOVERNMENT THERE MAINTAINED SOME KIND OF WRIT AND COOPERATION WAS STILL POSSIBLE, THE EMBASSY SHOULD REMAIN WHILE RECOGNISING THAT SO LONG AS THE SHAH REMAINED IN THE U S NORMAL RELATIONS WOULD BE VERY DIFFICULT.

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8. FINALLY NEWSOM ASKED WHAT WE HAD BEEN DOING WITH BAKHTIAR WHICH COULD HAVE PROVOKED SUCH A VIOLENT REACTION AGAINST US. CLEMENT (IRAN COUNTRY OFFICER IN THE STATE DEPARTMENT) WHO WAS PRESENT SAID THAT THE AMERICANS HAD INFORMATION THAT BAKHTIAR HAD BEEN IN LONDON THOUGH NOT RECENTLY. ROBINSON DREW ATTENTION TO THE EMBASSY'S DENIAL THAT BAKHTIAR WAS IN THE UK AND SAID THAT HE HAD NO KNOWLEDGE OF OTHER CONTACTS BETWEEN HMG AND BAKHTIAR.

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FM WASHINGTON 052237Z NOV 79

TO IMMEDIATE F C O

TELEGRAM NUMBER 3548 OF 5 NOVEMBER 1979

Prime Minister ②

57P Duty Clerk

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6.11.79

TEHRAN EMBASSIES

1. NEWSOM, STATE DEPARTMENT, ASKED ROBINSON TO CALL THIS AFTERNOON. ON ARRIVAL HE SAID THAT AFP HAD JUST REPORTED THE HANDING BACK OF THE BRITISH EMBASSY.
2. THE U S CHARGE WAS STILL IN THE IRANIAN FOREIGN MINISTRY WITH TWO MEMBERS OF HIS STAFF, AND TOGETHER THEY WERE MAINTAINING A 24 HOUR TELEPHONE CONTACT WITH THE STATE DEPARTMENT. NEWSOM SAID THAT IF THERE WAS ANY MESSAGE WHICH WE WANTED PASSED THROUGH THIS CHANNEL THE AMERICANS WOULD BE HAPPY TO DO SO. NEWSOM SAID THAT HE THOUGHT IT OTHERWISE WISER THAT, EVEN IF OUR PEOPLE IN TEHRAN WERE FREE AND ABLE TO DO SO, WE SHOULD NOT MAKE CONTACT WITH THE U S CHARGE IN THE FOREIGN MINISTRY, SINCE THIS MIGHT BE OPEN TO MIS-INTERPRETATION BY THE IRANIANS. THE DANISH AMBASSADOR HAD BROUGHT SUPPLIES TO THE U S CHARGE AND HIS COLLEAGUES, AND COULD BE A LOW PROFILE CONTACT IF ONE WAS NEEDED. CONTACTS BETWEEN THE AMERICANS AND OURSELVES WERE BEST CONTINUED OUTSIDE TEHRAN FOR THE MOMENT.
3. TO THE CAPITALS APPROACHED DURING THE NIGHT BY THE AMERICANS (MY TELNO 3534) THE AMERICANS HAD ADDED MADRID AND TOKYO. ALL HAD REPLIED POSITIVELY BUT WITH VARIOUS QUALIFICATIONS. THE TURKISH AMBASSADOR MIGHT BE ABLE TO GET THROUGH TO THE RELIGIOUS LEADERS IN QOM.
4. A RECOMMENDATION HAD BEEN SUBMITTED TO PRESIDENT CARTER THAT HE SHOULD APPROACH TWO PROMINENT AMERICAN CITIZENS, WHO HAD SHOWN THEMSELVES SYMPATHETIC IN THE PAST WITH THE IRANIAN REVOLUTION, WITH A VIEW TO THEIR BEING SENT AS EMISSARIES TO QOM TO SEE THE RELIGIOUS LEADERS NOTABLY BEHESHTI. IT WAS HOPED THAT IF CARTER APPROVED OF THIS OPERATION, IT COULD BE PRESENTED TO YAZDI AS REASONABLE GROUNDS FOR HIM INSISTING ON THE REMOVAL OF THE STUDENT OCCUPANTS OF THE EMBASSY. NEWSOM TOLD US THIS IN CONFIDENCE, IN CASE WE WERE CONTEMPLATING SOME SIMILAR OPERATION, SO THAT WE DID NOT CROSS WIRES. THE AMERICAN WOULD OFFER A CONTINUING DIALOGUE ARISING OUT

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OF THE VISIT OF THE TWO EMISSARIES, BUT IT HAD BEEN MADE CLEAR BOTH TO YAZDI AND TO THE IRANIAN CHARGE HERE THAT THERE COULD BE NO QUESTION OF A DIALOGUE ABOUT IMPROVING RELATIONS SO LONG AS THERE WERE AMERICAN HOSTAGES: AND THAT U S POLICY OF ADMITTING PEOPLE INTO THE COUNTRY FOR HUMANITARIAN PURPOSES AND THE RETURN OF THE SHAH TO IRAN WERE NOT ISSUES THEY WERE PREPARED TO DISCUSS.

5. IT WOULD BE HELPFUL IF WE COULD TELL THE AMERICANS IF/WHEN WE HAVE SECURE COMMUNICATIONS WITH TEHRAN, IN CASE THEY NEVERTHELESS WISH TO GET A CLASSIFIED MESSAGE TO THEIR CHARGE.

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Prime Minister
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FM TEHRAN 050515Z NOV 79

TO IMMEDIATE FCO

TELEGRAM NUMBER 1072 OF 5 NOVEMBER

INFO IMMEDIATE MODUK (DS11, DS14), CABINET OFFICE (CIO), WASHINGTON, KABUL, NEW DELHI, ANKARA, BAHRAIN, ABU DHABI, DUBAI, DOHA, KUWAIT, MUSCAT, JEDDA AND BAGHDAD.

MY TELNO 1063: SITUATION IN IRAN

1. THE US EMBASSY REMAINS OCCUPIED BY THE INTRUDERS (NAMED IN THIS MORNING'S PRESS AS "MOSLEM STUDENTS LOYAL TO THE IMAM") AND THE MAJORITY OF THE STAFF ARE HELD HOSTAGE. THE CHARGE D'AFFAIRES WAS HTAST NIGHT STILL AT THE MFA WITH YAZDI.

2. HOWEVER THE PUBLIC MOOD IS TO APPLAUD, NOT CONDEMN, THE STUDENTS' ACTION. ALTHOUGH KHOMEINI HIMSELF HAS NOT PRO-
NOUNCED PUBLICLY, A STATEMENT WAS YESTERDAY ISSUED FROM THE
FANZIEH SCHOOL IN QOM (HIS HQ), WHICH HINTED CLEARLY AT HIS
APPROVAL, AND AYATOLLAHS BEHESHTI, MONTAZERI AND LAHOUTI ARE
ALSO REPORTED TO HAVE DESCRIBED THE ACTION AS UNDERSTANDABLE.
THE MINISTRY OF FOREIGN AFFAIRS LAST NIGHT ISSUED A STATEMENT
(TEXT BY BAG) TO THE EFFECT THAT THE ACTION WAS THE INEVITABLE
CONSEQUENCE OF THE US' IGNORING IRANIAN OPPOSITION TO THE SHAH'S
ADMISSION TO AMERICA AND OF FAILURE TO UNDERSTAND THE DEPTH OF
IRANIAN REVOLUTIONARY SENTIMENT.

3. THE FALSE STORY PERSISTS THAT WE HAVE HARBOURED BAKHTIAR AND
WE ARE LUMPED TOGETHER WITH THE US, MOST RECENTLY IN A STATE-
MENT BY KHOMEINI YESTERDAY TO STUDENTS IN QOM. IT IS RUMOURED
THAT WE MAY BE ATTACKED TODAY.

4. ALTHOUGH THESE XENOPHOBIC TENDENCIES MAY REFLECT THE REGIME'S
CONCERN AT CRITICISM FROM LIBERAL AND OTHERS, AND THE EVIDENT
INABILITY OF THE GOVERNMENT TO COPE SUCCESSFULLY WITH PROBLEMS
SUCH AS KURDESTAN AND THE ECONOMY, THERE IS NO DOUBT THAT KHOMEINI
STILL ENJOYS MASS SUPPORT, AND THE RESPONSE TO THE ANTI-FOREIGN
LEAD HE HAS GIVEN HAS BEEN ENTHUSIASTIC. (FOR EXAMPLE, BAZARGAN
HAS BEEN HEAVILY CRITICISED FOR HAVING MET WITH BRZEZINSKI DURING
HIS RECENT VISIT TO ALGERIA). THE REVOLUTION APPEARS TO BE
TAKING ANOTHER LURCH TOWARDS EXTREMISM.

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TO ROUTINE FCO
TELEGRAM NUMBER 1204 OF 5 OCTOBER
INFO TEHRAN
INFO SAVING TO MOSCOW WASHINGTON

Iran (2)

Rome Ninski

Ans

GENERAL ASSEMBLY: IRANIAN STATEMENT IN GENERAL DEBATE

1. IN HIS STATEMENT TO THE GENERAL ASSEMBLY ON 4 OCTOBER, THE IRANIAN FOREIGN MINISTER EXPOUNDED THE PHILOSOPHY OF THE IRANIAN REVOLUTION. IT WAS HE SAID, COMMITTED TO THE FUNDAMENTAL TRANSFORMATION OF IRANIAN SOCIETY BASED ON THE KORANIC PRINCIPLES OF JUSTICE, EQUALITY AND PARTICIPATION. ITS GOAL WAS TO CREATE A SOCIETY IN WHICH ALL MEN COULD FULFIL THEIR POTENTIAL REGARDLESS OF THEIR RACE, RELIGION, AND SEX.
2. THE WEST MISUNDERSTOOD THE REVOLUTION BECAUSE THEY DEFINED ISLAM IN WESTERN TERMS. IN EUROPE THE ORGANIZED CHURCH HAD OPPOSED THE DEVELOPMENT OF SECULAR/SCIENTIFIC CULTURE. THIS WAS NOT THE CASE IN ISLAMIC SOCIETIES, BECAUSE ISLAM HAD NO ORGANIZED AND CENTRALLY CONTROLLED CHURCH. WHEN WESTERN INTELLECTUALS HAD ADVOCATED THE SEPARATION OF CHURCH AND STATE, THEY WERE CHOOSING FREEDOM: BUT THIS WAS NOT THE CASE IN ISLAMIC SOCIETIES, AND ATTEMPTS TO APPLY WESTERN SECULARISM THERE RESULTED, NOT IN SOCIAL AND SCIENTIFIC ADVANCE, BUT IN ALIENATION OF THE INTELLECUTALS FROM THEMSELVES AS WELL AS FROM THE MASSES.
3. MARX KNEW VERY LITTLE ABOUT ISLAM OR AFRO/ASIAN SOCIETIES. THE OPPOSITION OF INTELLECUTALS TO RELIGION IN ISLAMIC SOCIETIES RESULTED IN THE WEAKENING OF THE MORAL FORCE CONFRONTING IMPERIALISM. IT WAS WRONG TO APPLY MARXIST DOCTRINES TO THIRD WORLD SOCIETIE S, MAND MANY SOCIALIST AND LIBERAL OBSERVERS HAD AS MUCH TROUBLE UNDERSTANDING THE IRANIAN REVOLUTION AS DID THE IMPERIALISTS.
4. THE REVOLUTIONARY STRUGGLE QUOTE SHOULD IN PART BE DIRECTED AGAINST OUR OWN HABITS AND PERCEPTIONS ... THE RACISTS AND EXPLOITERS WILL NOT TREAT THE NATIONS AND PEOPLES OF THE THIRD WORLD ANY BETTER THAN THE WAY WE TREAT UNQUOTE EACH OTHER. THE PRIVILEGED FEW IN THE THIRD WORLD NOW HAD LITTLE CONTACT WITH

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THE EXPLOITED MANY. QUOTE TOO MANY OF US SPEND THE PRECIOUS OF OUR PEOPLE UNQUOTE IN AN ARMS RACE AND ON LUXURY GOODS. QUOTE THERE ARE TOO MANY SMALLER SHAHS IN THE WORLD UNQUOTE.

5. WHY DID CHINA HAVE TO TEACH VIETNAM A LESSON? WHAT JUSTIFICATION WAS THERE FOR THE POL POT REGIME IN CAMBODIA TO KILL TWO MILLION OF ITS OWN CITIZENS? WHY DID VIETNAM FIND IT NECESSARY TO INVAD E CAMBODIA? IF THE NEW REGIME IN CAMBODIA WAS POPULAR AND LEGITIMATE, WHY DID FOREIGN TROOPS HAVE TO STAY THERE?

6. THE REBELLION IN AFGHANISTAN HAD PRODUCED THOUSANDS OF DEATHS AND TENS OF THOUSANDS OF REFUGEES. THE IRRATIONAL AND ALIENATED ELEMENTS JUSTIFIED SUCH ACTIONS IN THE NAME OF AN IMPORTED QUOTE ISM UNQUOTE.

7. IT WAS NOT CLASS STRUGGLE OR ECONOMIC CONSIDERATIONS WHICH CAUSED THE LATEST TRAGEDIES IN INDO-CHINA. MATERIALIST EXPLANATIONS, WHETHER MARXIST OR CAPITALIST, WERE INSUFFICIENT. THE THIRD WORLD'S PROBLEMS COULD BE EFFECTIVELY DEALT WITH ONLY IN NATIVE CONTEXTS. YET INCREASINGLY THOSE WHO USED WEAPONS WERE THE IMPROVERISHED PEOPLES OF THE THIRD WORLD. OPPRESSION BY MANY THIRD WORLD RULERS HAD CAUSED AN INEVITABLE CONFRONTATION BETWEEN THEM AND THEIR SUBJECTS. THE UNITED NATIONS WHICH HAD BEEN ABLE TO REDUCE THE VIOLENCE OF THE CONFRONTATION ON COLONIALISM, OUGHT TO BE MORE HELPFUL OVER THIS NEW CONFRONTATION. BUT NO WORD OF THE SHAH'S CRIMES HAD BEEN MENTIONED IN THE GENERAL ASSEMBLY. THE UN SHOULD HEED THE CRIES OF THE OPPRESSED. CRIMES COULD NOT BE IGNORED SIMPLY BECAUSE THEY TOOK PLACE WITHIN NATIONAL BOUNDARIES. (PRESIDENT BINAISA OF UGANDA HAD MADE A SIMILAR POINT ABOUT AMIN).

8. I HAVE THOUGHT IT WORTH REPORTING THIS SPEECH AT SOME LENGTH BECAUSE IT IS THE MOST COHERENT ACCOUNT I HAVE SEEN OF THE PHILOSOPHY OF THE IRANIAN REVOLUTION. IT CAN HAVE CAUSED NO PLEASURE TO THE RUSSIANS AND THEIR ALLIES.

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TO ROUTINE FCO

TELEGRAM NUMBER 920 OF 17 SEPTEMBER

INFO CABINET OFFICE (DIO), MODUK (DI4 DS11), PARIS WASHINGTON MOSCOW

NY TELNO 907: TALEGHANI'S DEATH

1. BAZARGAN'S FUNERAL ORATION AT THE COMMEMORATION SERVICE FOR AYATOLLAH TALEGHANI AT TEHRAN UNIVERSITY ON 11 SEPTEMBER HAS SPARKED OFF SOME BITTER CRITICISM BY THE "RELIGIOUS" HIERARCHY OF BAZARGAN AND HIS GOVERNMENT. THE TWO MEN WERE OLD ALLIES (PARAS 4 AND 5 OF TUR) AND IN HIS SPEECH, OF WHICH WE HAVE NO COMPLETE TEXT, BAZARGAN STRESSED TALEGHANI'S COMMITMENT TO MODERATION, FREEDOM OF CHOICE AND AN INTELLIGENT APPROACH TO THE PROPER MIX BETWEEN RELIGION AND POLITICS. HE CREDITED TALEGHANI WITH THE VIEW THAT BOTH RELIGION AND FREEDOM WERE

COMPLETE TEXT, BAZARGAN STRESSED TALEGHANI'S COMMITMENT TO MODERATION, FREEDOM OF CHOICE AND AN INTELLIGENT APPROACH TO THE PROPER MIX BETWEEN RELIGION AND POLITICS. HE CREDITED TALEGHANI WITH THE VIEW THAT BOTH RELIGION AND FREEDOM WERE WORTHLESS WHEN IMPOSED BY FORCE, STRESSING TALEGHANI'S FIGHT AGAINST FANATICISM AND FUNDAMENTALISM. ATTRIBUTING THE VIEW ALSO TO TALEGHANI, HE PROCLAIMED THE NEED TO TAKE FROM THE WEST CONSTRUCTIVE AND USEFUL IDEAS, CRITICISED AS NEGATIVE THE COMPLETE REJECTION OF WESTERN VALUES, AND EXPLAINED HOW THE CLERGY HAD BEEN GUILTY OF THIS IN THE 1976 REVOLUTION. HE REFERRED BOTH TO TALEGHANI'S ADVOCACY OF LOCAL COUNCILS TO ADMINISTER COMMUNITY AFFAIRS AND TO HIS CONCERN ABOUT RECENT PROCEEDINGS OF THE ASSEMBLY OF EXPERTS. (THIS LAST POINT WAS ECHOED BY MARAGHEI, HEAD OF THE REPUBLICAN PARTY, WHO CLAIMED IN A SPEECH ON 14 SEPTEMBER THAT THE ASSEMBLY HAD IGNORED TALEGHANI'S VIEWS WHEN DEBATING THE MOVE TO A THEOCRATIC STATE (LAMPOR'S TELELETTER 226/4 OF 13 SEPT TO GORHAM).

2. BAZARGAN'S SPEECH WAS A BRAVE ATTEMPT TO STEM THE FUNDAMENTALISM OF THE ISLAMIC REPUBLICAN PARTY, WHICH COMMANDS A MAJORITY IN THE ASSEMBLY OF EXPERTS, BY AN APPEAL TO THE MUCH REVERED AND LOVED TALEGHANI. THE HOSTILE REACTION SUGGESTS THAT THE TACTIC IS SEEN AS AN EFFECTIVE THREAT BY THE FUNDAMENTALISTS. BEHESHTI, SPEAKING TO THE ASSEMBLY OF EXPERTS ON 13 SEPTEMBER, CRITICISED BAZARGAN FOR CASTING DOUBT ON THE TRUSTWORTHINESS OF THE ASSEMBLY AND FOR HIMSELF BEING RESPONSIBLE FOR THE FAILURE TO IMPLEMENT A LAW ESTABLISHING LOCAL COUNCILS WHICH, HE CLAIMED, HAD BEEN PASSED BY THE REVOLUTIONARY COUNCIL ON 23 JUNE. AZARI-QOMI, THE PROSECUTOR-GENERAL OF THE REVOLUTIONARY COURT WHO RESIGNED ON 15 SEPTEMBER ON THE GROUNDS OF ILL HEALTH, DESCRIBED BAZARGAN'S RAISING OF THESE ISSUES AS INOPPORTUNE AND CRITICISED HIS SUGGESTION THAT THE CLERGY WERE OPPOSED TO PROGRESS. ON 15 SEPTEMBER BANI-SADR, THE ECONOMIST AND THEORETICIAN OF THE REVOLUTION, ROUNDLY CONDEMNED BAZARGAN., HIS GOVERNMENT LACKED ORDERED PLANNING AND HAD ONLY PRESERVED THE STRUCTURE OF THE PREVIOUS REGIME., AS A RESULT THE COUNTRY WAS MOVING QUICKLY TOWARDS ECONOMIC DISASTER., THE EXCHANGE OF MEMBERS BETWEEN THE REVOLUTIONARY COUNCIL AND THE GOVERNMENT IN LATE JULY HAD ONLY RETARDED THE WORK OF THE COUNCIL., BANI-SADR HIMSELF COULD NEITHER SUPPORT NOR JOIN SUCH A GOVERNMENT AND LOOKED FORWARD TO ITS REPLACEMENT IN THE NEAR FUTURE BY A TRULY REVOLUTIONARY REGIME.

3. THESE CRITICISMS HAVE BEEN ECHOED, BUT IN MORE MEASURED TERMS, BY KHOMEINI IN TWO SPEECHES OVER THE WEEKEND. STRESSING THE CONTINUING NEED FOR UNITY AND SUPPORT FOR THE GOVERNMENT - IT WAS DIFFICULT TO ACHIEVE SUDDEN CHANGE - HE EVEN HAD A KIND WORD FOR THE INTELLECTUALS, WHO WERE "ALL OF THE SAME NATION" AND

REVOLUTIONARY REGIME.

3. THESE CRITICISMS HAVE BEEN ECHOED, BUT IN MORE MEASURED TERMS, BY KHOMEINI IN TWO SPEECHES OVER THE WEEKEND. STRESSING THE CONTINUING NEED FOR UNITY AND SUPPORT FOR THE GOVERNMENT - IT WAS DIFFICULT TO ACHIEVE SUDDEN CHANGE - HE EVEN HAD A KIND WORD FOR THE INTELLECTUALS, WHO WERE "ALL OF THE SAME NATION" AND SHOULD JOIN ISLAM AND MAKE USE OF ITS POWER. NEVERTHELESS, DEFENDING THE CLERGY AGAINST THE CHARGE OF BEING REACTIONARY, HE REFERRED POINTEDLY TO "SOME HIGH PEOPLE IN GOVERNMENT" AS BEING AGAINST ISLAM, WHOM FOR THE MOMENT IT WAS INEXPEDIENT TO REMOVE FROM OFFICE. THERE HAD ALSO, HE SAID, BEEN MUCH UNJUST CRITICISM OF THE WORK OF THE REVOLUTIONARY COUNCIL AND EVEN OF THE ELECTIONS FOR THE ASSEMBLY OF EXPERTS.

4. THESE EXCHANGES DEMONSTRATE NOT ONLY THE EXTENT TO WHICH BAZARGAN AND HIS FRIENDS ARE INCREASINGLY HARD-PRESSED TO DEFEND THEIR VISION OF THE NEW REGIME, BUT ALSO HOW DIFFICULT IT WILL BE FOR THEM TO OFFER EFFECTIVE RESISTANCE TO EXTREMISM AND INTOLERANCE WITHOUT TALEGHANI'S SUPPORT. THE OCCASION ON WHICH HE CHOSE TO SPEAK HAS PARADOXICALLY PROVIDED THE EXCUSE FOR OTHERS TO ABUSE HIM FOR HIS LACK OF "REVOLUTIONARY THOUGHT". THE CRITICISM WILL NOT ONLY REINFORCE BAZARGAN'S DESIRE TO RESIGN BUT MAY EVEN LEAD TO HIS REMOVAL. IN REALITY HIS ADMINISTRATION, STRIPPED INCREASINGLY OF AUTHORITY AND THE MEANS TO ACT, IS PROGRESSIVELY LESS ABLE TO MAINTAIN EVEN THE IMPRESSION OF GOVERNING. THE MODERATES ARE BEING STEADILY PUSHED ASIDE AND BAZARGAN'S REMOVAL WOULD MAKE LITTLE PRACTICAL DIFFERENCE TO THE NATURE OF THE REGIME TOWARDS WHICH IRAN IS MOVING NOR THE SPEED WITH WHICH THIS IS HAPPENING. A SUCCESSOR COULD NO DOUBT BE FOUND TO HEAD THE ADMINISTRATIVE MACHINE, BUT HIS POSITION AS A PUPPET WOULD BE APPARENT.

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TO IMMEDIATE TEHRAN
TELEGRAM NUMBER 553 OF 13 SEPTEMBER
DR BAKHTIAR

Prime Minister (2)
*I imagine that there may
well be demonstrators if
Dr Bakhtiar speaks.*
ant *Ant 14/9*

1. YOU SHOULD KNOW THAT DR BAKHTIAR INTENDS TO COME TO LONDON ON SUNDAY 16 SEPTEMBER WHERE HE WILL BE A 'SURPRISE' SPEAKER AT AN IRANIAN RALLY AT CHELSEA FOOTBALL GROUND. WE HAD HEARD OF EARLIER PLANS FOR A VISIT AND ATTEMPTED THROUGH MR AMERY TO PERSUADE BAKHTIAR NOT TO COME BECAUSE OF THE RISK TO PUBLIC ORDER HERE. BUT BAKHTIAR IS CLEARLY DETERMINED TO COME AND THE POLICE BELIEVE THEY CAN NOT RECOMMEND THAT THE HOME SECRETARY EXCLUDE HIM AS A THREAT TO PUBLIC ORDER. NOR CAN WE REALISTICALLY MAKE A CASE THAT HIS PRESENCE HERE WOULD NOT BE 'CONDUCTIVE TO THE PUBLIC GOOD'.

2. WE ARE VERY AWARE THAT BAKHTIAR'S VISIT MAY PLACE YOU IN AN EXPOSED POSITION. IF THE GOVERNMENT PROTEST YOU SHOULD REPLY THAT IRANIANS ARE FREE TO ENTER BRITAIN, BUT THAT DR BAKHTIAR'S PRESENCE HERE IN NO WAY IMPLIES THE BRITISH GOVERNMENT'S APPROVAL OF OR COMPLICITY IN HIS ACTIVITIES.
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TO ROUTINE FCO

TELEGRAM NUMBER 907 OF 11 SEPTEMBER

INFO CABINET OFFICE (DIO), MODUK (DI4, DS11), PARIS WASHINGTON
 MOSCOW ANKARA BAGHDAD KABUL KUWAIT BAHRAIN ABU DHABI DUBAI

AYATOLLAH TALEGHANI

1. AYATOLLAH TALEGHANI DIED SUDDENLY EARLY YESTERDAY MORNING OF A HEART ATTACK. HE WAS 68 BUT IS BELIEVED TO HAVE BEEN IN ILL HEALTH FOR SOME TIME AS A RESULT, IN PART AT LEAST, OF PROLONGED PERIODS IN PRISON UNDER THE SHAH. (COINCIDENTALLY HIS DEATH FOLLOWED A MEETING ON THE PREVIOUS EVENING WITH THE SOVIET AMBASSADOR.)

2. YESTERDAY WAS DECLARED A DAY OF FULL MOURNING AND ALL OFFICES AND SHOPS WERE CLOSED: OFFICIAL MOURNING WILL CONTINUE UNTIL TOMORROW INCLUSIVE AND THERE WILL NO DOUBT BE THE USUAL CEREMONIES ON THE 7TH AND 40TH DAYS.

3. THE HASTILY ORGANISED FUNERAL PROCESSION SET OUT FROM TEHRAN UNIVERSITY EARLY YESTERDAY MORNING AND WAS ATTENDED BY MANY HUNDREDS OF THOUSANDS OF MOURNERS, INCLUDING REPRESENTATIVES OF NEARLY EVERY POLITICAL PARTY. MANY DISPLAYED THEIR GRIEF IN A MANNER ASSOCIATED WITH THE MUHARRAM CEREMONIES IN COMMEMORATION OF THE DEATH OF HUSSEIN. DUE TO DELAY CAUSED BY THE CROWDS THE

WT

SECRET, EVERY POLITICAL PARTY HAS EXPRESSED THEIR GRIEF IN A MANNER ASSOCIATED WITH THE MUHARRAM CEREMONIES IN COMMEMORATION OF THE DEATH OF HUSSEIN. DUE TO DELAY CAUSED BY THE CROWDS THE BURIAL IN THE BEHESHT ZAHRA CEMETERY IN SOUTHERN TEHRAN, WHERE MANY "MARTYRS" OF THE REVOLUTION HAVE ALREADY BEEN BURIED, WILL NOT TAKE PLACE UNTIL TODAY. AFTER AN UNSUCCESSFUL ATTEMPT, AT THE LAST-MINUTE INVITATION FROM THE MINISTRY OF FOREIGN AFFAIRS, TO JOIN THE FUNERAL PROCESSION YESTERDAY, I SHALL BE ATTENDING THE OFFICIAL MOURNING CEREMONY AT TEHRAN UNIVERSITY THIS AFTERNOON IF THE MINISTRY CAN DECIDE ON THE ARRANGEMENTS.

4. TALEGHANI'S DEATH HAS AROUSED WIDESPREAD AND SPONTANEOUS PUBLIC GRIEF, PARTICULARLY IN TEHRAN, WHERE HE WAS REGARDED AS "THEIR AYATOLLAH". SECOND ONLY IN STATURE TO KHOMEINI AND SHARIAT-MADARI, HE HAD FOR MANY A GREATER APPEAL THAN EITHER, STRADDLING A WIDE SPECTRUM OF POLITICAL OPINION, AS A MAN OF VISION AND COMPASSION WHO HAD SUFFERED FOR HIS BELIEFS UNDER THE SHAH. HE WAS A CO-FOUNDER WITH BAZARGAN IN 1953 OF THE IRAN FREEDOM MOVEMENT AND IS THOUGHT TO HAVE ACTED AS MEDIATOR IN THE DISPUTE BETWEEN BAZARGAN AND THE REVOLUTIONARY COMMITTEE IN JULY. HIS DEATH REMOVES A SORELY NEEDED CONCILIATOR WHOSE INFLUENCE WITH KHOMEINI WAS ALWAYS IN THE DIRECTION OF MODERATION.

5. POLITICALLY TALEGHANI INCLINED TO THE SECULARIST SCHOOL OF THOUGHT AMONG THE CLERGY: WHILE HE BELIEVED THAT POLITICS AND RELIGION COULD NOT BE SEPARATED, HE MAINTAINED THAT THE CLERGY SHOULD NOT PLAY A DIRECT ROLE IN GOVERNMENT. NEVERTHELESS HE WAS FURTHER TO THE LEFT THAN SHARIAT-MADARI AND WAS WIDELY SEEN AS THE PATRON AND PROTECTOR OF THE MUJAHEDDIN-E-KHALQ WITH THEIR BLEND OF MARXISM AND ISLAM ORIGINALLY PREACHED BY ALI SHARIATI. HIS STANDING AMONG THE ULEMA ENABLED HIM TO ACT TO SOME DEGREE AS A BRAKE ON KHOMEINI HIMSELF AND LAST SPRING, AS A WOULD-BE PEACE-MAKER WITH THE NATIONAL MINORITIES, HE ARGUED FOR LOCAL SELF-GOVERNMENT UNDER ELECTED COUNCILS WHICH WOULD REPLACE THE SELF-APPOINTED KOMITEHS LOYAL, IF TO ANYBODY, ONLY TO KHOMEINI. AFTER THE UNAUTHORISED ARREST OF TWO OF HIS CHILDREN, ONE A MEMBER OF THE MUJAHEDDIN AND THE OTHER OF THE CHERIKHAYE FEDAYE, IN APRIL, HE TOOK A BACK SEAT IN NATIONAL POLITICS UNTIL LATE JULY, WHEN HE EMERGED AS A LEADING CANDIDATE OF THE ISLAMIC REPUBLICAN PARTY FOR THE ASSEMBLY OF EXPERTS AND WAS NOMINATED BY KHOMEINI TO LEAD THE FRIDAY PRAYERS IN TEHRAN THROUGHOUT RAMADAN. IN BOTH ROLES TO THE DISAPPOINTMENT OF MANY OF HIS SUPPORTERS HE APPEARED INCREASINGLY TO BE ECHOING KHOMEINI'S VIEWS AND TO BE TAKING A HARD LINE BOTH IN CONSTITUTIONAL MATTERS AND ON THE ISSUE OF THE NATIONAL MINORITIES. HOWEVER IN HIS LAST PUBLIC SERMON ON 6 SEPTEMBER AT THE MASS PRAYERS ON THE ANNIVERSARY OF THE LALEH SQUARE MASSACRE HE

TIONAL MATTERS AND ON THE ISSUE OF THE NATIONAL MINORITIES. HOWEVER IN HIS LAST PUBLIC SERMON ON 8 SEPTEMBER AT THE MASS PRAYERS ON THE ANNIVERSARY OF THE JALEH SQUARE MASSACRE, HE CRITICISED THE REGIME, AND BY IMPLICATION ITS LEADER, FOR FAILURE TO ESTABLISH FREEDOM AND EQUALITY, AND PUBLICLY REGRETTED THE FAILURE TO FOLLOW UP THE ARRANGEMENTS MADE IN THE SPRING WITH THE MINORITIES FOR A MEASURE OF LOCAL SELF-GOVERNMENT.

6. DESPITE DENIALS OF AN INTENTION TO STAND, TALEGHANI WAS SEEN BY SOME AS A POSSIBLE CANDIDATE FOR THE PRESIDENCY. DESPITE HIS PROMINENT POSITION IN THE ASSEMBLY OF EXPERTS, I DOUBT THAT HIS HEALTH OR HIS PERSONALITY WOULD HAVE BEEN STRONG ENOUGH TO PERFORM THAT OFFICE EFFECTIVELY AGAINST KHOMEINI'S CONTINUING DOMINATION, BUT HIS DEATH REMOVES A POTENTIAL ALLY OF BAZARGAN AND HIS GOVERNMENT AND BY ALTERING THE POLITICAL BALANCE AMONG THE AYATOLLAHS IS LIKELY TO HAVE EFFECTS BEYOND THE OBVIOUS SENSE OF POPULAR LOSS.

GRAHAM

BT

NNNN

~~Registers~~

BRITISH EMBASSY,
TEHRAN.

5 September 1979



Research Dept.

Ans

D H A Hannay Esq
Middle East Department
FCO

~~Dr. Takham 3950
Mr. Takham~~

There is some good 'Private Eye' material here! ? copy to No. 10 - the headline is particularly appealing.

Dear David,

1. I enclose a copy of an interview with Monireh Gorji, the only woman elected to the Assembly of Experts. As you can see from the accompanying photograph, which was the picture used at the polling stations, the illiterate voter would have had difficulty in identifying her had the Government opted for some system by which candidates' photographs would have appeared on the ballot paper. As it was, of course, the illiterates had to enlist the help of a friend, or an official, to complete their papers.
2. I am sending you the cutting because I think it is interesting for a number of points. First, as regards the exceptions to a woman's rights - that she may not go into battle, serve as a judge or become the supreme spiritual or political leader of an Islamic State - this is the first time I have seen this spelled out quite so categorically in print. I am not sure what the Qoranic basis for these exceptions is, though if the account of Mrs Gorji's background is correct she presumably knows her Qoranic stuff. It is an interesting thought that by implication in the third paragraph, men are free to undertake work which is "harmful to the community", but perhaps that is an unfair reading.
3. What is more interesting perhaps is the reason given for the exclusion of women from the judicial function, "that a woman judge may not be stern enough and she may tend to forgive". Certainly we have not seen much compassion in the Islamic Republic.
4. Given the statement to which I have referred, that a woman may not become the supreme spiritual or political leader of an Islamic State, it is curious that later in the interview Mrs Gorji seems to think that a woman may be allowed to become President. I do not know how she reconciles these two positions.
5. Finally there is the revealing comment towards the end of the interview that the Assembly would not make any laws: "the Qoran has already made our laws for us".

Juan ever
JAG
J A N Graham

per barrel and sold it for \$30 per barrel.

The discovery of the transaction by the Saudi Arabian government has created a "crisis of confidence" between the two countries, the newspaper said.

By selling the oil at Rotterdam, the Sudanese government made a profit of \$4.6 million, Al

week for talks with King Khaled, and the discussions were believed to have concentrated on the oil-sale question, the newspaper said.

It said Numain, while expressing surprise at the transaction, told the Saudi leaders the money made by selling the oil in Rotterdam was needed to pay the salaries of civil servants and the armed forces.

cate the cargo and offer it for auction.

In negotiations between the Ministry of Commerce and vegetable oil manufacturers, the manufacturers were given the task of supplying the government with vegetable oil for civil servants.

This will guarantee a steady supply of vegetable oil for at least 20 million people.

HUNDREDS of thousands of eligible draftees have been exempt from serving their one-year conscription under a new unconditional blanket exemption approved by the Joint Chiefs of Staff and the Revolutionary Council.

The new exemption lies to

all those holding schooling certificates below a diploma and born before March 21, 1959, all those holding diplomas and post-graduate degrees and born before March 21, 1959, all those holding bachelors, masters degrees born before March 21, 1955, and all those physicians born before March 21, 1949.

urged the public to telephone 319192 between 8am and 12 noon and 4 and 8pm for the route the march will take.

Meanwhile, Ayatollah Taleghani's office has announced that this Friday's prayers will be held at Behesht Zahra cemetery instead of Tehran University to commemorate the martyrs who died on September 8.

Women unsuited for politics — Mrs. Gorji

By Fereshah Emami

WRAPPED from head to toe in the traditional Muslim veil, the only woman in the assembly, which is drafting a new constitution for the Islamic Republic, spoke gently but firmly about the rights of women in her religion.

Mahireh Gorji, a 48-year-old teacher of Islam and a grandmother, said Muslim men and women have equal rights, except that women may not go into battle, serve as judges or become the supreme spiritual and political leader of an Islamic State.

During an interview in which she frequently quoted verbatim from the Quran, Mrs. Gorji said women are free to work at any job which is not harmful to the community, "like selling heroin, which would be profitable to the seller but harmful to the community."

Mrs. Gorji is one of 73 persons elected last month to the Assembly of Experts which is remodeling Iran's 1906 Constitution to adhere more closely to the Quran. The

assembly's draft, which is to be completed within 20 days, is to be submitted to a referendum. One constitutional issue is the status of women in Iran's new Islamic state, established under Ayatollah Khomeini.

During the former Shah's regime Iranian women were given the right to vote. They became diplomats, Cabinet ministers, members of parliament and judges.

Shortly after the February revolution, judicial certificates were refused to women.

"Judgment is something which is forbidden for women in Islam," Mrs. Gorji said. "It is due to a woman's nature which tends to be softer. A woman judge may not be stern enough and she may tend to forgive. This is why Islam says a woman's judgement is incomplete."

However, Mrs. Gorji said the constitutional Assembly is debating the question of allowing women to run for president. There is a good chance that this will be allowed, she said. "Women will definitely be allowed to be ministers and will certainly be allowed to work in ministries, but the positions of

judgement and the supreme spiritual and political job (such as that held by Ayatollah Khomeini) or that of a soldier are just not made for women."

She stressed that women in an Islamic state may hold jobs, especially teaching jobs "which are made for women."

Mrs. Gorji said she will recommend to the Assembly of Experts that working women be given a two-year period of rest with full pay after childbirth.

"Giving birth and raising a child is so much more important than any job a woman does outside the house," she said. "If her purpose in having a job is to serve her community, then she serves that community and her people so much better if she stays home and raises healthy children who will in turn be useful to the community."

She added that when a child is two years old, the mother can return to her job.

Mrs. Gorji, who has three married daughters and three grandchildren, was born in Tehran. She said she spent her youth studying the Quran and other Islamic

writings. "When I grew up, I taught at girls' schools and also lectured about Islam," she said. "When the revolution started, I traveled all over the country lecturing and holding classes about Islam."

She said she was surprised and sorry that she was the only woman elected to the assembly which is studying the Constitution.

During the interview she spoke softly and smiled continuously, appearing at peace with herself and with her religion. She noted that the assembly would not make any laws, "The Quran has already made our laws for us."

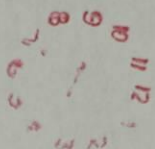
As she talked in a corner of a public lobby, she kept her chador, the head-to-toe veil, wrapped over all but her face and shunned shaking hands with both men and women. Even her campaign posters showed only her fingers holding the veil, her nose and one eye.

Mrs. Gorji said she receives constant death threats. "But really, one's life is the smallest thing one can give to one's people. If they want to kill me, let them." (AP)



MAHIREH GORJI

19 SEP 1979





10 DOWNING STREET

From the Private Secretary

3 September, 1979.

Iran

The Prime Minister has seen Stephen Wall's letter to Bryan Cartledge of 29 August on this subject. She agrees with the policy outlined in the last paragraph.

M. O'D. B. ALEXANDER

R.M.J. Lyne, Esq.,
Foreign and Commonwealth Office.

Handwritten signature



Foreign and Commonwealth Office

London SW1A 2AH

29 August 1979

Dear Bryan, *Parsons*

Prime Minister
The final paragraph
is clearly right.

SM
21/8

Iran

Thank you for your letter of 22 August, in which you recorded the Prime Minister's views about Mr Julian Amery's letter. Lord Carrington will be glad to discuss these points with the Prime Minister.

At present we do not think there is an imminent danger of a Communist takeover in Iran. For historical reasons, the Iranians have a deep-seated fear of Russian expansion and the pro-Soviet communist party (Tudeh) has attracted little support. Although other left-wing groups in Iran are well organised, they are still relatively small in numbers and have been unable to attract mass support. We believe they would be unable to stage a takeover on their own, and they are coming under severe pressure from Ayatollah Khomeini and his Islamic supporters, who are implacably opposed to Communism. In the medium term the danger for Iran is, as Dr Bakhtiar says, that the longer the Khomeini regime continues (and with it increasing repression and economic misery), the greater the possibility that the left-wing will attract wider support.

If Ayatollah Khomeini's power declines the armed forces will play an increasingly important role. At present they are still weak in leadership, numbers and organisation. If a civilian coalition challenged Khomeini it would need military backing both to overcome the revolutionary guards and to assert its authority in the country, but it is too soon to judge where the armed forces' loyalties might be or even whether they would act as a coherent body when the time came.

As for contingency planning, at this stage, Lord Carrington believes we can best promote the moderate cause by keeping in very discreet touch with key opposition figures such as Dr Bakhtiar who may stand a chance of winning popular support. We are doing so. But any suggestion that we were involved in a conspiracy would further damage our remaining interests in Iran and prejudice the cause of those we wish to help.

Yas ever,
Stephen

(J S Wall)
Private Secretary

B G Cartledge Esq
10 Downing Street

SECRET



FUE

Iran 2. DSG

10 DOWNING STREET

From the Private Secretary

22 August 1979

IRAN

Michael Shaw sent you a copy of his letter of 17 August to me about the account which Mr. Julian Amery MP had provided for the Prime Minister and the Foreign and Commonwealth Secretary of his recent conversation in Paris with Shapur Bakhtiar concerning the situation in Iran.

The Prime Minister has read Mr. Amery's letter with great interest. She finds Mr. Bakhtiar's assessment of the probable course of developments in Iran persuasive. The Prime Minister would like to know what contingency planning is in hand, so far as the UK is concerned, against the possibilities of a Communist take-over in Iran, either direct or indirect, or of a military coup against the Khomeini regime. The Prime Minister has commented that Mr. Bakhtiar's analysis lends some point to her own recent comments (my letter of 15 August to you) on the question of a new Security Council Resolution on the Middle East.

The Prime Minister would like to discuss these matters further with the Foreign and Commonwealth Secretary in due course.

B. G. CARTLEDGE

KRG

J. S. Wall, Esq.,
Foreign and Commonwealth Office.

SECRET

DSG

Group/Class..... PREM 19
Piece 76

Letter from Shaw to
Cartledge dated 17 August 1979,
with enclosure

Paper extracted and
temporarily retained
under Section 3(4)
pending completion of
review.
(date)..... 31 October 2009
(Signed)..... AWayland

CONFIDENTIAL

MFJ

Original on
Middle East Sitn.



Middle East

10 DOWNING STREET

From the Private Secretary

15 August 1979

Dear Sir,

The Palestinians

Thank you for your letter of 14 August, covering the papers prepared by the Department on Palestinian self-determination and a minute by Sir Anthony Parsons, in which you conveyed the Foreign and Commonwealth Secretary's advice on how the UK should approach a possible vote in the Security Council on 23 August on a resolution endorsing the right of the Palestinians to self-determination.

The Prime Minister read your letter, and all its enclosures, with close attention before leaving for Scotland this morning. She commented that she would have welcomed an opportunity to discuss the problem with Lord Carrington yesterday, if the papers had reached us earlier. As it is, the Prime Minister is content to give Lord Carrington a free hand on the UK's approach to a possible debate in the Security Council on 23 August and on the UK's vote on a resolution.

The Prime Minister has, however, made the following observations on the Palestinian issue. She accepts the argument put forward by Sir Anthony Parsons that, since most of the Arab states in the region are not homogenous, the Palestinians have as much of a claim as them to be treated as a "people". The Prime Minister is not, nevertheless, persuaded that this line of reasoning should be the sole determinant of the way in which the UK casts its vote on a "self-determination" resolution. The Prime Minister has in mind the possibility that, as a result of the actions or omissions of the United States on the one hand and of the Eastern bloc countries on the other, the oil bearing states in the Middle East might at some stage fall under the control, whether direct or indirect, of the Soviet Union. In that situation there would be only one state in the region, in the Prime Minister's view, which would stand up and fight against the extension of Communist influence, namely Israel. If the Middle East were to be the scene of a major East/West confrontation, Israel would probably be the West's only ally. The Prime Minister recognises that this scenario

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/may seem

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-2-

may seem farfetched: but she points out that, only a very short time ago, the present situation in Iran would have seemed as far-fetched as well.

The Prime Minister makes the further comment that the main problem with Israel at present is the fact that Mr. Begin is the country's Prime Minister. His departure could significantly change the nature of the Middle East equation and, consequently, the UK's best approach to it.

Finally, the Prime Minister asks whether the practical realities of a Palestinian homeland, together with all the implications of its creation, have really been thought through. She doubts this.

The Prime Minister has noted, incidentally, the reactions both of the Israelis and of Mr. Vance to Mr. Andrew Young's unauthorised meeting with representatives of the PLO.

I should be grateful if you would ensure that full account is taken of the Prime Minister's observations before the final decision (which, as I have said, the Prime Minister is content to leave in Lord Carrington's hands) is taken on the UK's position if matters come to a vote in the Security Council on 23 August. If, as the Prime Minister hopes, they do not, she would welcome an early discussion in OD or, if a meeting of OD on this question cannot be arranged very early in September, with Lord Carrington alone.

Yours ever,
Roger Carrington

J.S. Wall, Esq.,
Foreign and Commonwealth Office

CONFIDENTIAL

Iran
Iran Sitⁿ (May 79)

Extract from PHS Conversations with President Carter in Tokyo

29 June 1979

Top copy filed on Econ Pol (Pt2) 'Tokyo Econ. Summit'

Iran

President Carter acknowledged that he had sent US Generals to Iran during the period immediately prior to the fall of the Shah, but told the Prime Minister that the purpose of their mission had not been (as Mr. Lee Kuan Yew had alleged to the Prime Minister on another occasion) to persuade them to withdraw their support from the Shah; they had, on the contrary, tried to stiffen them. The Shah himself, however, had lost his nerve and his will, and had been determined to abdicate.

PS
PS/SIR I GILMOUR
PS/MR HURD
PS/PUS
SIR A DUFF
SIR A PARSONS
MR J C MOBERLY
MR LEAHY
HD/MED
HD/NENAD
HD/UND (2)
HD/OID (2)
HD/IPD
HD/DEF DEPT
HD/MAED
HD/ES & SD (2)
HD/CONS D
MISS BROWN
PUSD (2)
NEWS D

No 10 DOWNING ST
SIR J HUNT)
ASSESSMENTS STAFF) CABINET
MR LE CHEMINANT) OFFICE
DR J THOMPSON)
CABINET OFFICE DIO
MR F R BARRATT TREASURY

(Dept.)

2
PRIME MINISTER
MS

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SIC

GR 1000

RESTRICTED

FM TEHRAN 211115Z JUN 79

TO PRIORITY FCO

TELEGRAM NUMBER 712 OF 21 JUNE

INFO PRIORITY CABINET OFFICE (DIO), MODUK (DI4, DS11), CRE 5,
WASHINGTON, ABU DHABI, ANKARA, BAGHDAD, BAHRAIN, CAIRO, DOHA,
DUBAI, ISLAMABAD, JEDDA, KABUL, KUWAIT, MOSCOW AND PARIS.

IRAN INTERNAL SITUATION: MY TEL 703

1. THE POLITICAL SCENE HAS BEEN DOMINATED THIS WEEK BY THE CONSTITUTIONAL ISSUE AND THE PUBLICATION OF THE DRAFT DOCUMENT, (MY TUR). THE FOUR SENIOR QOM AYATOLLAHS - KHOMEINI, SHARIAT-MADARI, MARASHI-NAJAF AND GOLPAYGANI - MET THERE ON 19 JUNE. ALTHOUGH NO COMMUNIQUE WAS ISSUED, SHARIAT-MADARI'S SUBSEQUENT STATEMENTS SUGGEST THAT HE GAVE SOME GROUND BY AGREEING THAT AN ASSEMBLY OF EXPERTS NUMBERING ABOUT 72, RATHER THAN A LARGER CONSTITUENT ASSEMBLY, SHOULD EXAMINE THE DRAFT CONSTITUTION. HOWEVER KHOMEINI APPEARS TO HAVE CONCEDED THAT THEY SHOULD BE ELECTED, NOT APPOINTED. (A FULL TEXT OF THE DRAFT AND A PRELIMINARY ANALYSIS IS BEING SENT TO MED BY TODAY'S BAG) OPPOSITION TO THE DRAFT AND THE ASSEMBLY OF EXPETS HAS ALREADY BEEN VOICED BY LIBERAL GROUPS, AND, IN PARTICULAR, BY THE ETHNIC MINORITIES AND SUNNI MUSLIMS. THE NATIONAL DEMOCRATIC FRONT IS HOLDING A RALLY AT TEHRAN UNIVERSITY TOMORROW - TOGETHER WITH KURDISH, ARAB AND TURKMEN GROUPS AS WELL AS SOME OTHERS - TO DISCUSS THE CONSTITUTION.

MUSLIMS. THE NATIONAL DEMOCRATIC FRONT IS HOLDING A RALLY AT TEHRAN UNIVERSITY TOMORROW - TOGETHER WITH KURDISH, ARAB AND TURKMEN GROUPS AS WELL AS SOME OTHERS - TO DISCUSS THE CONSTITUTION AND THE PROCEDURE FOR ITS APPROVAL. (THE BALUCH SEEM MORE QUIESCENT.) THE ASSOCIATION OF IRANIAN LAWYERS HAS BEEN STAGING A SEMINAR SINCE 16 JUNE AND A NUMBER OF SPEAKERS HAVE BEEN VERY CRITICAL OF THE DRAFT.

2. KHOMEINI HAS CALLED IN A SPEECH THIS WEEK FOR A "CONSTRUCTION DRIVE" TO REPAIR THE "DEVASTATION" CAUSED BY THE PREVIOUS REGIME'S DEVELOPMENT PROJECTS. HE HAS ASKED THE NATION TO DIRECT ITS ENERGIES TO PROJECTS AIMED AT IMPROVING CONDITIONS, PARTICULARLY IN VILLAGES AND AMONG THE TRIBES. AS WAS TO BE EXPECTED, THE CALL HAS BEEN ENDORSED BY THE GOVERNMENT - BANI ASSADI, DEPUTY PRIME MINISTER, HAS SAID THAT THE DRIVE IS TO BE AIMED AT THE PROVISION OF BASIC RURAL SERVICES AND INDUSTRIES. THE MINISTRY OF AGRICULTURE HAS EARMARKED 70 BILLION RIALS (ABOUT \$500.0 M) AS LOANS TO FARMERS.

3. DR SANJABI (NATIONAL FRONT) HAS GIVEN THE DRAFT CONSTITUTION A CAUTIOUS WELCOME. BUT THE INDICATIONS ARE THAT THE NATIONAL FRONT IS LOSING GROUND. ON 17 JUNE DARIUSH FOROUSHAR, MINISTER OF LABOUR, OFFICIAL SPOKESMAN FOR THE FRONT AND A CLOSE ASSOCIATE OF SANJABI IN RECENT MONTHS, ANNOUNCED THAT HE AND HIS IRAN PEOPLE'S PARTY WERE LEAVING THE FRONT, WHICH WAS "PLAGUED BY A POWER STRUGGLE". HE HAS PROBABLY REACTED TO THE RECRUITMENT TO THE FRONT'S CENTAL COMMITTEE OF DR GHOLAM HOSSEIN SADDIQI, A FORMER CABINET MINISTER UNDER MOSSADEQ. THE FRONT HAS ANNOUNCED ITS INTENTION TO INCLUDE MORE YOUNGER MEMBERS IN ITS LEADERSHIP, BUT ITS FOLLOWING IS RAPIDLY DECLINING. A MEETING HELD BY THE FRONT ON 19 JUNE TO CELEBRATE THE ANNIVERSARY OF THE EXPROPRIATION OF AIOC IN 1951 WAS FAR LESS WELL ATTENDED THAN A RALLY ON THE SAME DAY TO HONOUR THE MEMORY OF DR ALI SHARIATI. (THERE WERE NO ANTI-BRITISH MANIFESTATIONS, DESPITE THE PREVIOUS APPEARANCE IN THE LOCAL PRESS OF PASSAGES LINKING THE CELEBRATION TO THE REMOVAL OF THE BRITISH IN 1951.)

4. A NUMBER OF CABINET CHANGES WERE ANNOUNCED ON 20 JUNE. THE MINISTER OF JUSTICE, ASADULLAH MOBASHERI, HAS RESIGNED, AND HAS BEEN REPLACED BY HAJ SAYID JAVADI, THE MINISTER OF INTERIOR, WHO IS SUCCEEDED IN THAT OFFICE BY HASHEM SABAGHIAN, DEPUTY PRIME MINISTER FOR TRANSITIONAL AFFAIRS. NO REASONS WERE GIVEN FOR MOBASHERI'S RESIGNATION, THOUGH APPARENTLY HE SAID HE WAS TIRED AND WISHED TO RETURN TO ACADEMIC LIFE. THERE MAY BE SOME TRUTH IN THIS - HE IS NOT A YOUNG MAN - BUT OTHER CAUSES MAY HAVE BEEN THE CONTINUED ARBITRARY DISPENSATION OF JUSTICE BY THE REVOLUTIONARY COURTS, (OVER WHICH HE IS SAID TO HAVE OFFERED HIS

HAVE BEEN THE CONTINUED ARBITRARY DISPENSATION OF JUSTICE BY THE REVOLUTIONARY COURTS, (OVER WHICH HE IS SAID TO HAVE OFFERED HIS RESIGNATION LAST APRIL), AND HIS KNOWN RESERVATIONS ABOUT THE DRAFT CONSTITUTION AND THE METHOD CHOSEN TO EXAMINE AND RATIFY IT.

5. THERE ARE FURTHER REPORTS IN THE PROVINCES OF TROUBLE CAUSED BY THE DEPREDATIONS OF LOCAL KOMITEHS EG IN ZANJAN, (THE DISAGREEMENT REPORTED IN MY TELNO 694 APPARENTLY CONTINUES), KHOY AND OKUMIYEH IN THE NORTH-WEST, YASUJ IN SOUTHERN LURISTAN AND BUSHEHR ON THE SOUTHERN COAST. IN YASUJ, THE LOCAL GOVERNOR HAS RESIGNED IN PROTEST AT THE ARBITRARY ARREST OF MEMBERS OF HIS OFFICE BY THE TOWN'S KOMITEH. THERE ARE ALSO SIGNS OF CONTINUING DISQUIET IN KHORRAMSHAHR WHERE KHALKHALI HAS THREATENED THAT ANYONE CONTINUING TO SEEK AUTONOMY - INCLUDING KHAQANI, THE LOCAL ARAB RELIGIOUS LEADER - SHOULD BE PUT BEFORE A FIRING SQUAD, AND WHERE IT SEEMS THERE HAVE BEEN DEMONSTRATIONS AGAINST THE CONTINUED DETENTION OF THE ARABS ARRESTED IN THE RECENT FIGHTING.

6. IN A SPEECH GIVEN ON 16 JUNE, NOTABLE FOR ITS TOUGH AND UN-COMPROMISING ATTITUDE TO THE (?) FOR A PROPERLY RECONSTRUCTED ARMY, THE CHIEF OF IRAN'S MILITARY POLICE, GENERAL AMIR RAHIMI, HAS SAID THAT IRAN'S ARMED FORCES HAVE LOST MOST OF THEIR POWERS AND WARNED THAT THE COUNTRY WOULD BE DESTROYED IF THE ARMY WERE FURTHER WEAKENED. ONE LOCAL NEWSPAPER, AYANDEGAN, REPORTED THIS WEEK THAT GENERAL MOSTAFA MOSTAFA'I HAS BEEN APPOINTED HEAD OF POLICE, REPLACING GENERAL MOJALLALI. THIS SEEMS TO HAVE BEEN CONFIRMED IN A SUBSEQUENT REFERENCE BY THE OFFICIAL PARS NEWS AGENCY THOUGH, OTHERWISE, THE APPOINTMENT HAS RECEIVED NO COVERAGE.

7. THE ARREST OF GENERAL TOUFANIAN AT HIS BROTHER'S HOUSE IN TEHRAN HAS BEEN REPORTED.

8. THE KOMITEH IN KARAJ DESTROYED LAST WEEK THE LIQUOR STORE OF A PARTLY BRITISH-OWNED FIRM, AND WORK HAS STARTED ALSO ON GRAY MACKENZIE'S STOCK (WORTH ABOUT £1.0M).

GRAHAM

BT

RESTRICTED

GR 750

RESTRICTED

FM TEHRAN 241008Z MAY 79

TO PRIORITY FCO

TELEGRAM NUMBER 628 OF 24 MAY

INFO PRIORITY CABINET OFFICE (DIO), MODUK (DI4, DS11), CRE5,
WASHINGTON

INFO ROUTINE ABU DHABI, ANKARA, BAGHDAD, BONN, BAHRAIN, CAIRO,
DOHA, DUBAI, ISLAMABAD, JEDDA, KABUL, KUWAIT, MOSCOW, NEW DELHI,
CAPE TOWN, TEL AVIV, PARIS, AMMAN,

INFO SAVING DAMASCUS, ROME, THE HAGUE

MY TELNO 618: IRAN INTERNAL SITUATION

1. POPULAR FEELING AGAINST THE USA, INSPIRED BY THE SENATE RESOLUTION OF 17 MAY ON EXECUTIONS (PARA 5 OF MY TUR AND MY TELNO 619, NOT TO ALL) HAS CONTINUED. SMALL DEMONSTRATIONS OF PROTEST ARE REPORTED TO HAVE TAKEN PLACE THIS WEEK IN ISFAHAN, SHIRAZ AND TABRIZ, AND A GROUP PUBLICLY BURNT AN AMERICAN FLAG IN ASTARA. THE CHERIKHAYE-YE-FEDAYE, JOINED SUBSEQUENTLY BY THE MOJAHEDIN-E-KHALQ, ARE ORGANISING TWO PROTEST MARCHES, DESIGNED TO CONVERGE ON THE US EMBASSY, FOR TOMORROW 25 MAY. A NUMBER OF OTHER GROUPS HAVE SINCE SAID THEY WILL ALSO PARTICIPATE, INCLUDING THE NATIONAL DEMOCRATIC FRONT. THE ISLAMIC REPUBLICAN PARTY HAS NOW DECIDED TO JOIN THE PROTEST AND, BACKED IRONICALLY BY THE TUDEH PARTY, IS ORGANISING A NUMBER OF PROTEST MARCHES FOR TODAY.
2. IN THE PROVINCES THE TROUBLES IN KHORRAM SHAHR (PARA 3 OF MY TUR) HAVE NOT BEEN FINALLY SETTLED. TWO ARAB POLITICAL GROUPS IN THE TOWN HAVE REFUSED TO VACATE BUILDINGS OCCUPIED DURING THE REVOLUTION AND SHAIKH KHAQANI, STILL IN QOM, HAS CALLED FOR CALM PENDING HIS RETURN. FURTHER EAST ALONG THE PERSIAN GULF, THERE APPEARS TO BE SOME TROUBLE OVZR THE CHOICE OF A NEW GOVERNOR, (A SUNNI), WHOSE CANDIDATURE HAS BEEN REJECTED BY THE LOCAL MULLAHS BUT SUPPORTED BY THE PEOPLE.
3. AYATOLLAH KHALKHALI'S STATEMENTS LAST WEEK CALLING FOR THE EXECUTION OF MEMBERS OF THE ROYAL FAMILY HAVE PROVOKED FURTHER CONTROVERSY. AT HIS PRESS CONFERENCE ON 21 MAY YAZDI, THE FOREIGN MINISTER, DENIED THAT KHALKHALI WAS HEAD OF THE REVOLUTIONARY COURTS AND THAT HE POSSESSED ANY AUTHORITY TO ISSUE SUCH STATEMENTS. (HE HAS ALSO REPEATED THIS VIEW ON TELEVISION, CLAIMING TO HAVE CHECKED WITH THE REVOLUTIONARY COUNCIL ITSELF.)

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THE SAME DAY KHALKHALI REPLIED THAT HE WAS STILL HEAD OF THE COURT AND HAD SIGNED THE SHAH'S DEATH WARRANT. YESTERDAY, HOWEVER, KHALKHALI ANNOUNCED THAT HE HAD DECIDED TO RESIGN HIS POSITION AND TO RETURN TO QOM TO TEACH. MEANWHILE, THERE HAVE BEEN FURTHER PUBLIC STATEMENTS BOTH DEFENDING AND CRITICISING THE WORK OF THE COURTS. IN A PRESS CONFERENCE YESTERDAY, MATIN-DAFTARY OF THE NATIONAL DEMOCRATIC FRONT DEFENDED THE EXECUTIONS AS JUST BUT DEMANDED THAT THE PROCEDURE OF THE COURTS BE MADE PUBLIC. AYATOLLAH AZARI QOMI HAS CRITICISED THE HASTY EXECUTIONS CARRIED OUT BY THE COURT. HE HAS ANNOUNCED THAT 700 PRISONERS HAVE BEEN RELEASED FROM QASR PRISON (LEAVING 2000 STILL THERE)., AND TOLD THOSE ARRESTED MEMBERS OF THE MAJLES AND SENATE THAT THEY WOULD BE AMNESTIED PROVIDED THEY HAD NOT COMMITTED SERIOUS CRIMES. BAZARGAN YESTERDAY REPEATED HIS SUPPORT FOR A GENERAL AMNESTY OF THOSE WHO HAD COOPERATED WITH THE PREVIOUS REGIME.

4. THE EXECUTIONS AND TRIALS CONTINUE. TWO MEMBERS OF THE ARMED FORCES HAVE BEEN TRIED AND EXECUTED IN TEHRAN THIS WEEK, THOUGH TWO SENIOR GENERALS, VAJDI AND PARVAESH, WHO HELD SENIOR INTELLIGENCE POSITIONS UNDER THE PREVIOUS REGIME AND WHO WERE ACCUSED DURING THEIR TRIAL OF COOPERATING WITH WESTERN INTELLIGENCE ORGANISATIONS, HAVE RECEIVED PRISON SENTENCES. THIS SEEMS TO BE BECOMING THE NORMAL PATTERN, OFTEN ACCOMPANIED BY FLOGGING, FOR MANY MIDDLE RANKING OFFICIALS - THOUGH IN A RECENT TRIAL IN MASHAD A CONSCRIPT SOLDIER HAS BEEN EXECUTED.

5. IN HIS SPEECH YESTERDAY BAZARGAN STRESSED AGAIN THAT HIS GOVERNMENT WAS PROVISIONAL, AND THAT ITS MAJOR TASKS WERE TO ORGANISE A NATIONAL REFERENDUM, PUBLISH THE NEW DRAFT CONSTITUTION, SET UP A CONSTITUTIONAL ASSEMBLY AND HOLD GENERAL ELECTIONS: AND THAT ONCE THESE AIMS WERE ACHIEVED HIS GOVERNMENT WOULD HAND OVER POWER TO ANOTHER. BUT THE TIMETABLE FOR BOTH THE ANNOUNCEMENT OF THE DRAFT CONSTITUTION AND HOLDING OF ELECTIONS TO THE ASSEMBLY HAS STILL NOT BEEN ANNOUNCED - ALTHOUGH AT A MUCH PUBLICIZED MEETING OF THE CABINET, THE REVOLUTIONARY COURT, TALEGHANI AND GHOTBZADEH WITH KHOMEINI IN QOM ON 22 MAY, THESE TWO ISSUES ARE SAID TO HAVE BEEN DISCUSSED, AND GHOTBZADEH WAS AT ONE STAGE PROMISING AN IMMINENT ANNOUNCEMENT.

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6. AT HIS FIRST PUBLIC PRESS CONFERENCE ON 21 MAY (PARA 5 OF MY TUR), YAZDI REPEATED MANY OF THE NEW REGIME'S MAJOR FOREIGN POLICY STATEMENTS, PARTICULARLY ON NON-ALIGNMENT AND NON INTER-FERENCE. HE ALSO DENIED THAT IRAN WAS INTERFERING IN AFGHANISTAN. IN ANSWER TO A QUESTION ABOUT THE 1921 TREATY WITH THE SOVIET UNION YAZDI REPLIED THAT IRAN WOULD NO LONGER ALLOW ANY OTHER GOVERNMENT TO INTERFERE IN ITS AFFAIRS AND THAT IT WOULD CANCEL ANY TREATY WHICH MIGHT DAMAGE IRAN'S NATIONAL INTEGRITY., THIS WOULD COVER ALL FOREIGN TREATIES. (THIS HAS BEEN TAKEN AS A REFERENCE TO THE BILATERAL SECURITY TREATY WITH THE USA, THOUGH THERE HAS BEEN NO OFFICIAL ANNOUNCEMENT YET THAT THIS IS TO BE RESCINDED.) YAZDI REPEATED THAT GENERAL MADANI'S STATEMENT ON PROVIDING HELP TO THE PERSIAN GULF STATES WAS MERELY A PERSONAL COMMENT WHICH DID NOT REFLECT OFFICIAL POLICY.

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- 3 -

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NOTE OF THE PRIME MINISTER'S DISCUSSION WITH THE US SECRETARY OF STATE, MR. CYRUS VANCE, AT 10 DOWNING STREET ON 23 MAY 1979 AT 1000 HOURS

Present:

The Prime Minister	Mr. Cyrus Vance
The Foreign and Commonwealth Secretary	H.E. The U.S. Ambassador
The Lord Privy Seal	
Mr. B.G. Cartledge	

Rhodesia

The Foreign and Commonwealth Secretary explained the respective roles of the three emissaries whom the Government were sending to Southern Africa in the near future - Mr. Luce for discussions on Namibia, a political emissary to have discussions with the Front Line Presidents and others and a senior FCO official to maintain contact with Bishop Muzorewa in Salisbury. Lord Carrington explained that it might be necessary for the political emissary to have discussions with Mr. Mugabe and Mr. Nkomo as well as with some of the Front Line Presidents and that he might pay subsequent visits to Salisbury and South Africa. The emissary would be leaving on this mission as soon as possible. The Prime Minister commented that if these discussions did not succeed in moderating African positions, some alternative approach would have to be devised in advance of the meeting of Commonwealth Heads of Government in Lusaka: her concern was that African attitudes might freeze if the momentum were not sustained. It was essential to secure the maximum possible recognition for a Rhodesian regime since that country held the key to the whole Southern African region. The Prime Minister thought that Mozambique would welcome a settlement but acknowledged that President Nyerere would be difficult. Lord Carrington commented that President Kaunda would almost certainly be difficult as well.

/s/ Mr. Vance

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- 2 -

Mr. Vance told the Prime Minister that the United States Ambassador in Dar Es Salaam had called on President Nyerere on 22 May. President Nyerere had expressed the view that it would be possible for some kind of negotiation to be arranged; but he remained very fearful of recognition of the Muzorewa regime. President Nyerere had not excluded the possibility of playing a helpful role in negotiations and had mentioned the need for some revision of the new Rhodesian constitution. President Nyerere had acknowledged that Bishop Muzorewa did have a Government. The American Ambassador's impression had been that there was now slightly more flexibility in the Tanzanian approach. Lord Carrington said that the deputation of Commonwealth High Commissioners who had called on him earlier in the morning had dismissed the Rhodesian elections as irrelevant and had criticised the constitution. He had taken the line that the elections had in fact transformed the situation. His own view, however, was that there was some force in the criticisms which had been made of the constitution, which did entrench white control in a number of important areas. Lord Carrington went on to say that if the provisions of the constitution posed a real problem, the Commonwealth African leaders should go to see Bishop Muzorewa themselves and take the matter up with him in order to persuade him to make the necessary changes. The Prime Minister asked whether Bishop Muzorewa was talking to Mugabe. Lord Carrington said that he was; they were both from the Shona tribe.

Mr. Vance said that he had been disturbed by the report in that morning's Daily Telegraph to the effect that the United States were opposed to the UK official presence in Salisbury which Lord Carrington had mentioned. It was fully appreciated in the State Department that this did not amount to recognition and he would take an opportunity later in the day to make it clear that the Daily Telegraph report was wholly incorrect.

[The ensuing discussion on SALT and CTB has been recorded separately.]

/ The Middle East

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- 3 -

The Middle East

The Prime Minister asked Mr. Vance what line she could most helpfully take with Mr. Begin when he lunched at No. 10 later in the day. Mr. Vance said that the emphasis should be on persuading Mr. Begin to freeze the number of settlements on the West Bank. The Prime Minister said that she regarded this as a very modest requirement. She was concerned by the way in which Mr. Begin thought in terms of biblical Israel: this was quite illogical, since the original inhabitants of the region had all come from the Russian Steppes - it depended how far back one wished to go for one's argument. Mr. Vance said that, although some of Mr. Begin's colleagues, including Mr. Weizmann, disagreed with his approach to the West Bank issue, his position was deeply rooted in religious and philosophical conviction. If Mr. Begin continued to insist on Israeli sovereignty over the West Bank, there could be no solution. It was essential to make him change his view during the course of the five-year transitional period. Mr. Vance explained that two sets of parallel negotiations would be set in train on the future of the West Bank, one on the establishment of the self-governing authority, in which the Palestinians and perhaps the Jordanians would participate, and one on a peace treaty between Israel and Jordan. Mr. Begin had assured the United States at the time of Camp David that he would not assert Israeli sovereignty over the West Bank during the five-year transitional period; but he had now gone back on his word and this had produced a very damaging reaction. The Prime Minister commented that those who asserted sovereignty over land which had been acquired through hostilities had no leg to stand on when that land was regained by the same means. Mr. Vance agreed.

Mr. Vance went on to say that the essential objective was self-determination for the West Bank in a form agreed by its neighbours and endorsed by the popular vote of the inhabitants. It was clear that Israel would not agree to full self-determination now; but he thought that the objective might be obtained by leading up to it gradually during the transitional period. The Prime Minister said that it was clear that the West Bank could not be a viable entity by itself and, also, that it could become a nest of subversion. Could a solution be devised which was

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- 4 -

acceptable to Syria, Jordan and Israel? Mr. Vance said that he thought this was possible and that the process of negotiation would inevitably produce a limited range of options, falling short of full self-determination. The two most obvious were that the people of the West Bank would choose to keep the status quo resulting from the establishment of the self-governing authority; or that they would enter a Federation or Confederation with Jordan (or, theoretically, with Israel although this was not a practical possibility). These options would, however, be recognised as such only as a result of the process of hard discussion and argument. The negotiations on the self-governing authority would take at least a year and it was already clear that Mr. Begin would be very difficult on the issue of powers and responsibilities, as well as on land tenure and water rights. Once the self-governing authority had been established, it would be possible for negotiations to begin on the longer term issues. The timescale, therefore, was quite a long one of at least six years.

The Lord Privy Seal asked whether Israel might not be more ready to enter the negotiations if their preferred solution were not excluded at the outset; it was clear that a Palestinian State joined to Jordan would constitute a stronger entity and consequently a greater threat to Israel. Mr. Vance said that he thought that confederation with Jordan would be the best outcome in practical terms and that King Hussein would be willing to accept this. Lord Carrington asked whether it would be possible to restrain the moderate Arab States for as long as six years without the achievement of a comprehensive settlement. Mr. Vance said that he thought this would be possible, provided that negotiations were seen to be continuing and progress seen to be made, if slowly. The essential was to build up trust and confidence, hence the importance of the settlements issue. Lord Carrington mentioned the possibility of a declaration by the Nine designed to put more pressure on Mr. Begin.

The Prime Minister said that in the last resort Israel could not exist without Western help and presumably depended on the United States for her oil supplies. Mr. Vance said that the US had agreed to supply Israel with oil for 15 years if other sources of supply failed; but President Sadat, against the opposition of his Prime

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/ Minister

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- 5 -

Minister, had agreed to supply Israel with Egypt's surplus oil and the American undertaking was therefore only a reinsurance.

The Prime Minister commented that Mr. Begin had achieved a good deal by separating the strongest Arab state from the others, hence his present euphoric mood. Mr. Vance agreed that Syria and Jordan would not launch a major attack on Israel without Egyptian help. The Prime Minister said that this improvement in Israel's position would only last for as long as President Sadat remained in power; but all the other Arabs were, literally, gunning for him. Mr. Vance agreed and said that President Sadat needed all the help the West could give him. Lord Carrington said that it was essential to re-assure the moderate Arabs that the West wished to see a comprehensive settlement. Mr. Vance said that he was always careful to emphasise this.

Iran

Mr. Vance told the Prime Minister that the Iranian acting Foreign Minister, Mr. Yazdi, had summoned the US Charge d'Affaires on the previous day to make representations about the report produced by the US Senate against the continuing executions in Iran. Mr. Yazdi had been careful to emphasise that the Iranian Government drew a distinction between the Senate and the US President and had said that Iran wished to continue to develop good relations with the United States. Mr. Vance said that the problems in Iran stemmed from the existence of two Governments, that of Prime Minister Bazargan and the revolutionary committees under the Ayatollah Khomeini and his mullahs. Bazargan knew very well that he needed the help of the West whereas the Ayatollah was prone to fly off at tangents. In answer to the Prime Minister's question, Mr. Vance said that the Ayatollah was in control of his own religious hierarchy but that there were a number of Maoist and PLO splinter groups which could constitute a danger if Bazargan failed to establish his Government's control over the country. However, opposition was building up within the Islamic movement to the Ayatollah Khomeini's excessive interference in political matters. Mr. Vance said that the United States would continue to maintain its presence in Iran - it would be folly to

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pull out - and would adapt a low profile while working towards better relations.

Turkey

Lord Carrington said that Turkey's negotiations with the IMF would reach the crunch during the following week and that the OECD countries would have to give their pledges on financial assistance. Mr. Vance made the point that, although the Turks had so far refused to agree to the IMF's terms, Mr. Ecevit might find it easier to persuade his colleagues to do so if the Western countries had made their financial pledges conditional on this.

The Prime Minister said that the UK's contribution would have to be looked at against the background of a massive quantity of UK exports to Turkey which would never be paid for and consequently amounted to welfare. Mr. Vance agreed that the Turks had made a mess of their economy by expanding too fast, especially in the industrial sector. Turkey nevertheless continued to have great strategic importance. The Prime Minister said that, strategically, Turkey was vital; were the Turks trading on this? Mr. Vance replied that they might be but realised at the same time that they would have to come close to acceptance of the IMF's terms eventually in any case. The Prime Minister said that the West, and the UK, would be obliged to help Turkey, on strategic grounds alone - these must take priority.

Lord Carrington commented that the Turks were very touchy about the accession of Greece to the EEC, for themselves they wished to secure all the advantages of EEC membership without joining or exposing themselves to a Greek veto. The Prime Minister asked whether the Greek Treaty of Accession would have conditions attached to it designed to safeguard Turkey's position. Lord Carrington said that it would not but that it would be important to pay extra attention to the Turks after the Treaty had been signed - consideration might be given to sending an envoy from the EEC.

The discussion ended at 1100.

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CAPE TOWN, TEL AVIV, PARIS, AMMAN.

INFO SAVING DAMASCUS, ROME, THE HAGUE.

MIPT: IRAN INTERNAL SITUATION

1. THE EVENTS OF THE LAST FEW WEEKS HAVE LED TO A CONFUSED PICTURE, IN WHICH FUTURE DEVELOPMENTS ARE HARDER THAT EVER TO PREDICT.
2. THE CLEAREST FEATURE HAS BEEN THE APPARANT REASSERTION OF ITS INFLUENCE BY THE HARD-LINE ISLAMIC ELEMENT IN THE KHOMEINI ENTOURAGE. MORE IS BEING HEARD OF RELIGIOUS LEADERS LIKE RAFSANJANI (WHOSE SPEECH AT MOTAHARI'S FUNERAL IN QOM, HIGHLY CRITICAL OF THE LEFT, RECEIVED WIDE PUBLICITY), HEHESHTI, LAHOUTI AND MOFATTEH AND IT IS BEING HINTED THAT THESE FIGURES ARE GAINING INFLUENCE AT THE EXPENSE OF THE WESTERNISED RETURNED EXILES (YAZDI, QOTBZADEH AND CO). THE RENEWED IMPETUS GIVEN TO THE FORMATION OF THE REVOLUTIONARY GUARD, THE VIGOROUS MOBILISATION OF THE MASSES BY THE ISLAMIC REPUBLICAN PARTY IN ORDER TO UPSTAGE THE LEFTISTS ON MAY DAY, THE CONTINUED ACTIVITY OF THE REVOLUTIONARY COURSTS (21 EXECUTIONS ON 8 MAY AND MORE DURING THE WEEK) ARE ALL EVIDENCE OF THIS TREND.
3. IF THIS IS SO, IT IS PROBABLY DUE TO THE ISLAMIC REVOLUTIONARY LEADERSHIP'S FEAR THAT THE REVOLUTION COULD BE TAKEN OVER BY MARXISTS, OR DEGENERATE INTO ANARCHY (WITH THE SAME RESULT). THE GROWING CRITICISM BY LIBERALS OF THE REVOLUTIONARY TRIALS AND THE ARBITRARY BEHAVIOUR OF THE KOMITEHS, COUPLED WITH THE DISSATISFACTION OF THE CHERIKHA AND SIMILAR REVOLUTIONARY GROUPS AT THEIR EXCLUSION FROM INFLUENCE, HAS DRAWN THESE TWO UNLIKELY ALLIES TOGETHER IN OPPOSITION TO THE LEADERSHIP.

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/ THE FORGHAN

THE FORGHAN ASSASSINATIONS AND THE STRENGTH OF THE LEFTIST TURN OUT ON MAY DAY, MUST HAVE ADDED TO THESE FEARS. THE RELIGIOUS LEADERSHIP IS BELIEVED TO WANT CONSOLIDATION OF THE ISLAMIC REVOLUTION WHICH HAS BEEN ACHIEVED AND IS NOT NECESSARILY IN FAVOUR OF RADICAL SOCIAL CHANGE ONCE THE PREVIOUS REGIME'S APPARATUS HAS BEEN DESTROYED. KHOMEINI IS KNOWN TO HAVE BEEN ANGRY THAT THE ARMY'S DISINTEGRATION IN FEBRUARY ALLOWED ARMS TO FALL INTO THE HANDS OF THE PUBLIC, AND IS PRESUMED TO HAVE LITTLE SYMPATHY FOR THE EXTENSION OF THE REVOLUTION AS DEMANDED BY THE CHERIKHA AND THE MOJAHEDDIN.

4. ON THE LEFT, THERE APPEARS TO BE DISSATISFACTION AT THE LACK OF OPEN GOVERNMENT AMONGST THE YOUNG REVOLUTIONARIES WHO FOUGHT THE ARMY IN FEBRUARY. THE IDENTITY OF THE REVOLUTIONARY COUNCIL REMAINS SECRET AND THE NON-APPEARANCE OF THE LONG-HERALDED DRAFT CONSTITUTION CONTINUES TO FRUSTRATE PUBLIC DEBATE ABOUT THE COUNTRY'S FUTURE (AND THE LEAKED VERSION WITH ITS EMPHASIS ON A UNITARY STATE HAS ALARMED THE KURDS, TURKS AND OTHERS). THE RE-IMPOSITION OF CENSORSHIP, DETENTIONS WITHOUT CHARGE, THE SECRET REVOLUTIONARY TRIBUNALS ALL RECALL THE WORST ASPECTS OF THE PREVIOUS REGIME. THIS IS LEADING TO A RAPPROCHEMENT BETWEEN THE CHERIKHA AND THE MOJAHEDDIN-E KHALQ, TO THE PROLIFERATION OF NEW POLITICAL GROUPINGS (AND NEW PUBLICATIONS, BOTH DAILY AND WEEKLY), AND TO THE GROWING DISSATISFACTION OF ESTABLISHED GROUPS LIKE THE NATIONAL FRONT. BUT NONE OF THESE GROUPINGS AS YET CARRY MUCH WEIGHT IN THE FACE OF THE MASSES ARE STILL READY TO PACK THE STREETS AT THE CALL OF KHOMEINI AND THE ISLAMIC LEADERSHIP.

5. AGAINST THIS BACKGROUND, TURBULENCE SURROUNDS CERTAIN PROMINENT PERSONALITIES. QOTBZADEH, AMBITIOUS, RADICAL AND WIDELY SUSPECTED OF LEFTIST SYMPATHIES IS NOW UNDER HEAVY ATTACK DESPITE HIS REPUTED CLOSENESS TO KHOMEINI. (HIS CRITICS HAVE EVEN INCLUDED KHOMEINI'S GRANDSON.) TALEGHANI, IDOL OF THE MOJAHEDDIN AND WIDELY REGARDED AS THE RELIGIOUS FIGURE WITH THE GREATEST SYMPATHY FOR LIBERAL/PROGRESSIVE POLITICS, CLASHED WITH KHOMEINI OVER THE KOMITEH SYSTEM FOLLOWING THE ARREST BY THE KOMITEHS OF HIS TWO SONS. THEIR RECONCILIATION HAS BEEN VARIOUSLY INTERPRETED. ONE THEORY IS THAT KHOMEINI THEREBY AGREED TO PAY LESS ATTENTION TO

RADICALS LIKE QOTBZADEH AND YAZDI AND TO AGREE TO THE TRANSFER OF POWER FROM THE KOMITEHS TO ELECTED COUNCILS IN WHICH THE LEFT MIGHT BE EXPECTED TO SECURE REPRESENTATION. BUT IT CAN EQUALLY BE ARGUED THAT IT WAS TALEGHANI WHO CONCEDED, IN PRACTICE, THAT IF ORGANISATIONS LIKE THE CHERIKHA AND THE MOJAHEDDIN PREVAILED AGAINST THE KOMITEHS, THIS COULD DESTROY THE ISLAMIC REVOLUTION. SIMILARLY, SHARIAT-MADARI (WHO HAS BEEN MILDLY CRITICAL IN PUBLIC OF THE REVOLUTIONARY TRIBUNALS) AND THE OTHER QOM AYATOLLAHS WHO HAVE TRADITIONALLY BEEN SUSPICIOUS OF KHOMEINI'S DEMAGOGY, SEEM TO BE REFRAINING FROM ROCKING THE BOAT TOO STRONGLY - WHILE AT THE SAME TIME RETAINING THEIR INDEPENDENCE.

6. WHERE DOES ALL THIS LEAVE BAZARGAN'S PREDOMINANTLY LIBERAL AND COMPROMISE GOVERNMENT? THERE ARE CONTINUED RUMOURS OF HIS WANTING TO RESIGN, AND CONTINUED CRITICISM OF THE GOVERNMENT'S INEFFECTIVENESS. THE GOVERNMENT IS LOOKING INCREASINGLY LIKE AN EXECUTIVE PANEL, WHILE THE REAL DECISIONS ARE TAKEN BY THE KHOMEINI ENTOURAGE (THE NEBULOUS REVOLUTIONARY COUNCIL). THE GOVERNMENT HAS TWO MAJOR ACHIEVEMENTS TO ITS CREDIT: THE SUCCESSFUL HOLDING OF THE REFERENDUM AND THE RESUMPTION OF OIL EXPORTS. SOME PAYMENTS ARE BEING MADE AND IN SOME AREAS ECONOMIC ACTIVITY IS BEGINNING TO REVIVE. PROVIDED BAZARGAN CAN BE PERSUADED TO SOLDIER ON THEREFORE, THIS GOVERNMENT LOOKS MORE DURABLE THAN IT DID A FEW WEEKS AGO. BUT IT HAS NOT MADE MUCH PROGRESS ON THE POLICIES TO WHICH IT IS OSTENSIBLY COMMITTED. IT HAS NOT YET SECURED THE PUBLICATION OF THE DRAFT CONSTITUTION, NOR MADE ANY OTHER PROGRESS ON DEFINING THE COUNTRY'S FUTURE REGIME (THE INITIATIVE ON REGIONAL COUNCILS (MY LETTER OF 26 APRIL TO MUNRO) WAS TAKEN OVER ITS HEAD). THE PROMISED AMNESTY SEEMS LIKELY TO BE A VERY LIMITED ONE. NOR HAS IT YET SUCCEEDED IN RE-ESTABLISHING THE ARMED FORCES (THOUGH SOME PROGRESS HAS BEEN MADE), OR THERE IS A LOT TO DO BEFORE THE ECONOMY CAN BE DESCRIBED AS REALLY CONVALESCENT. IT REMAINS A GROUP OF HONOURABLE, WELL-MEANING MEN WHO HAVE ACCEPTED THE OBLIGATION TO TACKLE THE COUNTRY'S DAUNTING MATERIAL AND TECHNICAL PROBLEMS BUT LACK THE AUTHORITY OR THE TEMPERAMENT EITHER TO DO THAT EFFECTIVELY OR TO DEFINE A LONG TERM POLITICAL STRATEGY.

7. HOWEVER, PROVIDED OIL EXPORTS AND REVENUES HOLD UP, THE REGIME (IE LEADERSHIP AND GOVERNMENT TOGETHER) MAY WELL BE ABLE IN THE SHORT TERM TO BUY OFF DISCONTENT ARISING FROM SUCH PROBLEMS, AND THUS GAIN FOR ITSELF TIME TO DEAL WITH THE MAJOR QUESTIONS OF THE FUTURE POLITICAL SHAPE OF THE COUNTRY. WHETHER BAZARGAN IS ABLE TO ADULTERATE SUFFICIENTLY THE FUNDAMENTALISM OF THE ISLAMIC LEADERSHIP, OR, IF NOT, WHETHER THE PUBLIC WILL LONG BE SATISFIED WITH THEIR ISLAMIC PRESCRIPTIONS REMAINS HIGHLY DOUBTFUL. BUT FOR THE TIME BEING KHOMEINI REMAINS VIRTUALLY UNDISPUTED AS THE LEADER OF THE REVOLUTION, AND THE ISLAMIC LEADERSHIP APPEARS TO HAVE RE-ASSERTED ITSELF SUCCESSFULLY.

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