

DCS REVIEWED 05-Mar-2007: DECLASSIFIED IN FULL

**The NSC has waived their classification
Equity for information within this White
House/NSC document.**

**Your agency has been determined to be the
Agency of primary interest.**

**Please review for your agency's equities and
obtain any necessary concurrences.**

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DRAFT MESSAGE FROM THE PRESIDENT

TO: Helmut Schmidt
(Also, with slight changes, to Valery Giscard d'Estaing,
Margaret Thatcher, Masayoshi Ohira, Hans Hurlimann)

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.

Unless the hostages are released and these attacks stopped, the U.S. (may) (will) be forced to take actions which could start a chain of events involving heavy costs and great risks for all of us. In an effort to avoid the necessity for such actions, I am asking your cooperation on certain limited financial steps which would bring immediate and meaningful economic and psychological pressure on Iran.

I am requesting that you advise either publicly or privately those major banks under your jurisdiction having significant outstanding credits to Iranian government entities to face the reality that it would be prudent for them to protect themselves against Iranian defaults that have occurred or may occur. Defaults already existing in several syndicate loans permit them to accelerate those and other loans due to them from these entities and to collect by setting off claims against liabilities or by

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attaching funds. The Export-Import Bank of the United States will be declaring defaults on loans to Iranian government entities and will move publicly to protect its position. I make this request only after the most thorough and careful consideration.

From a narrow banking point of view the action I am requesting may be troublesome. But the issues go far beyond this consideration. We are all in alliance together and we also have a common interest in preventing the turmoil in the foreign exchange markets which is likely to occur if we do not take cooperative action.

I am sending similar messages to President Giscard d'Estaing, Prime Minister **Thatcher**, Prime Minister Ohira and the President of the Swiss Confederation.

I am also dispatching _____ to Bonn as my personal representative to discuss any questions which your people may have about the details.

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