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WITHDRAWAL SHEET

Ronald Reagan Library

Collection: BURNS, WILLIAM J.: Files

Archivist: dlb

File Folder: Iran, [1987-1988] (1 of 5)

Date: 8/12/99

Box 91849

Page 1

Wills - F97-107/1

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. Memo	Robert Oakley to Frank Carlucci, re: Reimbursement to Iran, 3 p.	1/13/87	P1/F1/P5
2. Memo	Oakley to Carlucci, re: Update on Iranian Claims Tribunal, 1 p.	1/16/87	P1/F1, B3
3. Memo	Carlucci to Secretary of State, Secretary of the Treasury, et al., re: Operation..., 1 p.	2/26/87	P1/F1
4. Cable	Cable #072354Z Mar 87, 1 p.	3/7/87	P1/F1
5. Cable	Cable #051815Z Mar 87, 1 p.	3/5/87	P1/F1
6. Cable	Cable #191028Z Mar 87, 1 p.	3/19/87	P1/F1
7. Cable	Cable #191019Z Mar 87, 1 p.	3/19/87	P1/F1
8. Memo	Oakley, D. Barry Kelly, Paul Stevens to Carlucci, re: Reimbursement of Iran: State of Play at Hague Tribunal, 2 p.	3/11/87	P1/F1, B3
9. Talking Pts.	re: Reimbursement of Iran, 1 p.	n.d.	P1/F1, B3
10. Memo	Oakley to Colin Powell, re: CIA Paper on U.S. and Iran, 1 p.	3/20/87	P1/F1
11. Memo	Oakley to Carlucci, re: CIA Analysis of Iranian National Security Policy, 2 p.	3/24/87	P1/F1
12. Talking Pts.	re: Iran National Security Policy, 1 p.	n.d.	P1/F1
13. Report	Iranian National Security Policy, 8 p.	3/25/87	P1/F1, B3
14. Memo	Copy of Item #11, 2 p.	3/24/87	P1/F1
15. Memo	Oakley, Stevens to Carlucci, re: Hague Tribunal, 1 p.	5/5/87	P1/F1

R 8/27/01 F97-107/1 #14

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P-1 National security classified information [(a)(1) of the PRA].
- P-2 Relating to appointment to Federal office [(a)(2) of the PRA].
- P-3 Release would violate a Federal statute [(a)(3) of the PRA].
- P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA].
- P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA].
- P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA].

C. Closed in accordance with restrictions contained in donor's deed of gift.

Freedom of Information Act - [5 U.S.C. 552(b)]

- F-1 National security classified information [(b)(1) of the FOIA].
- F-2 Release could disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA].
- F-3 Release would violate a Federal statute [(b)(3) of the FOIA].
- F-4 Release would disclose trade secrets or confidential commercial or financial information [(b)(4) of the FOIA].
- F-5 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA].
- F-6 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA].
- F-7 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA].
- F-8 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA].

WITHDRAWAL SHEET

Ronald Reagan Library

Collection: BURNS, WILLIAM J.: Files

Archivist: dlb

File Folder: Iran, [1987-1988] (1 of 5)

Date: 8/12/99

Box 91849

Page 2

Wills - F97-107/1

DOCUMENT NO AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
16. Memo	Oakley to Carlueei, re: Messages to Iran, 1 p. <i>R 4/7/06 F97-107/1 #15</i>	6/8/87	P1/F1
17. Message	to Iran, 2 p. <i>R " " #16</i>	5/23/87	P1/F1
18. Cable	No cable #, re: Attack on the USS Stark, 2 p. <i>D " " #17</i>	5/21/87	P1/F1
19. Cable	Copy of Item #4, 1 p. <i>D " " #18</i>	3/7/87	P1/F1
20. Cable	Copy of Item #6, 1 p. <i>D " " #19</i>	3/19/87	P1/F1
21. Cable	Copy of Item #5, 1 p. <i>D " " #20</i>	3/5/87	P1/F1
22. Cable	Copy of Item #7, 1 p. <i>D " " #21</i>	3/19/87	P1/F1
23. Memo	Oakley to John D. Negroponte, re: Planning for Khomeni's Passing, 3 p. <i>PART. " " #22</i>	6/22/87	P1/F1
24. Memo	Oakley to Powell, re: Interagency Support Group for Operation..., 1 p. <i>R " " #23</i>	8/18/87	P1/F1
25. Memo	Grant Green to Melvyn Levitsky, William Matz, et al., re: Operation..., 2 p. <i>R " " #24</i>	8/19/87	P1/F1
26. Memo	Copy of Item #3, 1 p. <i>R " " #25</i>	2/26/87	P1/F1

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P-1 National security classified information [(a)(1) of the PRA].
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- F-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA].



Ronald Reagan Library

40 Presidential Drive Simi Valley, California 93065-0699

Date: August 12, 1999

To : Memo for the Record

Subject: File Index for Iran, [1987-1988] Folder in William Burns Collection

Reply to: Diane Barrie

At the time of processing this folder, the folder index was attached to the inside of the accordion folder front panel. The documents were numbered at the NSC and are foldered in this order. There was additional material within this folder which is not on the index list. It is filed at the end of the folder in chronological order. Since it is dated 6/88-10/88, we assume that there was no update of this material on the index list at the end of the administration.

FILE INDEX FOR IRAN

FILE INDEX FOR WILLIAM J. BURNS

NO.	SUBJECT	DATE
A	Wall Street Journal, The Prudent Option	Nov 24, 1986
1	Carlucci Memo re: Reimbursement to Iran	Jan 13, 1987
2	Carlucci Memo re: Update on Iranian Claims Tribunal	Jan 16, 1987
3	Multi-Memo re: Operation	Feb 26, 1987
4	Cable: Demarche to Iran on Hostages Safety	Mar 7, 1987
5	Carlucci Memo re: Reimbursement of Iran	Mar 11, 1987
6	Powell Memo re: CIA Paper on US & Iran	Mar 20, 1987
7	Carlucci Memo re: CIA Analysis of Iranian National Security Policy	Mar 24, 1987
8	Carlucci Memo re: Hague Tribunal Compliance	May 5, 1987
9	Powell Memo re: Messages to Iran	Jun 8, 1987
10	Carlucci Memo re: Semi-Annual Report to Congress on Iranian Emergency	Jun 9, 1987
11	Negroponte Memo re: Planning for Kheomini's Passing	Jun 22, 1988
12	Powell Memo re: Interagency Support Group for Operation	Aug 18, 1987
13	Operation Memo	Aug 27, 1987
14	Talking Points re: Iran Initiative & Operation	Undated
15	Carlucci Memo re: Implementation of Foreign Policy Export Controls	Sep 11, 1987
16	Carlucci Memo re: Sep 30 SWC Breakfast	Sep 29, 1987
17	State Memo re: Mtg w/Kevin Kattke	Oct 21, 1987
18	Powell Memo re: NSA Restrictiveness	Nov 3, 1987
19	Oakley to Armitage re: Algerian Ambassador	Nov 4, 1987
20	Carlucci Memo re: Continuation of Iranian Emergency	Nov 9, 1987
21	Executive Order: Prohibiting Imports from Iran	Undated
22	Carlucci Memo re: Communications w/Iran	Oct 11, 1987
23	Clarke Memo re: US-Iranian Demarches	Nov 12, 1987
24	Shultz Ltr from Arnie Raphel	Undated
25	State Memo re: Conversaion w/Mr. Hi'iy	Jan 20, 1988
26	Powell Memo re: Return of Iranian Funds Pursuant to Order of Iran-US Claims Tribunal	Jan 25, 1988
27	TPs for Sec w/President, 4/11	Undated
28	Cable: Iran/Iraq: SYG Transmits Msg from Larijani	Apr 8, 1988
29	Cable: Response to Larijani	Apr 13, 1988
30	Cable: Iran/Iraq: Response to Larijani	Apr 13, 1988
31	Cable: Msg for Sec General	Apr 19, 1988
32	Powell Memo re: Return of Iranian Funds	Apr 19, 1988
33	Cable: Msg for SYG/Larijani	Apr 19, 1988
34	Msg to Zia	Apr 20, 1988
35	Cable: Demarche to Tehran	Apr 29, 1988
36	Cable: Demarch in Tehran	Apr 30, 1988
37	Cable: Demarch to Tehran	May 6, 1988
38	Cable: Demarche to Tehran(corrected)	May 6, 1988

FILE INDEX FOR IRAN
FILE INDEX FOR WILLIAM J. BURNS

<u>NO.</u>	<u>SUBJECT</u>	<u>DATE</u>
39	Cable: Msg to Iran	May 7, 1988
40	Djerejian Memo re: Actg Secy's Lunch w/Iran Specialists	May 13, 1988
41	Msg from Iran	May 15, 1988
42	Cable: Msg to Iran	May 20, 1988
43	Oakley Memo re: Semiannual Report to Congress on Iran	May 23, 1988
44	Ltr frm Kato to Burleigh	Jun 8, 1988
45	Gregg Memo re: US-Iran Relations	Jun 9, 1988
46	Powell Memo re: Latest Japanese-Iran Contact	Jun 14, 1988
47	Negroponte Memo re: CIA Memo on Iran & 598	Jun 16, 1988
48	Cable: Iran: A probe from Rafsanjani?	Jun 28, 1988
49	Talking Points re: Iran	Undated
50	Powell Memo re: Iranian Accept of 598	Jul 18, 1988
51	Iran-US Claims Tribunal	Jul 29, 1988
52	Pencilled Draft: US Policy & Iran	Undated

The Prudent Option in Iran

By JOHN M. POINDEXTER

Managing foreign policy is rarely simple. The president must not only respond to events, but try to shape them as well. When countries of strategic significance, like Iran, are in the midst of transitions, one can choose to sit back and ride it out or try to be active and shape the emerging reality.

While the risks of action are always apparent, the risks and costs of inaction may be less obvious but frequently even more damaging. Few would argue that we paid a high price for not anticipating the potential for convulsive change in Iran in the late 1970s. Maybe there was little we could have done to alter the events of that time, but there is precious little evidence that we anticipated the profound changes that took place or did anything to position ourselves to shape or cope with that new reality.

We were overtaken and overwhelmed by the Iranian revolution and its aftermath. We were traumatized by the new regime and its virulent anti-American posture. Rather than continuing to paralyze us, that trauma ought to be a potent reminder of the costs of waiting for change and not trying to shape it.

Today, change is again looming in Iran and the signs have been apparent for some time. The current transition won't return us to the pre-1979 days, but the consequences and outcome of this transition—though remaining unclear—may still prove to be very dramatic. The actual unraveling and disintegration of Iran is a distinct possibility as the costs of war prove increasingly ruinous to the Iranian economy, factions harden and struggle intensifies in anticipation of Khomeini's eventual death.

Keeping the Country Intact

Neither we nor our regional friends have an interest in Iran's disintegration. Iran is a critical geographic and strategic buffer that physically separates the Soviet Union from the Persian Gulf. No one in the area wants to see that buffer disappear.

Pragmatic elements in the Iranian leadership understand what has been happening internally and the need to face up to their problems if they are to keep their country intact and sustain Mullah rule. At a minimum, they have begun to search for ways to reduce their international isolation and establish more normal relations with the outside world. In these circumstances, it is not surprising that we would begin to get "feelers" from intermediaries representing those in Iran who appreciate the

problematic nature of their own situation.

We did not respond immediately to these signals. Rather, we wanted to be sure that the signals were coming from credible, authoritative leaders. We had and continue to have no illusions about the individuals we have been dealing with or what could emerge from this dialogue.

A pro-U.S. leadership that invites us back into Iran is not in the cards. But that's also not necessary to serve our interests of building peace and stability in this region; of maintaining a bulwark against Soviet expansionism; or of ending a brutal war whose hideous consumption of human

type—was not that important. In fact, the amount sold equaled to about 1/1000 the total value of arms already bought by Iran during the war. It was also clear that the arms embargo was not to be lifted, nor was this their objective. What was important was the demonstration of power and willingness to make the limited exception to sell arms: a sign of serious intent in our dialogue.

For our part, we needed Iranian demonstrations as well. We told our interlocutors that we must see signs of Iranian opposition to the use of terrorism and that they must also help gain the release of U.S. hostages in Lebanon. There were signs: Iran-

Those who now question us owe the country an explanation of how they would have acted differently given the stakes, the opportunities and the dangers.

life—especially a nation's precious youth—is almost without precedent, yet has seemingly escaped public attention in the U.S.

What we seek is an Iran that lives at peace with its neighbors; that desires neither to undermine them nor to export revolution; and that no longer supports terror as an instrument of policy. We accept the Islamic revolution as a fact and believe that an Iran that is independent, economically healthy, and living in peace with its neighbors can be a force for stability in the region.

That, of course, requires the emergence of an Iranian leadership that is prepared to accept a similar vision and role for Iran. We have seen the growth of such pragmatic elements in Iran, and, as a result, we began a tentative, probing dialogue with them. As a minimum, we were building a channel for communication.

As this dialogue began, it was characterized by deep mutual suspicion—rooted in history with painful, vivid images and memories on both sides. We each sought to probe the motives and seriousness of the other. For the Iranians—who were running great personal risks—a demonstration of presidential involvement and support for the dialogue was deemed essential; in their eyes, since only the president could authorize a sale of military material of some sort, this was viewed as a clear and convincing measure of presidential support. Moreover, arms are an important, valued commodity in the Middle East. The amount of arms—for that matter even the

Iran public opposition to the use of terror; the cessation of hostage taking by some Iranian-supported factions; the arrest of government officials linked to terrorist activities; Iranian intercession with the TWA hijackers last summer in Beirut; their quick opposition to the Pan Am hijacking in Karachi and their immediate and public denial of landing rights; and the release of Benjamin Weir, Father Jenco, and David Jacobson, held in Lebanon by the Islamic Jihad.

Throughout, it is important to note, the policy basis of all our actions—overt and covert—was consistent: bring about an end to the Iran-Iraq war, and stop state-sponsored terrorism. Actions to achieve policy objectives should not be confused with the objectives themselves. For example, our arms embargo is not a policy objective but simply an action taken to bring about an end to the Iran-Iraq war.

Let me reiterate one point: The Iranians who have been part of this dialogue and who have been responsible for these demonstrations are not pro-American. They are pro-Iranian. It is their understanding of Iranian needs and the importance of community that is motivating them.

Would it be responsible for us not to try to reach out to such groups—especially when they indicate a desire for a dialogue and contact with us? Would we serve U.S. interests or the interests of our friends in the Gulf if we were to avoid building relations with these groups as the process of jockeying for position in the post-Khomeini

period has gotten under way? How many would be quick to castigate us—or any administration—for not using a variety of instruments to position ourselves to deal with the looming struggle in Iran?

If Iran were a country with little strategic weight or significance, we could afford to take a relaxed, disinterested view of developments there. Unfortunately, we cannot. The Persian Gulf's importance will not simply fade away. It remains a critical strategic crossroads. Moreover, while the oil market of today may suggest diminished importance, in the mid-1990s that is not likely to be the case any longer—and stability in the region will continue to be vital to the well-being of the Western world.

Stakes Justified the Risk

We must think ahead and think strategically. We are, as a result, working strategically, trying to enhance the longer-term stability of this vital region. In the course of doing so, we are not losing sight of our near-term objectives of ending the war honorably; stopping state-supported terrorism; and getting our hostages out of Lebanon.

We felt we were making progress in each of those areas. With publicity overwhelming this sensitive undertaking, it is not clear what will now happen to this dialogue.

What is clear, however, is that we took a calculated risk in going ahead with the dialogue and developing it. The president believes that the strategic objectives we were pursuing and the stakes involved in Iran justified this risk. Leadership often requires tough decisions and tough choices. Statesmanship is rarely revealed when the choices are easy.

Those who question us now are right to do so. But rather than only criticize what we did, they owe the country an explanation of how they would have acted differently given the stakes, the opportunities and the dangers. They need to tell us how and why they would have turned aside the kinds of overtures we were receiving. They need to tell us how they would have gone about protecting such an obviously sensitive mission. And they need to tell us how they would safeguard our interests in circumstances where the future stability of this vital region may hinge on the unfolding drama in Iran today.

Vice Admiral Poindexter is national security adviser to President Reagan.

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WITHDRAWAL SHEET AT THE FRONT OF THIS FOLDER.

January __, 1987

~~LIMITED OFFICIAL USE~~

Professor Karl-Heinz Bockstiegel
President, Iran-United States Claims Tribunal
Parkweg 13
The Hague

Dear Mr. President:

As you are aware, representatives of the Federal Reserve Bank of New York ("New York Fed") and Bank Markazi Iran have held a series of meetings pursuant to the Tribunal's Interlocutory Award of August 20, 1986 in Case No. A/15 (I-G). The purpose of these meetings has been, as directed by that Award, to resolve the technical issues involved in the transfer to Iran of certain Iranian funds currently held by the New York Fed. The United States has every intention of continuing those meetings, with the objective of reaching agreement on the outstanding technical issues, and of implementing in good faith the Tribunal's Interlocutory Award.

During the course of these discussions, officials of the Government of Iran not directly involved in the discussions have made a series of statements suggesting that the return of these Iranian funds to Iran is a precondition to the release of American hostages in Lebanon. These statements have made it unacceptable to the U.S. Government to complete the transfer of the funds in question without further action by the Tribunal to make clear that no linkage exists between compliance with the Tribunal's orders and the detention of innocent hostages contrary to international law.

The American people cannot be placed in a position where their Government's compliance with Tribunal orders will appear to be acquiescence to extortion and terrorism. The United States is not willing to pay any sum for the release of hostages, or to surrender any of its rights and privileges under the Algiers Accords, in exchange for the exercise by Iran of its influence in obtaining the release of hostages. Indeed, the United States is not prepared even to appear to have done so.

~~LIMITED OFFICIAL USE~~

dlb 8/12/91

- 2 -

It is contrary to international law for any State to take hostages or assist others in doing so, and States may not withhold reasonable steps to promote the release of hostages for the purpose of extracting political concessions. If Iran has any means of using its influence to bring about the release of American hostages, it should do so at once, without demanding as a precondition any steps by the U.S. Government concerning matters before the Tribunal.

The Algiers Accords expressly require that Iran and the United States resolve their differences under the Accords through arbitration based on "respect for law." The Tribunal must not allow this principle to be undermined by implications that implementation of any of the Tribunal's awards is connected in any way to acts which are blatant violations of international law.

For these reasons, the United States respectfully requests that the Tribunal take action, based on its continuing jurisdiction over Case No. A/15 (I-G) and its jurisdiction to consider questions of interpretation or performance of the relevant parts of the Algiers Accords, to remedy this situation. Specifically, the United States requests the Tribunal to make clear that implementation of the A/15 (I-G) Award (and all other Tribunal decisions) is not to be linked to the unlawful taking and detention of hostages; to order Iran to clarify for the record its understanding and position on this issue; and to direct that, following the resolution of the technical issues which are the subject of the ongoing negotiations, the Iranian funds remaining (after sufficient funds are reserved for outstanding claims) be transferred to a suitable trust account, to be disposed of on the specific further order of the Tribunal. These funds are, as we have said repeatedly, Iranian property; but we will not surrender them in a context that makes our obedience to Tribunal orders appear to be a form of acquiescence to improper extrajudicial Iranian demands.

The U.S. request is attached.

Respectfully submitted,

High. Fully as a new

John R. Crook
Agent of the United States

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THE WHITE HOUSE
WASHINGTON

SYSTEM II
90191

February 26, 1987

M

MEMORANDUM FOR THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
THE SECRETARY OF DEFENSE
THE ATTORNEY GENERAL
THE SECRETARY OF COMMERCE
THE DIRECTOR, CENTRAL INTELLIGENCE AGENCY

SUBJECT: Operation Staunch ~~(S)~~

The President was very pleased to hear at the February 12 National Security Planning Group Meeting on the Middle East that you and your staffs are vigorously pursuing Operation Staunch. He urges that you continue your efforts, which are a crucial part of our general strategy for helping to bring the Iran-Iraq war to the earliest possible negotiated end. It will be important for our credibility in approaching foreign governments for the State Department to provide an assessment of what is being done to prohibit the export of weapons or spare parts to Iran from this country. The Justice and Treasury Departments should provide State with a comprehensive review of our efforts by March 31, 1987. ~~(S)~~

Frank C. Carlucci
Frank C. Carlucci

cc: Vice President
Chairman, JCS

DECLASSIFIED
NLS 197-107/1#2
BY 105 DATE 4/7/06

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Declassify on: OADR

~~SECRET~~

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2067

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

March 20, 1987

OAKLEY

6

Frank, FYE only
Nat'l Sec Advisor has seen
Cb

INFORMATION

MEMORANDUM FOR COLIN L. POWELL

FROM: ROBERT B. OAKLEY *RB*

SUBJECT: CIA Paper on U.S. and Iran

~~REDACTED~~

~~ACTED~~

~~REDACTED~~

~~_____~~ and the media attention which is just now emerging. The cumulative effect is what is significant here, not the wording of diplomatic messages to Tehran. (They have received too many U.S. threats.) Moreover, we have succeeded thusfar in making clear to the Iranians our seriousness without being needlessly provocative. We are also on the right track in public diplomacy, ~~_____~~

I agree ~~_____~~ that State ought to do more to stimulate pressure on Iran from our friends and Allies, who are far more dependent on the free flow of oil from the Gulf than we are. I have suggested to Frank that he raise this point in the March 23 NSPG.

DONE

Attachment

Tab A CIA Paper *(w/d)*

~~SECRET~~

Declassify on: OADR

DECLASSIFIED IN PART

NLS *97-10711 #9*

By *CS* NARA, Date *5/7/01*

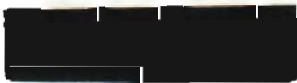
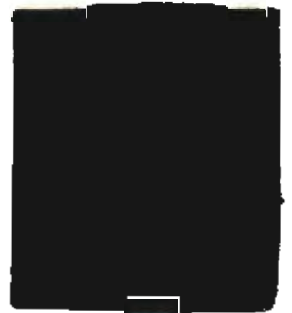
THE WHITE HOUSE
WASHINGTON

19/3

Bob Casey,

FYI.

Colin



~~TOP SECRET~~

SYSTEM IV
40170

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

March 24, 1987

ACTION

MEMORANDUM FOR FRANK C. CARLUCCI

FROM: ROBERT B. OAKLEY *RB*

SUBJECT: CIA Analysis of Iranian National
Security Policy

Attached is an excellent CIA analysis which concludes that Iran's foreign policy tactics have become increasingly pragmatic and effective over the past year--but that its basic revolutionary goals remain unchanged. Radicals and conservatives within the Iranian leadership share the same fundamental objectives: overthrow Saddam Hussein and defeat Iraq; expand Iranian influence in the Gulf; and sustain the appeal and power of the Iranian revolutionary model throughout the region. [REDACTED]

~~REDACTED~~

~~REDACTED~~

(CTF)

The Iranians have increased their leverage over the Gulf states by cleverly exploiting Tehran's three key assets: terrorism and the threat of terrorism, military successes against Iraq and military pressure on Gulf shipping, and the promise of improved bilateral relations (and relief from threats) in return for cessation of support for Iraq. [REDACTED]

~~REDACTED~~

[REDACTED] The distancing by Gulf states from the U.S. over the past several months has been in large part due to the combination of Iranian pressure and our apparent unwillingness to respond, as well as the embarrassment caused by revelations of arms for hostages.

~~TOP SECRET~~

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NLS 97-107/1 #10

By: *CS*, NARA, Date 5/7/01

~~REDACTED~~~~REDACTED~~~~CTED~~~~REDACTED~~

The Iranians' recent tactical successes have reinforced their belief that their adversaries will eventually fold and deal on Iranian terms. The only way to counter this and cause the Iranians to rethink their objectives and moderate their behavior is to do exactly what we have been doing over the last couple of months: lay out our positions clearly and stick to them, stand up to Iranian threats, and bolster our friends in the Gulf. We don't want to be provocative or confrontational, but we have to be steady and firm. Anything less than that will only encourage the Iranians to continue to pursue policies inimical to our interests.

RECOMMENDATION

That you brief the President using the talking points at Tab A.

Approve _____

Disapprove _____

Attachments

Tab A Talking Points
Tab B CIA Study

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ROUTING

To	Name and Address	Date	Initials
1	FRANK CARLUCCI		
2			
3	<i>Orley Burrows</i>		
4			
5			
6			

~~TOP SECRET~~

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COPY NO. 1 OF 4

HANDLE VIA SYSTEM IV CHANNEL ONLY

XX	ACTION	FILE
XX	APPROVAL	INFORMATION
	COMMENT	PREPARE REPLY
	CONCURRENCE	RECOMMENDATION
	DIRECT REPLY	RETURN
	DISPATCH	SIGNATURE

REMARKS:

NSC INTELLIGENCE DOCUMENT



Warning Notice

Intelligence Sources and Methods Involved

NATIONAL SECURITY INFORMATION

Unauthorized Disclosure Subject to Criminal Sanctions



DECLASSIFIED

White House Guidelines, August 28, 1997

By dlb NARA, Date 8/12/99

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SYSTEM IV
40170

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

March 24, 1987

Handwritten: Oakley Burns

ACTION

MEMORANDUM FOR FRANK C. CARLUCCI

FROM: ROBERT B. OAKLEY *RB*

Natl Sec Advisor
has seen

SUBJECT: CIA Analysis of Iranian National
Security Policy

Attached is an excellent CIA analysis which concludes that Iran's foreign policy tactics have become increasingly pragmatic and effective over the past year--but that its basic revolutionary goals remain unchanged. Radicals and conservatives within the Iranian leadership share the same fundamental objectives: overthrow Saddam Hussein and defeat Iraq; expand Iranian influence in the Gulf; and sustain the appeal and power of the Iranian revolutionary model throughout the region.

The Iranians have increased their leverage over the Gulf states by cleverly exploiting Tehran's three key assets: terrorism and the threat of terrorism, military successes against Iraq and military pressure on Gulf shipping, and the promise of improved bilateral relations (and relief from threats) in return for cessation of support for Iraq.

The distancing by Gulf states from the U.S. over the past several months has been in large part due to the combination of Iranian pressure and our apparent unwillingness to respond, as well as the embarrassment caused by revelations of arms for hostages.

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Declassify on: OADR

DECLASSIFIED IN PART

NLS F97-107/1 #13

By 101, NARA, Date 4/7/06

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FOIA(b)(1)

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-2-

FOIA(b) (1)

The Iranians' recent tactical successes have reinforced their belief that their adversaries will eventually fold and deal on Iranian terms. The only way to counter this and cause the Iranians to rethink their objectives and moderate their behavior is to do exactly what we have been doing over the last couple of months: lay out our positions clearly and stick to them, stand up to Iranian threats, and bolster our friends in the Gulf. We don't want to be provocative or confrontational, but we have to be steady and firm. Anything less than that will only encourage the Iranians to continue to pursue policies inimical to our interests.

Bany Kelly, concurs. 3/24
BA

RECOMMENDATION

That you brief the President using the talking points at Tab A.

Approve _____

Disapprove _____

Attachments

Tab A Talking Points
Tab B CIA Study

FRANK,
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3423

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20508

May 5, 1987

Deputy Natl Sec Advisor
has seen

OAKLEY

INFORMATION

MEMORANDUM FOR FRANK C. CARLUCCI

FROM: ROBERT B. OAKLEY
PAUL STEVENS

SUBJECT: Hague Tribunal Compliance

On May 4 the Hague Tribunal issued an order calling for immediate transfer to Iran of \$435 million of the \$500 million in Iranian funds attributable to 1981 Iranian overpayments to the NY Fed in 1981. The Tribunal stated that "there can be no room for any doubt that this Case . . . and, in particular, the implementation of the Interlocutory Award" on which the transfer is based "has no relation or link whatsoever to the issue of hostages held in Lebanon or any other political matter." The three American arbitrators concurred in the decision, which also operates to release the U.S. from any claims related to the administration of the Iranian funds in its custody. State and Justice (and DOD General Counsel) believe there is no further legal recourse. A refusal to pay would have no basis in law, and would cause serious damage to the prospects of private Americans whose claims against Iran total many millions of dollars. It also would lead quickly to the initiation of enforcement action by Iran in a U.S. District Court, which Iran would almost certainly win.

State is preparing an interagency memo for the President. It has obtained Justice approval for compliance with the May 4 order and is prepared to brief the press and Congress, as well as foreign governments, as soon as the President takes a final decision. DOD believes that we (unfortunately) must release Iran's money, but the four months delay has been valuable. Secretary Weinberger nonetheless is unhappy with the prospect (so are we all). Assistant Secretary Armitage suggests you call Cap, once again, to let him express his unhappiness, but that the process of a review and approval proceed. Secretary Baker has not yet given a response, but his staff is recommending compliance with the Tribunal order.

This issue has been discussed at length on several occasions. The string seems to have run out. We believe the President should approve compliance with the proper legal opinion of the Tribunal, but delay actual payment as long as possible (probably ten days maximum according to State lawyers handling the case), while explaining our position at home and abroad.

~~CONFIDENTIAL~~

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STORY.

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NLS E97-107, #14
BY CTS NARA, DATE 8/27/01

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SYSTEM II
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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

June 8, 1987

9

INFORMATION

MEMORANDUM FOR COLIN L. POWELL

FROM: ROBERT B. OAKLEY

SUBJECT: Messages to Iran

Attached are copies of our recent messages to the Iranians. The most recent, at Tab A, is extremely sensitive, and was conveyed by Mike Armacost to the Swiss Charge on May 23 and subsequently delivered to the Iranian Government. There has been no response.

Tab B contains our May 21 warning to Tehran on tightened rules of engagement in the wake of the attack on the Stark. It is identical to the message sent to Baghdad. Tabs C and D contain our March demarches on hostage safety and the SILKWORM, along with Swiss confirmation of delivery.

Attachments

Tab A	May 23 Message to Iran
Tab B	Message on Tightened ROE
Tab C	Demarche on Hostage Safety
Tab D	Demarche on SILKWORM

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NLS F97-107/1#15

BY hdi, NARA, DATE 4/7/06

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DELIVERED
TO SWISS CHARGE MAY 23, 1987. Final
5/23/87

~~SECRET~~

MESSAGE TO IRAN

The U.S. Government takes this opportunity, through the good offices of the Swiss Ambassador in Tehran who has our full confidence, to communicate with the Islamic Republic of Iran. By now the Government of the Islamic Republic is aware of the U.S. Government's decision with regard to the May 4, 1987 order of the Iran-U.S. Claims Tribunal in Case A/15 [1:G]. Pursuant to that Tribunal decision, the U.S. Government has transferred to the Bank of England the sum ordered by the Tribunal. The U.S. Government has taken this decision despite its view that the continuing statements of senior Iranian officials linking the return of Iranian assets to the fate of American citizens held hostage in Lebanon are unacceptable.

The U.S. Government will abide by its international undertakings. It expects that the Islamic Republic will also abide by and support all relevant principles of international law, inter alia, as stated in the U.S. brief of January 15, 1987 before the Tribunal.

We also take this opportunity to communicate certain basic principles of U.S. policy toward the Persian Gulf states -- including Iran -- and would welcome an authoritative Iranian reaction to them.

A. As President Reagan publicly stated in November 1986, the U.S. accepts the Iranian revolution as a fact of history. The people of Iran are the sole legitimate arbiters of the constitutional arrangements in Iran.

B. The U.S. believes that the current estrangement between Iran and the U.S. does not serve the long-term interests of either country. In the short run, it also poses obstacles to cooperation in areas where our interests converge--as in promoting a withdrawal of Soviet troops from Afghanistan.

C. The U.S. views its relations with and commitments to friendly Arab governments in the Persian Gulf region to be of fundamental importance to U.S. economic, political and strategic interests. We will continue to support them and are committed to their individual and collective self-defense efforts. The position of the USG on this matter is set forth in President Reagan's public statement of February 25, 1987.

D. Because of these commitments, and in consideration of the tremendous human suffering in both Iran and Iraq which the war has caused, the U.S. is determined to use its influence to help bring the war to an end -- with the independence and territorial integrity of both Iran and Iraq intact.

DECLASSIFIED

NLS F97-107/1#16

BY 105 DATE 4/7/06

E. As the Islamic Republic is aware, the U.S. has long been committed to the principle of free navigation and to keeping open the Strait of Hormuz for the free flow of oil. The U.S. Navy has for years operated in the Persian Gulf. Its presence supports the maintenance of these commitments. The U.S. observes neutrality with respect to the Iran-Iraq war and the U.S. will fully respect the rules of neutrality. Ships under U.S. flag or U.S. protection do not carry arms destined for either country. We expect that the Islamic Republic will take no action to interfere with the free passage of U.S. naval vessels or the free passage of other ships under U.S. flag or the protection of U.S. naval vessels. Recent Iranian officials' threats in this regard are unhelpful. If the leaders of the Islamic Republic aspire to future cooperation with the United States, it is important that the current situation in the Gulf be handled prudently and that Iranian forces take no steps which will provoke a U.S. reaction. The U.S. also intends to follow a prudent and careful course.

F. Recent Iranian actions to increase the danger to neutral international shipping in the Persian Gulf and through the Strait of Hormuz, by naval and air attack and by taking steps to install the Silkworm anti-ship missiles, are unhelpful and dangerous. We have communicated to the Islamic Republic the seriousness with which we view these developments.

G. Profound differences exist between Iran and the U.S. with respect to the Gulf war, Iranian support for terrorism and subversion and Iran's failure to use its evident influence over groups in Lebanon which hold American -- and other -- hostages to gain their release. Prompt and decisive action by Iran to (1) effect a ceasefire in the war with Iraq and a withdrawal of troops to international borders; (2) secure the release of our hostages; (3) improve bilateral relationships with Persian Gulf neighbors in order to improve regional stability-- all these would be constructive efforts in their own right and would remove obstacles to normal U.S.-Iran relations.

H. It is our hope that the problems discussed above can be resolved rather than lead to further difficulties. Both our countries would benefit by movement toward better relations.

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CONFIDENTIAL

4318

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

June 9, 1987

10

ACTION

MEMORANDUM FOR FRANK C. CARLUCCI

FROM: ROBERT B. OAKLEY *RB*

SUBJECT: Semi-Annual Report to Congress on the
Iranian Emergency

The President is required by law to submit a report to the Congress every six months on the Iranian emergency, which was declared on November 14, 1979. The last report on this subject was transmitted in November 1986. Secretary Baker recommends that the President sign the message at Tab A and transmit it to the Hill as soon as possible.

The report proposed by Treasury is a straightforward summary of the work of the Iran-U.S. Claims Tribunal over the past six months. It includes a review of our recent decision to comply with the Tribunal's order to return some \$450 million in Iranian funds to Iran, emphasizing that we first secured a formal declaration from the Tribunal that the case had no link whatsoever to the hostage issue.

State and Justice have cleared the proposed report.

PK Paul Stevens and Steve *SFL* Danzansky concur.

RECOMMENDATION

That you sign the memorandum to the President at Tab I.

Approve *K* Disapprove

Attachments

Tab I Memo for the President
Tab A Report to Congress
Tab B Letter from Treasury

CONFIDENTIAL

Declassify on: OADR

DECLASSIFIED
White House Guidelines, August 28, 1997
By *dlb* NARA, Date *8/12/99*

**NATIONAL SECURITY COUNCIL
EXECUTIVE SECRETARIAT STAFFING DOCUMENT**

TIME STAMP

SYSTEM LOG NUMBER:

4318

87 JUN 5 P 2: 38

ACTION OFFICER:

Barlow

DUE:

10 JUN

☐ Prepare Memo For President

☐ Prepare Memo Green to Peterson / Murr

☒ Prepare Memo For Carlucci / Powell

☐ Appropriate Action

☐ Prepare Memo _____

to _____

CONCURRENCES/COMMENTS*

PHONE* to action officer at ext. 6900

FYI

☐ ☐ Batjer
☐ ☐ Bemis
☐ ☐ Brooks
☐ ☐ Burns
☐ ☐ Childress
☐ ☐ Cobb
☐ ☐ Cockell
☐ ☐ Cohen
☐ ☐ Collins
☐ ☐ Danzansky
☐ ☐ Dean, B.
☐ ☐ Donley
☐ ☐ Douglass
☐ ☐ Ermarth
☐ ☐ Farrar
☐ ☐ Flower
☐ ☒ Fortier
☐ ☐ Grimes

FYI

☐ ☐ Henhoeffer
☐ ☐ Howard
☐ ☐ Kelly, B.
☐ ☐ Kelly, J.
☐ ☐ Kimberling
☐ ☐ Kissell
☐ ☐ Kraemer
☐ ☐ Linhard
☐ ☐ Mahley
☐ ☐ Major
☐ ☐ Mathews
☐ ☐ McNamara
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☐ ☐ Sommer
☐ ☐ Sorzano
☐ ☐ Steiner
☒ ☐ Stevens
☐ ☐ Tahir-Kheli
☐ ☐ Thompson
☐ ☐ Tice
☐ ☐ Tillman
☐ ☐ Tobey
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INFORMATION

☐ Green
☐ Carlucci (advance)

☒ Pearson
☒ Powell (advance)

☒ Secretariat
☐ _____

COMMENTS

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Return to Secretariat

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~~CONFIDENTIAL~~
THE WHITE HOUSE
WASHINGTON

Brms
4318

RBO

June 11, 1987

ACTION

MEMORANDUM FOR THE PRESIDENT

President sgd per WH
Executive Clerk *W/H*

THROUGH: White House Executive Clerk
FROM: Frank C. Carlucci *CS*
SUBJECT: Semi-Annual Report to Congress on the
Iranian Emergency

Issue

Whether to approve the semi-annual report to Congress on the Iranian emergency.

Facts

You are required by law to transmit a report to Congress every six months on the Iranian emergency, which was declared on November 14, 1979. Your last report on this subject was submitted in November 1986.

Discussion

Secretary Baker recommends that you sign the message at Tab A, which is a straightforward summary of the work of the Iran-U.S. Claims Tribunal over the past six months. It includes a review of our recent decision to comply with the Tribunal's order to return some \$450 million in Iranian funds to Iran, emphasizing that we first secured a formal declaration from the Tribunal that the case had no link whatsoever to the hostage issue.

Recommendation

OK

No

That you sign the report at Tab A

Attachments

Tab A Report to Congress
Tab B Letter from Treasury

DECLASSIFIED
White House Guidelines, August 28, 1997
By *dib* NARA, Date *8/12/97*

~~CONFIDENTIAL~~

Declassify on: OADR

cc Vice President
Chief of Staff

~~CONFIDENTIAL~~

TO THE CONGRESS OF THE UNITED STATES:

This report is made pursuant to Section 204(c) of the International Emergency Economic Powers Act, 50 U.S.C. 1703(c), and, as with previous reports, discusses only matters concerning the national emergency with respect to Iran that was declared in Executive Order No. 12170 of November 14, 1979. This report covers events through May 14, 1987, including those that occurred since my last report on November 21, 1986.

1. The Iran-United States Claims Tribunal (the "Tribunal"), established at The Hague pursuant to the Claims Settlement Agreement of January 19, 1981 (the "Algiers Accords"), continues to make progress in arbitrating the claims before it. Since my last report, the Tribunal has rendered 44 awards, for a total of 304 awards. Of that total, 228 have been awards in favor of American claimants: 139 of these were awards on agreed terms, authorizing and approving payment of settlements negotiated by the parties, and 89 were decisions adjudicated on the merits. The Tribunal has dismissed a total of 20 other claims on the merits, and 44 for jurisdictional reasons. Of the twelve remaining awards, one was withdrawn and eleven were in favor of the Iranian claimant. As of April 30, 1987, total payments to successful American claimants from the Security Account held by the NV Settlement Bank stood at approximately \$854 million.

To date, the Security Account has fallen below the required balance of \$500 million five times. Each time, Iran

has replenished the account, as required by the Algiers Accords, by transferring funds from the separate account held by the NV Settlement Bank in which interest on the Security Account is deposited. The most recent replenishment occurred on April 8, 1987, in the amount of \$20 million, bringing the total in the Security Account to \$516,532,511 28. Prior replenishments were for \$100 million, \$100 million, \$50 million, and \$100 million.

In claims between the two governments based on contracts, the Tribunal to date has made four awards in favor of the United States, and three in favor of Iran. The Tribunal has dismissed two claims that had been filed by the United States, and dismissed ten claims that had been filed by Iran. In addition, Iran has withdrawn 13¹ of its government-to-government claims, while the United States has withdrawn three.

American arbitrator Charles N. Brower was temporarily absent from the Tribunal in January, February and March due to his appointment as Deputy Special Counsellor to the President. During his absence, American substitute arbitrator Carl Salans served in his place for several hearings. The Tribunal accepted the resignation of Iranian arbitrator Mohsen Mostafavi, to become effective upon the appointment by Iran of

¹Prior reports have overstated this number by two as a result of a clerical error.

a replacement. Mr. Koorosh-Hosseini Ameli served as the Iranian arbitrator on an ad hoc basis in a number of cases.

2. The Tribunal continues to make progress in the arbitration of claims of U.S. nationals for \$250,000 or more. Over 57 percent of the non-bank claims have now been disposed of through adjudication, settlement, or voluntary withdrawal, leaving 220 such claims on the docket. Among recent cases, two U.S. companies received awards in excess of \$36 million each, and one U.S. company received an award for \$8.5 million. Other decisions were notable for the legal precedents set by the Tribunal. In one case, a claimant born in Iran of United States parents, who had lived most of his life in the United States, served in the U.S. military, and had other substantial contacts with the United States, was found to possess dominant and effective United States nationality, so as to bring his case within the Tribunal's jurisdiction, notwithstanding his contacts with Iran. In another case, an American subcontractor's claim for recovery directly against an Iranian respondent was upheld based on unjust enrichment, where the Iranian entity had not paid the general contractor for the work. Such favorable decisions should prove helpful to other U.S. claimants before the Tribunal.

3. The Tribunal continues to process claims of U.S. nationals against Iran of less than \$250,000 each. While the Tribunal's progress is slower than we would like, a total of 127 small claims have been resolved, 15 of them since my last report, as a result of decisions on the merits, awards on

agreed terms, or Tribunal orders. Six contested claims were decided in three awards issued by the Tribunal since my previous report, raising the total number of contested claims decided to eleven, eight favoring the American claimant. These decisions will help in establishing guidelines for the adjudication or settlement of similar small claims. To date, American claimants have also received 20 awards on agreed terms reflecting settlements of claims under \$250,000.

There remain 139 small claims currently under active Tribunal consideration. The Tribunal has held hearings in five of these claims since my last report, and the Department of State has filed additional pleadings in more than 50 such claims. The Tribunal has recently assigned the remaining small claims, totaling more than 2500, to three-person chambers. We expect these chambers to make further selections of claims for active arbitration in the near future.

4. The Department of State continues to coordinate efforts of concerned governmental agencies in presenting U.S. claims against Iran, as well as responses by the U.S. Government to claims brought against it by Iran. Since my last report, the Department has filed pleadings in five government-to-government claims based on contracts for the provision of goods and services. The Tribunal finally dismissed a number of Iranian claims against the United States based on alleged violations of Iranian customs regulations. Thirty-seven government-to-government claims remain pending.

In addition to work on the government-to-government claims, the Department of State, working together with the Department of the Treasury and the Department of Justice, filed five pleadings in disputes concerning the interpretation and/or performance of various provisions of the Algiers Accords. Since my last report, the Tribunal has held three hearings on interpretive disputes.

As noted in my last report, in August 1986 the Tribunal ordered the United States and Iran to negotiate in good faith on the terms of a transfer to Iran of some \$500 million of Iranian funds which have been held by the Federal Reserve Bank of New York since 1981, and to transfer the funds as soon as an agreement had been reached. Following remarks by high-level Iranian officials linking U.S. compliance with the Tribunal order to the fate of hostages in Lebanon, the United States requested the Tribunal in January 1987 to take appropriate steps to clarify that no such linkage exists. On the following day, Iran filed a written submission with the Tribunal, accusing the United States of bad faith in the negotiations and requesting the Tribunal to resolve the technical issues.

On May 4, 1987, the Tribunal issued an award in which it orders the United States to retain about \$65 million at the Federal Reserve Bank of New York to pay outstanding claims, and immediately to transfer the balance (about \$454 million) to Iran's account at the Bank of England. The Tribunal adopted the substance of the release proposed by the United

States which protects the United States against any possible future claims in connection with its administration of the account. The Tribunal stated that Iran has already publicly affirmed that there is no linkage between the United States' transfer of the funds and Iran's efforts to secure the release of hostages in Lebanon, and itself declared that "there can be no room for any doubt that this Case . . . [has] no relation or link whatsoever to the issue of hostages held in Lebanon or any other political matter." The United States complied with the Tribunal's award on May 13, 1987.

5. Since my last report, three bank syndicates have completed negotiations with Bank Markazi Jomhuri Islami Iran ("Bank Markazi," Iran's central bank) and have been paid a total of \$622,807.26 for interest accruing for the period January 1-18, 1981 ("January Interest"). These payments were made from Dollar Account No. 2 at the Bank of England. Negotiations have been completed and payment of \$1,222,306.11 is pending for January Interest owed to three other bank syndicates, and Bank Markazi and additional bank syndicates are now negotiating January Interest settlements, with agent banks requesting the necessary participant consents.

6. Since my last report, there have been no amendments to the Iranian Assets Control Regulations, 31 C.F.R. Part 535, administered by the Office of Foreign Assets Control at the Treasury Department.

7. The situation reviewed above continues to implicate important diplomatic, financial, and legal interests of the

United States and its nationals, and presents an unusual challenge to the national security and foreign policy of the United States. In particular, the Iranian Assets Control Regulations issued pursuant to Executive Order No. 12170 continue to play an important role in structuring our relationship with Iran and in enabling the United States properly to implement the Algiers Accords. I shall continue to exercise the powers at my disposal to deal with these problems and will continue to report periodically to the Congress on significant developments.

Ronald Reagan

The White House,
May ___, 1987.



THE SECRETARY OF THE TREASURY
WASHINGTON

June 4, 1987

Dear Mr. President:

Under the International Emergency Economic Powers Act, you are required every six months to submit a report to the Congress concerning the Iranian emergency declared in Executive Order No. 12170 on November 14, 1979.

Enclosed is a proposed report covering the six-month period since your last submission on this subject. The proposed report indicates in its initial paragraph that it covers only matters concerning the national emergency with respect to Iran that was declared in November 1979. It is not intended to report on all activities regarding Iran. The current report, due May 14, 1987, was delayed to permit inclusion of information on the Iran-United States Claims Tribunal's May 4, 1987 award, directing the return to Iran of approximately \$454 million. This amount was deposited to Iran's account with the Bank of England on May 13, 1987.

Your last report to Congress on this matter, dated November 21, 1986, is also enclosed for your reference.

I recommend that you sign and transmit the proposed report to the Congress.

Respectfully,

A handwritten signature in dark ink, appearing to read "Jim", is written over the typed name.

James A. Baker, III

The President
The White House
Washington, D.C. 20500

Enclosures

National Emergency With Respect to Iran

*Letter to the Speaker of the House and the President of the Senate.
November 21, 1986*

Dear Mr. Speaker: (Dear Mr. President:)

This report is made pursuant to Section 204(c) of the International Emergency Economic Powers Act, 50 U.S.C. 1703(c), and, like previous reports, discusses only matters concerning the national emergency with respect to Iran that was declared in Executive Order No. 12170 of November 14, 1979. This report covers matters that have occurred since the report I made on May 23, 1986.

1. The Iran-United States Claims Tribunal, established at The Hague pursuant to the Claims Settlement Agreement of January 19, 1981, continues to make progress in arbitrating the claims before it. Since my last report, the Tribunal has rendered 37 more decisions for a total of 260 final decisions. Of that total, 197 have been awards in favor of American claimants; 119 were awards on agreed terms, authorizing and approving payment of settlements negotiated by the parties, and 78 were adjudicated decisions. The Tribunal has dismissed a total of 17 claims on the merits, and 33 for jurisdictional reasons. As of November 1, 1986, total payments to successful American claimants from the Security Account, held by the NV Settlement Bank, stood at approximately \$681 million.

In January 1986, the payment of awards in favor of U.S. nationals caused the balance of the Security Account to fall for the first time below \$500 million, thus triggering Iran's obligation to replenish. Iran acted quickly in instructing replenishment from interest earned on the Security Account, which is also held by the NV Settlement Bank. Although technical difficulties involving the concerned central banks delayed actual replenishment for several months, a procedure has now been established that should make future transfers administratively simple. On October 10, 1986, replenishment was again triggered, and the second replenishment occurred on October 27, 1986.

In cases between the two governments, the Tribunal to date has issued three decisions in favor of each government, dismissed one claim that had been filed by the United States, and dismissed four claims that had been filed by Iran. In addition, Iran has withdrawn 15 of its government-to-government claims, while the United States has withdrawn three.

2. The Tribunal continues to make progress in the arbitration of claims of U.S. nationals for \$250,000 or more. More than 50 percent of the claims have now been disposed of through adjudication, settlement, or voluntary withdrawal, leaving 251 such claims on the docket. Among recent cases, two U.S. claimant companies received large awards totalling approximately \$91 million. Other decisions were notable for the legal precedents set by the Tribunal: In one case, the Tribunal valued an expropriated service company at its going concern value, taking into account the negative impacts of the Iranian revolution on its business, rather than using the net book value of the business as advocated by Iran. In a second legally significant decision, the Tribunal held that an order by a local Iranian court prohibiting an Iranian company from making lease payments or returning equipment to the U.S. claimant constituted a taking by the Government of Iran requiring compensation under international law. Both these decisions should prove helpful to other U.S. claimants before the Tribunal.

3. The Tribunal continues to process claims of U.S. nationals against Iran of less than \$250,000 each. Iran has not to date been willing to negotiate a lump sum settlement of these claims. While the Tribunal's progress is slower than we would like, 50 additional claims have been selected by the Tribunal for active arbitration, making the total number of active small claims 170. The Department of State has submitted more than 44,000 pages of text and evidence in support of these claims, and additional pleadings are being filed weekly.

Since my last report, the Tribunal has held seven hearings on claims under \$250,000, and issued awards in three contested claims, raising the total number of such decisions to five, of which four favored the American claimant. These decisions will help in establishing guidelines for the adjudication or settlement of similar small claims. To date, American claimants have also received 15 awards on agreed terms reflecting settlements.

4. The Department of State continues to coordinate the efforts of concerned governmental agencies in presenting U.S. claims against Iran as well as responses by the U.S. Government to claims brought against it by Iran. Since my last report, the Department has filed pleadings in nine government-to-government claims based on contracts for the provision of goods and services. The Tribunal issued a decision holding the U.S. Atomic Energy Commission liable for simple interest at the rate of 10 percent per annum on a previously issued principal award of approximately \$8 million in favor

of the Atomic Energy Organization of Iran. The Tribunal dismissed two major claims brought by the Ministry of Defense of Iran against the U.S. Government based on the alleged breach of contract by a U.S. defense contractor, finding that the U.S. Government was not a proper respondent. Forty-two government-to-government claims remain pending.

In addition to work on the government-to-government claims, the Department of State, working together with the Department of the Treasury and the Department of Justice, filed four pleadings in disputes concerning the interpretation and/or performance of various provisions of the Algiers Accords. Since my last report, the Tribunal has held no hearings on interpretive disputes. However, it did render its decision on Iran's request that different, and more stringent, standards be established by the Full Tribunal for proof of nationality of corporate claimants. Iran had contended that, under earlier decisions by the individual Chambers, some publicly held corporate claimants had been permitted to establish their United States nationality through insufficient evidence. The Full Tribunal held that no general rule is required and that none would be feasible given the widely varying fact situations in which corporate nationality must be determined. Thus, the individual Chambers can continue to approach each determination flexibly and pragmatically, as urged by the United States.

In August, following Iran's first replenishment of the Security Account, the Tribunal issued its decision on Iran's claim for the balance remaining from the \$3.667 billion transferred in January 1981 to the Federal Reserve Bank of New York, as fiscal agent for the United States, for the payment of Iran's syndicated indebtedness. The Tribunal determined that Iran is entitled to so much of the remaining balance as is not needed to satisfy outstanding claims against the fund, as soon as the two governments reach agreement on three points: 1) the amount of claims remaining against the fund; 2) the amount not needed for any such claims and thus available for transfer to Iran; and 3) the terms of a release of all claims by Iran against the United States for administration of the fund. If the two governments are not able to reach such agreement within four months from the date of the order, either government may apply to the Tribunal for further action.

5. Since my last report, two bank syndicates have completed negotiations with Bank Markazi Jomhouri Islami Iran (Iran's central bank) and have been paid a total of \$252,723.67 for interest accruing for the period January 1-18, 1981 ("January Interest"). These payments were made from Dollar Account No. 2 at the Bank of Eng-

land. Negotiations have been completed and payment of \$482,175.27 is pending for January Interest owed to two other bank syndicates, and Bank Markazi and additional bank syndicates are now negotiating January Interest settlements.

6. Since my last report, there has been one change in the Iranian Assets Control Regulations. In response to the Tribunal's decision on Iran's claim to any excess monies held by the Federal Reserve Bank of New York over those required to pay Iran's syndicated indebtedness, a new regulation has been issued, requiring registration of all claims against the fund, all claims against Dollar Account No. 2, and all claims for January Interest (which, as my previous report have indicated, are arguably payable out of either fund). 51 *Fed. Reg.* 37568 (Oct. 23, 1986).

7. The ongoing claims settlement process created by the Algiers Accords continues to implicate important diplomatic, financial, and legal interests of the United States and its nationals and presents an unusual challenge to the national security and foreign policy of the United States. In particular, the Iranian Assets Control Regulations issued pursuant to Executive Order No. 12170 continue to play an important role in structuring our relationship with Iran and in enabling the United States properly to implement the Algiers Accords. I shall continue to exercise the powers at my disposal to deal with these problems and will continue to report periodically to the Congress on significant developments.

Sincerely,

Ronald Reagan

Note: This is the text of identical letters addressed to Thomas P. O'Neill, Jr., Speaker of the House of Representatives, and George Bush, President of the Senate.

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20508

SYSTEM II
90542

June 22, 1988

INFORMATION

MEMORANDUM FOR JOHN D. NEGROPONTE

Deputy Natl Sec Advisor
has seen

FROM: ROBERT B. OAKLEY *RB*

SUBJECT: Planning for Khomeini's Passing

Following the June 16 Policy Review Group discussion, it would be useful to begin more detailed contingency planning for Khomeini's death -- whenever that should occur. I will meet with a small, informal interagency group later this month to outline the main elements of a sensible U.S. response. In the meantime, following are a few preliminary thoughts:

Khomeini's Passing and Succession Politics

Rumors of the Ayatollah's imminent demise have circulated frequently -- and erroneously -- over the past decade. Although he appeared frail but alert on Iranian television last weekend, it nevertheless appears unlikely that Khomeini will be able to carry the burden of serious heart disease, kidney disease, cancer of the prostate, and possible organic brain disease much longer.

FOIA(b) (1)

Whatever the prognosis for Khomeini, the Iranian leadership has been acting for several months as if it expected him to pass away shortly. Infighting and jockeying for position has been very intense, during and after the recent Majlis election. Nervousness about the succession has been compounded by military setbacks on the ground and in the Gulf, popular war weariness, and worsening economic troubles.

These problems have caused Iran to reach out widely to Western governments (France, UK, and Canada, among others) in hopes of relieving external political and economic pressures. But there do not yet appear to have been any major shifts in basic regime attitudes toward the U.S. or the war with Iraq. Debate between rival Iranian factions has thus far focused primarily on internal and economic issues, although further setbacks on the battlefield could eventually make the war a central source of contention.

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DECLASSIFIED IN PART

NLS F97-107/1-22

By AD, NARA, Date 4/7/06

WJB
6/22
RB
you, Bill and I
would sit down
to discuss this
statement a bit
hands. almost
at if Khomeini
of himself
had
removed
the
in our
relations
we would
thought
we would
want to
come down
on then
a bit hard
are the
gulf war
freedom of
navigation
etc.
Let's
talk about
it.
John

~~SECRET~~

~~SECRET/SENSITIVE~~

2

FOIA(b)(1)

While it is impossible to predict with any certainty how the succession will unfold, the odds are probably better than even at this point that the initial transition will be relatively smooth, with Khomeini's designated successor, Ayatollah Montazeri, emerging as the titular head of the regime, and Rafsanjani attempting to consolidate his position as the power behind the throne.

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At some point after Khomeini dies -- perhaps a matter of months -- the cement holding the regime together will begin to weaken. Assuming that military, economic, and political pressures against Iran's aggressive policies continue, real splits may then emerge within the regime over the war and foreign policy.

Elements of a U.S. Response

In the wake of Khomeini's passing, U.S. policy will need to be clear, consistent, and agile. There will be enormous speculation about possible diplomatic openings, for us, for hostage releases, for the Soviets, and for efforts to end the war. In the midst of this, it will be essential for the Administration to speak publicly and privately with one voice, stressing familiar themes: we value our historic friendship with the Iranian people; we accept the Iranian revolution and whatever form of government the Iranian people choose for themselves; we are prepared for a more normal relationship with the Islamic Republic; but that can be possible only if Iran moderates its aggressive behavior. We should emphasize the continuity of our interests and our policy, while remaining alert to opportunities for dialogue with authoritative Iranian government officials -- and to the dangers of being manipulated by factional rivals. The more we stick to a steady, consistent line, the greater will be our chances of exploiting genuine diplomatic openings if and when they develop. Judging what constitutes a serious opening will be very difficult, and we will need to ensure advance agreement that probes will be assessed and responses approved on a careful interagency basis, under the guidance of the PRG.

Following are a few of the immediate actions that the PRG will need to consider and coordinate after Khomeini's death:

- o Public Statement: Attached at Tab I is draft contingency guidance that highlights several of the themes noted above.
- o Brief Congressional Leadership: Fairly solid bipartisan support for Persian Gulf policy has been painstakingly developed over the last eighteen months; we should continue to nurture it. (Depending on the timing, we will also want to consider early, thorough briefings for the Presidential candidates or President-elect.)

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FOIA(b)³(1)

- o Message to Iran: The [REDACTED] channel to the Iranian Foreign Ministry offers a good means of reiterating that the door is open to more normal relations -- if Iranian behavior changes.
- o Message to Iraq: We should hammer again at the value of Iraqi diplomatic flexibility, particularly in the wake of Khomeini's passing.
- o Messages to Saudi Arabia and GCC governments: These should stress the reassuring theme of continuity of U.S. policy.
- o Messages to Allies: We will want to share information on Iranian internal developments with the Allies -- some of whom are reestablishing a presence in Tehran -- as the succession unfolds.
- o Messages to Egypt, Jordan, Algeria, Pakistan, Turkey, PRC.
- o Message to Soviets: We may want to lay down an early marker to help limit the potential for US-Soviet tension over post-Khomeini Iran. We should also push the Soviets to engage in a revived effort to implement UNSC 598.
- o Message to UNSYG: We will want to stay closely engaged on UNSC diplomacy.

Prepared by: William J. Burns

Attachment
Tab I Q&A

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~~CONFIDENTIAL~~

CONTINGENCY PRESS GUIDANCE FOR USE BY DEPARTMENT AND WHITE
HOUSE SPOKESMEN AT THE DEATH OF AYATOLLAH KHOMEINI

Q. What is the reaction of the USG to Khomeini's death?

A. Ayatollah Khomeini was the central figure in a revolutionary process which caused great changes in Iran, and brought it into conflict with many countries, including the United States. We will let history and the Iranian people judge him.

It may be appropriate, however, on the occasion of his death, to say a word about our relations with Iran. We have never forgotten our strong ties of friendship with the Iranian people. Although there are serious political differences between the United States and Iran, for our part we are prepared, now as in the past, for a more normal relationship with the government of the Islamic Republic. We believe that Iran's form of government is a matter for the Iranian people to decide. We will continue to work for a peaceful settlement of the war between Iran and Iraq, in accordance with Resolution 598 of the Security Council, so that the terrible suffering and destruction the war has caused can be brought to an end, and so that the energies and resources of both countries can be devoted to the task of economic development and reconstruction.

DECLASSIFIED
White House Guidelines, August 28, 1997
By dlb NARA, Date 8/12/95

~~CONFIDENTIAL~~

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SYSTEM II
90847

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

August 18, 1987

SIGNED

ACTION

MEMORANDUM FOR COLIN L. POWELL

FROM: ROBERT B. OAKLEY ^{BO}

SUBJECT: Interagency Support Group for Operation Staunch

As we have discussed, attached at Tab I is a memorandum to agencies establishing an interagency support committee on Operation Staunch, to be chaired by Under Secretary Derwinski. It is a follow-up to the earlier NSC memo at Tab II. Our aim is to improve coordination between State and the intelligence community and make Staunch demarches more timely and effective. As the memorandum notes, Derwinski will refer cases on which the committee cannot reach agreement to the NSC.

^{an}
Jim Collins concurs.

RECOMMENDATION

That you approve transmittal of the memorandum at Tab I.

Approve ✓

Disapprove

Attachment

Tab I Memo to Agencies
Tab II Memo to Agencies of
February 26, 1987

~~SECRET~~

Declassify on: OADR

DECLASSIFIED

NLS F97-107/1 #23

BY hjs, NARA, DATE 4/7/06

National Security Council
The White House

System # II
Package # 6121 90847
DOCLOG L.B.W. A/O

	SEQUENCE TO	HAS SEEN	DISPOSITION
Bill Courtney	<u>1</u>	<u>WHE</u>	<u>H</u>
Marybel Batjer			
Grant Green	<u>copy</u> <u>2</u>		
Colin Powell		<u>CV</u>	<u>A</u>
Frank Carlucci			
Grant Green <u>WHE</u>	<u>3</u>		<u>TAB I A</u>
Lou Michael			
Situation Room			
West Wing Desk	<u>4</u>	<u>8/19 AC</u>	<u>D</u>
NSC Secretariat			

I = Information A = Action R = Retain D = Dispatch N = No further Action

cc: VP Baker Other _____

COMMENTS

Should be seen by: _____
(Date/Time)

CLP: RBO's memo at
Tab I looks pretty
thorough. WHE

~~SECRET~~

~~SECRET~~

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

SYSTEM II
90847

August 19, 1987

MEMORANDUM FOR MR. MELVYN LEVITSKY
Executive Secretary
Department of State

COL. WILLIAM M. MATZ
Executive Secretary
Department of Defense

MR. H. LAWRENCE SANDALL
Executive Secretary
Central Intelligence Agency

MAJ. GEN. THOMAS J. FLYNN
Chief of Staff
National Security Agency

MR. JOHN N. RICHARDSON
Assistant to the Attorney General
and Chief of Staff
Department of Justice

MR. ROBERT B. ZOELICK
Executive Secretary
Department of Treasury

SUBJECT: Operation Staunch ~~(S)~~

In recent weeks, broad consensus has been reached within the United Nations Security Council to bring the Iran-Iraq War to an end. While Iraq has accepted UNSC Resolution 598 contingent on Iranian acceptance, Iran has neither accepted nor rejected it, pursuing instead tactics of delay. Iran has thus far frustrated the Secretary General's efforts to properly consult on the provisions of the resolution. Recent Iranian mining actions in the Persian Gulf have galvanized the support of our Allies and friends, improving chances for passage of a second Security Council resolution which would, in effect, internationalize our Operation Staunch. The Soviets and Chinese, however, are showing increasing reluctance to pursue the second resolution. ~~(S)~~

In the past, efforts to implement Operation Staunch have been frustrated by overriding concerns for the protection of sensitive intelligence sources and methods. Additionally, U.S. arms sold

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NLS F97-107/1#24

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BY hds, NLR, DATE 4/7/06

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-2-

to Iran in the Iran/Contra affair undercut the credibility of U.S. efforts to stem the flow of arms to Iran. We have now reached a stage, however, where current international support for our policies in the region provides new opportunities and impetus for pursuing Operation Staunch more aggressively. (S)

The Secretary of State was designated by the President to be in charge of a reinvigorated Operation Staunch and assigned the task to Under Secretary Derwinski. At Under Secretary Derwinski's request, the Persian Gulf Policy Review Group has examined the need for an interagency Staunch support committee, and recommends its immediate establishment. Its purpose would be: (a) to collect, collate, evaluate and provide to the Under Secretary all available, pertinent intelligence on Iranian arms acquisitions; (b) to assist in determining what material is required to make the most effective demarches to foreign governments to deny the sale of arms to Iran; and (c) to clear relevant material for such demarches within the intelligence community in a timely manner, so as to provide information persuasive and detailed enough to make the case. (S)

The Operation Staunch Committee will be composed of representatives from State, Defense, CIA, NSA, Justice, Treasury, and the NSC Staff. It will meet regularly (probably every two weeks) under the chairmanship of Under Secretary Derwinski. State (NEA/RA) will act as Executive Secretary for the group, and will contact agencies directly regarding level of representation and an initial organizational meeting. The Executive Secretary will prepare an agenda for each meeting and coordinate with other committee members to determine which Staunch cases require review. (S)

While the committee must remain sensitive to the protection of intelligence sources and methods, the emphasis will be on timely and compelling Staunch demarches to deny arms sales to Iran. In the event the committee cannot reach agreement on releasability of information or timing of demarches for particular Staunch cases, Under Secretary Derwinski will forward the case with opposing views and his recommendation to the National Security Advisor for final resolution and implementation as appropriate. (S)

Bill Courtney

Grant S. Green, Jr.
Executive Secretary

cc: Donald Gregg, Assistant to the
Vice President for National Security Affairs
Rear Admiral Joseph C. Strasser
Executive Assistant to the Chairman, JCS

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THE WHITE HOUSE
WASHINGTON


SYSTEM II
90191

February 26, 1987

MEMORANDUM FOR THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
THE SECRETARY OF DEFENSE
THE ATTORNEY GENERAL
THE SECRETARY OF COMMERCE
THE DIRECTOR, CENTRAL INTELLIGENCE AGENCY

SUBJECT: Operation Staunch ~~(S)~~

The President was very pleased to hear at the February 12 National Security Planning Group Meeting on the Middle East that you and your staffs are vigorously pursuing Operation Staunch. He urges that you continue your efforts, which are a crucial part of our general strategy for helping to bring the Iran-Iraq war to the earliest possible negotiated end. It will be important for our credibility in approaching foreign governments for the State Department to provide an assessment of what is being done to prohibit the export of weapons or spare parts to Iran from this country. The Justice and Treasury Departments should provide State with a comprehensive review of our efforts by March 31, 1987. ~~(S)~~


Frank C. Carlucci

cc: Vice President
Chairman, JCS

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NLS F97-107/1 #25

BY WJ , DATE 4/7/06

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Declassify on: OADR

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