

STEPTOE & JOHNSON

ATTORNEYS AT LAW

1250 CONNECTICUT AVENUE

WASHINGTON, D. C. 20036

(202) 862-2000

January 26, 1979

The Honorable Warren Christopher  
Deputy Secretary of State  
Department of State  
Washington, D.C. 20520

Dear Mr. Secretary:

Two U.S. employees of our client, Electronic Data Systems (EDS), have been imprisoned without charges for the past four weeks in Iran.

The U.S. Embassy in Tehran shares responsibility for their current state. The two EDS employees learned on December 5 that Iranian authorities wished to interview them concerning a 1976 contract between EDS and the Social Security Organization of Iran [the "SSO"] (an agency of Iran's Ministry of Health and Welfare)--and that the Iranian police were demanding surrender of their U.S. passports and Iranian residence permits.

The two EDS employees went immediately to the U.S. Embassy and were advised to surrender their passports and residence permits to the Embassy until the Embassy could learn more about the matter.

During the following three weeks, as the situation in Iran deteriorated, the two EDS employees raised with the Embassy their wish to recover their passports and to leave the country. While not refusing to return the passports, the Embassy advised that the two men stay in Iran until the proposed interview took place--and that the Embassy had agreed with Iranian police to notify the police if the men took back their passports.

The Embassy on December 27 advised the two EDS employees that the Embassy had arranged for an interview of the two men by Iranian Ministry of Justice officials for the following day. When the EDS employees expressed concern about the interview, the Embassy official handling the matter stated:

The Honorable Warren Christopher  
January 26, 1979  
Page Two

- That the interview would be "routine".
- That the men did not need to be accompanied by Embassy personnel or by a lawyer.
- That the men would be free to leave Iran following the interview.

The men thus went to the interview, were questioned for approximately three hours and then were told that they were under arrest. They have been imprisoned since December 28, but have not been charged with any offense.

For your reference, the names of the EDS employees imprisoned in Iran are Paul J. Chiapparone and William D. Gaylord. Both are U.S. citizens. Their families have left Iran and are here in the United States anxiously hoping for the release of the men.

EDS attorneys and personnel met at the end of December and early this month with the Iran Desk, with the two attorneys from the Legal Adviser's office, and with Matt Nimetz. There have also been telephone conversations with David Newsome. The results from these meetings and conversations--some cables to the Embassy in Iran and contacts with Ambassador Zahedi--have not been successful. To our knowledge, however, no high-level approach has been made to the Bakhtiar government itself.

The arrest of the two men has been linked to the 1976 contract between EDS and the SSO. By way of background, the 1976 contract was a three-year agreement under which EDS was providing data processing services and technology for Iran's national health and social security programs. SSO in June 1978 ceased making payments required under the contract. On December 4, the day before Iranian police requested surrender of the EDS employees' passports, EDS met with officials of the SSO and of the Ministry of Health and Welfare in an unsuccessful effort to cure the contract breaches and to provide improved security for EDS personnel in Iran. On December 16, pursuant to a termination clause in the 1976 contract, EDS gave notice of termination of the contract.

Following the arrest, the Ministry of Justice set "bail" for the two men at \$12.7 million. EDS attorneys were told by Ministry of Justice officials that this

The Honorable Warren Christopher  
January 26, 1979  
Page Three

\$12.7 million was set with reference to payments which SSO had made previously to EDS under the 1976 contract.

The Ministry of Justice officials have taken the position that they believe the 1976 contract to be "invalid" because its conclusion did not involve competitive bidding--and that therefore a \$12.7 million figure is justified. However, they would not require the \$12.7 million "bail" and would release the men if EDS entered into a new contract arrangement satisfactory to SSO. It should be noted that neither of the men was in Iran in 1976 or had any involvement in negotiating the 1976 contract.

Attorneys for EDS have counteroffered, in return for the release of the two men, (1) to produce promptly any EDS personnel for questioning in Iran upon a guarantee of their safe passage out of the country following questioning; (2) to produce promptly any documents requested by Iranian authorities; and (3) to pay the expenses of Iranian prosecutors to question EDS personnel outside of Iran. All such offers have been refused.

Realizing it has little choice, EDS is currently attempting to negotiate banking arrangements necessary to satisfy the \$12.7 million cash "bail". But the immediate worry is that before these men can be released, the current government in Iran might fall, and the fate of these two men would be left to the political chaos that might then ensue.

We therefore are making, on behalf of EDS, a last appeal to the Department to make every effort at the highest level to secure the release of these two men as soon as humanly possible.

Sincerely,



Monroe Leigh

Chronology enclosed.

## CHRONOLOGY OF EVENTS

- Nov. 1976 EDS enters into a three-year contract with Social Security Organization of Iran (SSO), for the provision of data processing services and technology for Iran's national health and social welfare programs. SSO is to make monthly payments to EDS under the contract.
- June 1978 Beginning of default in SSO's monthly payments.
- Dec. 4, 1978 Meeting between EDS and SSO and Ministry of Health and Welfare officials, in an unsuccessful effort to resolve SSO defaults and to provide increased security for EDS employees in Iran.
- Dec. 5, 1978 Iranian employee of EDS is asked by Iranian police about the whereabouts of four EDS employees. Upon being informed that only two of the four (Mr. Chiapparone and Mr. Gaylord) were still in Iran, the police ask that their passports and residence permits be surrendered to police the following day.
- " On U.S. Embassy advice, Mr. Chiapparone and Mr. Gaylord surrender their passports and residence permits to the U.S. Embassy.
- mid-Dec. 1978 Embassy advises Mr. Chiapparone and Mr. Gaylord not to leave country prior to interview with Iranian authorities, and that if they take back their passports, Iranian police would be so notified.
- Dec. 16, 1978 EDS notifies SSO and Ministry of Health and Welfare of its termination of the 1976 contract.
- Dec. 27, 1978 Embassy advises Mr. Chiapparone and Mr. Gaylord that it has arranged an interview of the two men with Ministry of Justice officials for the following day, that the interview would be "routine", that Embassy officials or lawyers need not be present, and that the men will be free to leave Iran following the interview.
- Dec. 28, 1978 Mr. Chiapparone and Mr. Gaylord attend interview with Ministry of Justice officials, are questioned for three hours, and then arrested and imprisoned without charges.

CHRONOLOGY OF EVENTS (Page 2)

- late Dec. 1978 Ministry of Justice sets bail of \$12.7 million for Chiapparone and Gaylord, and advises EDS attorneys that this amount is justified because SSO paid similar amounts to EDS under 1976 contract which is claimed to be "invalid".
- Jan. 1-15, 1979 Ministry of Justice turns down EDS offers to make any EDS documents and personnel available to the Ministry at EDS expense, upon release of Chiapparone and Gaylord.