

M E M O R A N D U M

TO: EDS v. Iran File

FROM: Tom Luce

DATE: October 30, 1981

RE: Events in the United States from December 28, 1978
Through February 11, 1979

From the time Paul Chiapparone and Bill Gaylord were arrested (December 28, 1978) until the day they escaped (February 11, 1979), Tom Walter and I were given the responsibility for securing their release by means of the political or governmental route.

Our work on this matter actually started prior to the time Paul and Bill were arrested. On December 4, 1978, EDS employees in Iran officially notified the Ministry of Health and Social Welfare that EDS was terminating its contract and leaving Iran. A formal letter to that effect was delivered to the Ministry on December 4, 1978.

See [illegible]
notes

On December 5, 1978, a lower level Iranian citizen who worked for EDS was contacted by the Iran Police Department and asked to collect the passports of Paul Chiapparone and Bill Gaylord. When the EDS employee reported these developments to her superiors, the EDS people involved went straight to the U.S. Embassy in Teheran to ask what they should do. The Embassy advised Paul and Bill to leave their passports with the Embassy, tell the Iranian Police what they had done, and turn in their work permits to the Iranian Police. The next day, Paul and Bill followed this advice.

See Gaylord
notes

See Gaylord
transcript

See Gaylord
transcript

The next day (December 6, 1978) when we learned what had happened, we started working on two projects; (1) working with the Iranian lawyers to find out why the Iran Police wanted Paul's and Bill's passports and (2) preparing a lawsuit

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to be filed in this country in case Iran tried to "call" a letter of credit EDS had given to Iran to secure its performance under the contract.

With respect to the first project, I immediately identified three very different Iranian legal sources I wanted to contact to attempt to understand what had happened: (1) John Westberg -- an American lawyer residing in Iran that specialized in representing American businesses doing business in Iran, (2) Dr. Aghayan -- a prominent Iranian lawyer well connected politically with high-level officials in the Shah's government that specialized in representing American businesses in Iran, and (3) Dr. Matin Daftary -- an Iranian lawyer with a reputation for excellent contacts with the Iran left-wing -- a noted "human rights" advocate. (It is interesting to note in retrospect that the religious element which now rules Iran was not prominent in the revolt at this time.)

For several days, we pursued these contacts and all they could tell us was that EDS' contract was a "hot potato" and that they understood that there was a Ministry of Justice investigation of the Minister of Health and Social Welfare (Dr. Sheik) being conducted by Hossain Dadgar and Paul and Bill were to be questioned by the authorities about Dr. Sheik.

By December 11, 1978, we had finished the defensive lawsuit and placed it on the shelf.

By December 13, 1978, we were nowhere on learning the details of the "hold" placed on Paul and Bill. No one had been able to supply us with definite information. So, we drafted a letter for Ross to send to Bob Strauss -- then a high-level advisor to Jimmy Carter.

The letter was primarily triggered by the events surrounding the evacuation of EDS employee dependents and non-critical personnel which had just been concluded. When the decision was made to evacuate these people on December 8-9, 1978, Paul and Bill were scheduled to leave Iran but were told by the United States Embassy if they attempted to reclaim their passports, the Embassy would notify the Iranian authorities of their request and they would be arrested. Thus, Paul and Bill were not evacuated. On December 12, the counsel general of the United States Embassy told us the U.S. Embassy should not be involved in efforts to help Paul and Bill leave the country and that it was not necessary or desirable for the U.S. Embassy to

Who said
what and when?
Who said
what and when?
Who said
what and when?

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intervene on our behalf or to pursue the issue with the Iranian authorities. When Bob Strauss received our letter he promised to "look into the situation" and get back to us.

Also by December 13, 1978, on my own, I began research on how we could sue Iran in this country for damages once all the EDS employees were out of Iran.

On December 14 and 15, pursuant to Ross' suggestion, Tom Walter and I flew to Washington to meet with Richard Helms, former head of the C.I.A. and former U.S. Ambassador to Iran, and Admiral Moorer, former Chairman of the Joint Chiefs of Staff. We reviewed the situation with both men and they promised to look into the problem.

From December 15 through December 27, we continued to pursue the "hold" on Paul and Bill through Iranian lawyers. About December 15, we were able to officially identify the investigator as Hossain Dadgar. After we identified Dadgar, we pushed our Iranian lawyers to meet with Dadgar and present our case -- all to no avail. They seemed less than enthusiastic about pursuing the matter and we could get no "hard" answers on what to do. For this reason, we kept coming back to the U.S. Embassy for help. Finally, on December 28, as you know, Paul and Bill, at the suggestion of the U.S. Embassy, met with Dadgar and were arrested.

Who was...?
Who was...?
The day the men were arrested, utilizing legal contacts in New York, we contacted Matthew Nimetz, Counselor to Cy Vance, and advised him of what had happened. Nimetz promised to send a personal note to Vance informing him of the seizure of the men and to send a cable under Vance's name to the U.S. Embassy requesting the Embassy to assist in obtaining the release of the men. We also quickly contacted Helms and Moorer and asked for their help. Moorer asked us to draft a cable for Ambassador Zahedi (Iran Ambassador to the United States) to send to the Ministry of Justice "vouching" for the men. Helms reacted angrily -- calling the arrest an "outrage", "appalling", "pure blackmail". Helms advised us to "keep the heat on Sullivan" (Sullivan being the U.S. Ambassador to Iran).

On December 29, 1978, we started drafting a "position paper" to give to people we went to for help.

By December 30, we had talked to our Iranian lawyers. Westberg and Aghayan told us the so-called "bail" was highly

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irregular -- "obviously blackmail". Westberg told us the highest legitimate bail he had previously heard of in Iran was \$100,000.

Also, for the first time, we began to encounter open resistance from the Iranian lawyers. For instance, John Westberg said his Iranian partners objected to Westberg taking the case -- they felt it was "too dangerous". ^{Did he say more?}

On December 29, 1978, I was advised that the State Department had received its first report from the Embassy. The report said the Embassy had been in touch with the Deputy Minister of Foreign Affairs, the Deputy Minister of Court and Ambassador Zahedi and they in turn had talked with the Ministers of Justice and Foreign Affairs but so far "without success". ^{by whom?}

After this discouraging report, Ross contacted Henry Kissinger. Kissinger said he would be delighted to help -- he said he felt that was the least he could do for what Ross had done for the Viet Nam P.O.W.'s. The next day, Kissinger called back and said the men would be released the next day as soon as a meeting between U.S. Embassy officials and Iran Foreign Ministry officials took place. Kissinger added, this meeting is a formality; I have been advised the men will be released.

The same day we received a call from David Newsome, the number two man at the State Department, and he advised us the men would be released that day.

Obviously, the men were not released. When they were not released, we knew we were in trouble because it was obvious there was no functioning Iranian government. The Shah was on the throne but it was obvious he no longer had the power to govern.

On December 30, Tom Walter and I flew to Washington and met with Henry Precht, Chief of the Iran desk. We were appalled at our reception. It was obvious that the Iranian desk assumed that all American businessmen were crooks and thus EDS was getting what we deserved. We had to spend our entire visit justifying our contract and explaining that we had bribed no one -- to the contrary, we had gone out of our way to conduct ourselves in an ethical and honorable manner. In addition to their anti-business attitude, we were confronted with an air of superiority -- "you people are overreacting; work within the Iran legal framework". When we replied there was no rule of law, our men were being held hostage, we were

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told "don't be silly, Iran wouldn't do that to United States' citizens."

After this less-than-fruitful trip, we began to expand our efforts. I came back to Dallas and prepared a new position paper to distribute to new contacts. It was obvious we were going to have to raise a "ruckus" so the State Department would be forced to help.

So, commencing about January 14, 1979, I began to call on everyone in Washington who would see me. I personally called on every Texas Congressman, the two Texas Senators plus countless other Senators and Congressmen. I used every contact I had to get in to see people in Washington to explain what was happening. The Washington officials who took the most interest were Tip O'Neill and Ted Kennedy. To give you an indication of the extent of our dragnet, we also contacted Rosalyn Carter.

how many?

Who did? Who did?

What makes you my fault?
What makes you my fault?

The calls had the desired effect. Everyone in Washington began to call the State Department to inquire about the EDS employees. All of those calls were referred to the Iran desk; i.e., Henry Precht. Finally, on January 19, Henry Precht called and said "I surrender", "call off the dogs". We will do what we can to help.

Who did he speak to?
Who did he speak to?

How do you see in?

On Saturday, January 20, Precht personally called the U.S. Embassy and asked for a written report containing "concrete suggestions" on how to obtain the release of Paul and Bill. (It's absurd that it took three weeks from the time Paul and Bill were arrested for this call to be made.)

How do you [illegible.]

How did you see in? How did you see in?

The report back from the Embassy made all the efforts appear fruitless. The Embassy's only suggestion was for the two EDS attorneys in Iran to "continue" negotiations with the Ministry of Health and Welfare. We explained to Precht that although numerous meetings had been scheduled over the past two weeks to conduct such negotiations, none of the meetings had occurred because the Iranian officials kept cancelling the appointments. We also pointed out that Bank Mehli in Teheran would not meet with us and therefore we had not been able to negotiate a letter of credit arrangement to satisfy the ransom. In short, we were without a remedy -- and thus the only practical solution was to ask Sullivan to become personally involved and for him to be directed to meet at the highest levels of the Iran Government to arrange the release of the two men to the United States Government.

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We couldn't get Precht to order Sullivan to do this. Therefore, on January 26, 1979, I arranged to have Monroe Leigh, former legal advisor to ~~the State Department~~ under Kissinger, deliver a letter to Warren Christopher pleading for high-level intervention with ~~the Iranian Government~~. W.H.

On January 27, 1979, apparently in response to the January 26, 1979 letter, Precht called and offered to meet with us to explore ways for the United States Government to help secure the release of Paul and Bill.

When we met with Precht, he basically said all the Government can do is to explore ways to help us pay the so-called "bail". Therefore, we started working on proposals for the State Department to guarantee the bail of Paul and Bill to the Iranian government based upon an American bank guarantee delivered to the State Department. At least under this proposal, we would avoid the problem of a non-functioning banking system in Iran. W.H.

By February 3, 1979, we had arranged for such an American bank guarantee and we had delivered the guarantee to our Washington lawyers for their delivery to the State Department if and when the State Department would actually agree to implement this approach.

Still, however, ~~we were~~ confronted with State Department obstacles. For instance, on February 9, 1979, I sent an article from The New York Times describing how the Iranian banking system had collapsed to Precht because he and David Newsome at a State Department meeting on February 6 had refused to believe that we could not arrange for a letter of credit in Iran. 7 FEB. 7 Feb

Daily meetings with the State Department regarding their assistance with the payment of so-called bail continued until the day the men were freed. The high-level intervention was never tried.

In addition to the events chronicled above, during this time frame I also met with numerous other people on the slight chance they might help. My files do not reflect the exact day of these visits but, for instance, some time in January I met with Ramsey Clark to secure his input as to the Iranian situation ~~and who might help us in Iran~~. I also met with Dr. James Bill, a mid-east scholar at the University of Texas who had predicted in 1977 that the Shah would be W.H.

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dethroned in 1978. I also talked to an Italian company that had secured the release of one of their employees who had been jailed. I even pursued with the United States Department of Commerce an idea that they require release of the men before a much-needed shipment of heating oil from this country was released to Iran. Unfortunately my success ratio was zero and it became obvious that the Sunshine Boys would have to act if the men were going to be released.