

Appendix #2

OCTOBER 25, 1980

CONFIDENTIAL MEMORANDUM FOR GOVERNOR RONALD REAGAN

SUBJECT: THE MISHANDLING OF THE “IRANIAN HOSTAGE CRISIS”

A background analysis and strategic approach,
for use in facilitating the release of the Americans
held captive.

SUBMITTED TO:

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FROM:

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(This document was the memorandum referred to by syndicated Columnist Jack Anderson in the aforementioned article, which first appeared in the Washington Post on February 12, 1981).

For almost a year President Jimmy Carter has been enmeshed, entangled and exasperated by the enigma known as, “The Iranian Hostage Crisis”. Throughout this period, despite well-publicized gestures, considerable activity and efforts, he has been unable to bring this tragic episode to a successful conclusion. Indeed, given all the media coverage of movement without progress, dashed hopes and unrealized plans - - all amid the staged background spectacle of thousands of chanting marchers – this lingering affair has taken on a mythic or theatrical quality. So, we are still mired in Wonderland, where the Red Queen is the sickly, senile Khomeini, the drowsy door mouse, an American President and Alice, the figure of reason, out on an extended “coffee break”.

From the outset, we have been negotiating with a tough, cynical and criminal adversary, who has been trying to extract an extortionary price for the return of our illegally detained diplomats. The arena may be International Diplomacy and the stakes human lives, but Khomeini and his mullahs, have been operating like rug merchants in the classic Persian Rug Sellers Bazaar. To them, these innocent Americans are merchandise or “rugs for sale” and they have consistently manipulated our media, our emotions and more significantly, a United States President, in their attempt to secure a maximum selling price.

Since January, the Carter Administration has vacillated and zigzagged, without any coherent or consistent strategy to secure the release of the hostages. Displaying more symbolism than substance and an embarrassing incapacity to manage the flow of events, the Administration’s overall handling of this matter has even given ineptitude a bad name. The President himself has been the embodiment of irresolution, seemingly unable

or unwilling, to exercise and maintain the initiatives necessary to induce responsible civilized behavior on the part of Iran's Revolutionary Regime. More pointedly, his response to this outrage has been so erratic and incongruous that it serves to underscore an unfortunate but growing public perception that he may be willing to compromise national values, principles and interests, to secure re-election to office.

To fully understand the present Presidential predicament, it is necessary to go back to some of the underlying dynamics, which gave rise to the continuing crisis:

By October 1979, it became evident to Khomeini and his fundamentalist followers on the Revolutionary Council that the success of their "divine mission" was being threatened short of its goal -- a return to the "golden Age of Shi'ism". From the Imam's perspective the revolution was beginning to flounder. Bugged-down by the reappearance of pre-existing attitudes and life styles, religious fervor and radical zeal were abating. Mismanagement of the economy was causing disaffection among secular elements and the ruling clergy were being challenged on several fronts by separatist and ethnic groups.

Suddenly, Khomeini and his disciples were confronted with an unacceptable possibility. What they had believed was a Pro-Islamic movement, might actually have been primarily an Anti-Shah uprising. Thus, they were looking for an issue that could be used to revitalize the flagging spirits of the people and restore unity and purpose to the revolution -- which in their eyes still had a long way to go. Fortuitously, the Shah's entry to the United States for medical treatment provided a convenient focal event that could be used to meet these underlying concerns, interests and needs.

Clearly, the Shah was a vulnerable target, who could be accepted and used as the personification of evil. For that reason the mullah's strategy was to focus all attention on

him. Their initial implementing tactic was the simultaneous seizure of the United States Embassy in Teheran and the Statue of Liberty in New York Harbor. Although reported as “spontaneous acts by students”, it should have been evident from the outset that this was government-sponsored terrorism by surrogate soldiers – carefully planned and coordinated operations. In effect, this was “The Persian Version of Dog Day Afternoon”, intended to create an international audience before whom they could air their grievances and extract concessions.

In the main, Khomeni and his medieval-minded mullahs were behaving quite logically (considering their mindset), in pursuit of the following objectives:

1. To unify a fragmented nation and encourage greater personal sacrifice by fueling a common hatred of the Shah and his “agents” held captive in the Embassy.
2. To exorcise all Western (American) cultural influences from Iran, as modern life styles and material conveniences were seen as major obstacles to the restoration of a mullah-dominated Islamic State.
3. To further radicalize the revolution, purging secular and moderate elements in the process, thereby insuring the passage of an Islamic Constitution.
4. To publicize their magnified grievances against the Shah, which could be used to justify future revolutionary excesses, economic deprivations and gross human rights violations.
5. To ignite the Middle East with Khomeni’s brand of revolutionary and fundamental Islamic Shi’ism.

President Carter's initial response to this outrage was an admirable exercise of restraint and patience. It took courage not to react in knee jerk fashion in the face of this provocation.

Still, once the Iranian holidays passed in mid-December and the physical safety of the hostages virtually assured, the president could have managed events to secure their release without compromising national interests. But to his surprise, the captivity became a political advantage, helping defeat Senator Edward Kennedy's bid for the Democratic nomination. Playing upon the concern of the American people, Mr. Carter, unknowingly at first, made the hostages the "centerpiece" of his administration. This was underscored by the unprecedented media attention, which revealed that the Commander-In-Chief was consumed by this issue, praying for the detained diplomats and their captors morning and night. Yet, this myopic focus, combined with the "Rose Garden Strategy" – an unwillingness to leave the White House to campaign and debate Senator Kennedy, further emphasized the importance of this matter and the value of hostages.

While this approach may have caused President Carter to temporarily soar in domestic popularity, it shocked our allies, but even worse, it resulted in increased demands. Keep in mind, that we were, and still are, dealing with people possessed of a "bazaar mindset", who view our diplomats as valuable merchandise, to be sold back to us at a price. So, this pervasive need of our "Chief Buyer" only caused the value of the "rugs" to increase in the eyes of the Iranian mullahs and their surrogate student-terrorists.

Playing to the concerns of the American people and his own rising political fortunes, Mr. Carter publicly announced that we had no options in this situation. By mid-January we were doing nothing and proud of it, expressing impotency via a policy of

“watchful waiting”. In essence, we removed any incentives (either positive or negative) that the Iranians might have had to negotiate with us, allowing the situation to drift from emergency to permanency.

From the mullahs perspective, the detriments of retaining the hostages were now minimal, but the advantages substantial. Ergo, the virtually risk-free captivity could be used by them to achieve many of their objectives. As a result secular elements were purged from government and the Islamic Constitution was ratified overwhelmingly. The hostages served them well, as a rallying point for national unity, that is, until the Iraqi invasion conveniently came along. They had succeeded in gaining internal and external publicity for their complaints against the Shah and the holding of the hostages settled into routine, with little perceptible protest by the world as a whole.

Accordingly, the hostages became central pawns in the never-ending struggle for power taking place among Iranian Revolutionary Groups. Rival factions and personalities maneuvered for dominant influence, each trying to gain the attention of Khomeini, the country’s supreme power. And with the failure of the United Nation’s Commission, it was evident, that he threw his weight behind the advocates of continuing chaos in their conflict with those who sought a return to normalcy.

The captors and their supporters came to believe that they had this Administration over a barrel. As President Carter’s policy softened, their position became tougher, using the old “Rug Sellers’ Negotiation Ploy” of raising the price each time a bid was made for

the hostages' release. For the student-terrorists and their chanting supporters outside, the crisis became a people's carnival, a school holiday, a complete vacation from responsibility and authority. As Bani Sadr and few others realized, this continued festival was in reality, a diversion from the real work and sacrifice required to build a nation.

We should have known there was little chance appealing to fundamental Shia Muslims through our value system. There is nothing in Khomeni's Koran about détente, compromise or reasoning. While we were defensive, apologetic and forgiving, he was aggressive, confident and inflexible. In expecting kindness and compassion from Khomeni or his clerics, we should have remembered the Old Persian Proverb; "There are three things I have never seen – the eye of an ant, the foot of a snake and the charity of a mullah". Fundamentally, we were "reading from a different hymnbook".

Though recognizing the Iranians have some grounds for bitterness and that ultimately, they will need a graceful way out of this dilemma of their own devising, we should not have precluded the possible exercise of power to shape their decision-making. This was a negotiation from the outset and it was hurting our bargaining position by continually eliminating options and displaying a reluctance to act in the face of government-sponsored terrorism.

The recipe of "watching waiting" could only produce a dish of justification for the politics of international terrorism. We have always owed it to the hostages to make sure that the terms of their release did not legitimize their capture and put Americans all over the world in peril. Continued American passivity in the face of the criminal behavior, has been seen as a loss of nerve with the obvious conclusion that we can be taken on with impunity. If we were not willing to act and take some risk in this situation where we

were certified by the United Nations and the International Court as being in the right, for the sake of what, might we be expected to do so?

The issue at stake was never the Shah or Iran versus the United States in a contest of wills. Rather it was Iran versus the civilized world in a criminal breach of International Law. From the beginning, President Carter should have said to the Iranians that our standards of asylum would not be dictated by the illegal seizure of hostages. We should have been seen as standing clearly on principles that command respect.

Instead of keeping the focus on Iranian outlawry, we became publicly involved in the Shah's whereabouts and medical condition. We would not let him in, then we would, then he would have to move, then we would not let him stay, then we promised that if he left he could come back and then we did not want him to leave Panama. In this absurd sequence of events, we compromised our principles and displayed a policy of accommodation that was perceived in Iran and the rest of the world as weakness.

Each concession made to these criminals, without getting anything in return, has only whetted their appetite and caused them to raise the ante. We have gone from dispatching Ramsey Clark, beseeching Kurt Waldheim, embracing Valerian Cappuci to involving all sorts of unpredictable and risky third party amateurs. We have been grasping at straws, practicing capitulation and compromise in a futile attempt to appease enraged outlaws.

As any competent negotiator, leader, politician or consumer knows, in order to get anyone to negotiate with you in good faith they must believe that you can, and just might, bring about intended effects, which they perceive might help them or hurt them.

Neither a potential seller, nor the current Iranian Regime, will change their negotiating posture unless they understand that we are capable of giving them something that they want, or just might do something to them now or later, that they regard as detrimental to their interests and objectives.

Therefore, to publicly rule out options such as military force or even retribution, was to eliminate incentives for negotiation. It was no way to break the impasse. On the contrary, it invited the student-terrorists to hang onto their captives and milk the situation for everything they could get. Instead, these adversaries should have been made to feel that they have something to gain in negotiating in good faith and much to fear if they don't.

The real power in Iran has always been Khomeini and he is a tough bargainer, who sees "concession behavior" as a sign of weakness. We should never have made payments-in-advance. Alternately we should have put pressure on Iran, to strengthen the hand of the realists on the Revolutionary Council, and give, even the unreasoning, an incentive to put the crisis behind them. America could have speeded the process by acting in ways that gave the realists and true revolutionaries cause for concern. By incrementally increasing the pressure on Iran through measured and calibrated actions, we would have forced a confrontation between the militants and some emerging government that wanted to prove that it was really a government.

What President Carter never exhibited was a comprehensive "game plan" and consistent implementing tactics to achieve the release of the hostages. If he wanted to break the stalemate, Iran should have been given a message from our coherent behavior, that the longer the impasse existed, the greater would be the risks for them. Our actions

should have been consistent and there should always have been follow-through. While incrementally building pressure on Iran, President Carter should have preserved and cultivated “back channels” of communication, as a safeguard against misreading of signals and to insure that no opportunity was lost for fruitful negotiation.

Since this was not done, it has raised questions of judgment on the part of our Chief Executive Officer. Certainly, President Carter wants to get the hostages back, but he has done nothing for almost nine months. The only departure from our public display of impotence was, “The Jimmy Carter Desert Classic” (the botched rescue attempt), an action that may have undermined the commitment of the Western alliance and shook the nation’s confidence in our defense establishment.

As noted previously, Khomeini and his mullahs realize that they are selling hostages to an anxious buyer. From their mindset, they know the maximum price that can be extorted from this administration will come just prior to the election, when a politically ambitious incumbent might conceivably pay a top price to assure his re-election. To put it bluntly, any experienced negotiator or bazaar vendor recognizes that, on November 5th, the Iranians will be forced to put their “illegally obtained merchandise” on sale at a cut-rate price. In short, after the election (regardless of outcome), bargaining leverage will shift, causing the hostages to go on sale – at 40% off!

Should an agreement be reached prior to the election, the cost of freedom for the fifty-two hostages will come high. The Iranian leaders will get their best possible payoff from an act of terrorism. Yet, if the agreement is not consummated within the next week, there will be a shift of power that will enable us to buy back our hostages, at a cost that will not approximate the paying of blackmail or ransom to criminals. Hopefully,

President Carter will recognize this reality and wait patiently until after the election to negotiate from greater strength.

There is a negotiating truism, that most concession behavior and settlements occur at “the deadline”. Accordingly one of the reasons that this crisis has dragged on endlessly, has been the passive (reactive) policy of the Carter Administration, which never caused the keeping of the hostages to become so burdensome, that the Iranians felt the need to put a deadline on themselves. President Carter’s handling virtually told them that in retaining the hostages they’d run no risk and incur no cost. Thus, the assets or advantages of maintaining their criminal behavior (using the hostages – as pawns in their internal power struggle, as a rallying point for national unity and to keep their revolution rolling) always exceeded the liabilities or disadvantages.

Now, however, the Iraqi invasion has not only magnified the detriments of keeping the hostages (the need for hard currency and spare parts), but it has given the mullahs a “new Satan”. Fundamentalists can use this “holy war” as a rallying point to consolidate and stabilize their revolution, while at the same time bludgeon Bani Sadr and the moderates for improper conduct of the fray. Of course, these factors will still be in existence after our election, when the current administration can finally resolve this crisis.

It should not come as a shock that the ruling mullahs have a different timetable in mind. From their perspective, the “52 hot rugs” will bring the highest price this coming week, prior to our Presidential election. In fact, all indications are that the Ayatollah had this timing in mind, when he deliberately stalled the announcement of his “Four Conditions” until September 12th. This carefully calculated date would have given Iran and U.S. negotiators a full six weeks to conclude the buy-sell transaction, at a time more

favorable to the seller. Therefore, any “October Surprise” was never Carter’s, but Khomeni’s. Regrettably, our “Purchasing-Agent-President”, has not realized the role he’s been playing in Khomeni’s drama. Succinctly put, Jimmy Carter has been on an emotional roller coaster ride with the rest of the American people – only he was riding in the first car.

From all appearances, Khomeni’s scheme was to “cut the deal” when his bargaining leverage was at a maximum. It might have worked had the unexpected not occurred. This was not just Iraq’s full-scale invasion of Iran, but Saddam Hussein’s widely publicized news dispatch that Khomeni released the fifty-two hostages in return for American support. Since the “morally-directed Ayatollah” could not be seen as being in league with “the great Satan”, informal contact and negotiations were broken off, thereby dispelling any rumors that an agreement was, or might be, “in the works”.

However, the two to three week hiatus, taken to invalidate the Iraqi news dispatch, may well bury Khomeni’s carefully planned scheme. It seems inconceivable, that the short negotiating time remaining, can permit the extensive and complicated bargaining necessary to come to a binding agreement that would return the hostages. Furthermore, there are at least three other factors that preclude any possibility that the current “informal negotiations” might prove fruitful, prior to Election Day – November 4, 1980:

First, the unfreezing of Iranian assets present enormously complex problems, involving a multitude of financial and governmental institutions, that will take time to work out.

Second, it is unlikely that Khomeni would be willing to negotiate formally with the United States. So, additional delay must occur in the selection and use of a third party intermediary that will be acceptable to all sides.

Third, the fragmented student terrorists, the Majlis, and the general public, have not been adequately prepared for such a sharp reversal or departure from what they have been hearing and believing was Khomeni's policy. As Machiavelli has said, "It takes time to get used to a new idea".

Thus there should be no "October Surprise" that might influence the outcome of the election. And so, it is probable that Governor Reagan will be the President-elect on November 5th.

Should this scenario transpire, the Carter "lame duck" administration will be in an excellent position to negotiate a "palatable agreement" to secure the release of the fifty-two hostages. This probability will occur if the Iranians come to believe that the new Republican Administration will take a much tougher approach to this criminal breach of international law. If, by word or deed, the President-Elect and his spokesmen make clear that there will be a radical departure from existing policies with respect to government-sponsored terrorism the Iranians will view Inauguration Day as their final deadline. As a result, they will select the option of dealing with Carter, "the Satan Known", rather than Reagan, -"The Satan Unknown".

Although the internal political circus in Iran cannot be predicted with absolute certainty, if President Elect Reagan, comes on strong the mullahs will be faced with a "Good-Guy-Bad-Guy" choice, imposing a deadline on themselves of January 20th at

1:00pm for the resolution of this crisis. Following is the rationale for this denouement date:

1. Doubtlessly, it is the intention of Khomeini and the mullahs to prolong the war with Iraq, which means they will need to strengthen the Revolutionary Guards and obtain badly needed hard currency.
2. Khomeini's four conditions, which omits the demand for a U.S. apology, indicates a softening of terms and a willingness to settle this matter.
3. Iranian Prime Minister Rajai lacks the political courage to make the decision himself now, but he can syndicate this risk by going to the Majlis, which will take a few months.
4. The failure of Bani Sadr as Commander-in-Chief, to make progress against the Iraqi invaders has given the mullahs an issue that can be used to undermine the moderates – a convenient substitute for the hostages.
5. In the past, the Mujahadeen (whom the mullahs do not control), prevented Bani Sadr from transferring the hostages from the student-terrorists to the government, when in April 1980, they massed in great numbers outside the Embassy. This blocking maneuver is no longer possible, since the hostages have been dispersed to locations unknown.
6. The Iranian perception of Ronald Reagan is that he comes from a “fast draw cowboy tradition” of shooting first and asking questions later. Assuming that as President-Elect, this image is maintained and even enhanced (e.g. by making reference to the Embassy takeover as intolerable criminal behavior), when he is about to take the oath of office Khomeini

will do a fast cost-benefit analysis of the situation and take what by contrast, the reasonable but out-going Jimmy Carter has offered. From their viewpoint, with the departure of the current incumbent, America's Chief Buyer, will go his offers and their investment in the relationship. At best, they will have to start all over again – back to square one – with a new, albeit combative President – an unpredictable and potentially dangerous top Purchasing Agent. Moreover, the Iranian experience with President Jimmy Carter causes them to view him as an indecisive “paper tiger”, who can be mapped and manipulated with ease, whereas Ronald Reagan is seen in Iran as a person who means what he says.

Finally, the Carter Administration's handling of the drawn-out crisis has resulted in the steady erosion of our bargaining position, giving the Iranians a kill as well as a chase – as they engaged in the sport of “Diplomat Hunting”. A prolonged policy of watching and waiting and public declarations that we have no options was and is a bankrupt strategy. From the outset, the health and well being of fifty-three innocent Americans and their families, required that we operate as experienced negotiators and not as amateurs. Ultimately, the success of this “buy-sell transaction” will be determined not just by whether we secure the safe release of the hostages. But there are other fundamental questions, perhaps even more important, that only history can answer:

1. Will our passivity serve to encourage future criminal undertakings of this nature and embolden international terrorists?
2. Has our handling of this matter gained the respect of our Allies and Third World Nations?

3. How will our unwillingness to take risk, sustain casualties and exercise power be perceived by future antagonists?
4. To what extent, have we abandoned our traditional concepts of honor and principle in the face of this terrorist extortion?
5. Will the concessions made to Iran adversely affect our relationship with the Arab nations and the balance of power in the Middle East?

Admittedly, President Carter's initial restraint after the Embassy seizure was commendable. Nevertheless, in the following ten months, this patience was needlessly prolonged and transformed into a policy of paralysis.

His mishandling of this crisis has shaken the confidence of the American people, as well as our allies in other parts of the world. The only beneficiaries from the failure to manage this geopolitical negotiation have been the Iranian mullahs, the Kremlin leadership and the temporary political fortunes of Jimmy Carter himself. Essentially, he has pursued a policy of patience without pressure, which was perceived as paralysis in Teheran. Obviously, a nation that is unwilling or unable to take risk to manage its destiny will inevitably become manipulated against its own interests.

On November 5th there still will be time to look at this tragic crisis realistically, to stand up for what we believe before the world and if necessary, give our goodness some muscle. Above all, we must stop all the ignorant and futile self-recrimination, which only saps our self-confidence and our will.

If, as Dickens said, "We forge the chains we wear in life", then resolve, combined with a sustained negotiating strategy, are the shears that can finally set the hostages and all America free.