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IRAN/ARMS  
SMUGGLING

PALMER: A former Justice Department official may have been caught in the government's crackdown on people illegally selling arms and other military hardware to Iran. NBC News has learned that the official could be among those indicted for helping to set up a parts pipeline. Jim Polk tonight on that investigation.

(GRAPHICS: The U.S. Capitol)

STANLEY POTTINGER: Mr. Chairman and members of the two committees, I am Stanley Pottinger.

POLK: Pottinger, testifying on Capitol Hill this week, was a assistant attorney general, this nation's top law enforcement official for civil rights in the Nixon and Ford years. But now Pottinger is under investigation, facing possible indictment for violating the arms embargo against Iran by helping send military supplies to the Ayatollah Khomeini's government during the hostage crisis. Authorities say this man, Cyrus \*Oshami, was the Ayatollah's arms broker in New York. In the fall of 1980, the FBI put national security wiretaps in this building where Oshami operated out of a corner suite overlooking Central Park. The government says Pottinger, who was Oshami's lawyer, was heard on hidden microphones giving advice on how to make military shipments to Iran through dummy companies in other countries. Federal authorities say that military supplies disguised under phony invoices were flown to Zurich, Switzerland, then shipped to Tehran by this firm on a quiet street in Basel, the T & T Freighting Company, which the government says is Iran's arms merchant in Europe. Among the illegal shipments made in 1980 and '81 were sniper scopes, night vision lenses, radar equipment, and electronic guidance systems for Iran's air force. Pottinger went before a grand jury early this year, but he will not talk publicly about the investigation. POTTINGER: There's nothing to be discussed about it. There's an attorney working on it, and I have nothing to comment about.

POLK: Have you testified before the grand jury on that?

POTTINGER: I just can't comment about it, sorry.

POLK: I could ask you the tough question. As you may be aware, there's a recommendation working its way up to the Justice Department that you be indicted in the matter.

POTTINGER: I'm really, I'm sorry, I can't comment about it, Jim.

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POLK: Federal officials say Pottinger approached the CIA during the hostage crisis to suggest Oshami could carry messages to the ayatollah. But they say when the CIA asked for an FBI wiretap to check up on Oshami, the tap picked up Pottinger advising Oshami on arms shipments. Cyrus Oshami is now operating out of London, beyond the reach of U.S. law, but his older brother was arrested in this case last week when he landed in New York and was caught in a U.S. customs sting operation. The grand jury is scheduled to meet within two weeks to return indictments in the arms smuggling case. Prosecutors here have asked the Justice Department here in Washington, to bring charges against Pottinger for conspiracy and perjury. James Polk, NBC News, New York.

PALMER: Tonight, Pottinger said if the charges are actually made, they will be the result of a sincere mistake by the FBI and the Justice Department.