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SUBJECT Arms Sales to Iran

J MIKE WALLACE: Among the strange twists and turns in the Iranian arms game is one that we've been following for the past couple of months. It's the case of a two billion dollar arms sale to Iran that turned out to be nothing more than a Justice Department sting operation. When it was over, 17 individuals had been indicted for plotting to do the very same thing the White House itself has been doing: selling arms, through Israel, to Iran.

The sting involved hidden cameras and hidden microphones set up in hotel suites in New York and Paris where the people who were arrested came to meet with a Justice Department plant posing as a businessman trying to buy arms for te Ayatollah.

His name, Cyrus Hashemi, an Iranian oilman, arms dealer, and business associate of Saudi Arabian mogul Adnan Khashoggi. He cooperated with U.S. Customs and the Justice Department to lure international arms dealers in front of hidden surveillance cameras, where they proposed allegedly illegal arms sales to Iran. He let himself be used by the U.S. Government so they would kill an outstanding indictment against him for his prior illegal traffic in arms to Iran.

Arrested as a result of the secret videotaping? Sam Evans, Adnan Khashoggi's attorney, an American living in London, who acted as coordinator of the projected two billion dollar arms deal for Iran. His partner, Niko Minardos (?), a Greek-American who provided a key link to Israel. His job included shipping the weaponry. Also in the deal, retired Israeli Brigadier General Avram Bar-Um (?), a war hero and tank commander, who offered to sell Iran 320 captured Soviet tanks. And his associate, William Northup (?), an American citizen, who with these two Israeli

businessmen, Guri and Israeli Eisenberg (?), agreed to supply an arsenal of spare parts, fighter aircraft, and electronic equipment to Iran.

When U.S. Customs and the Justice Department trumpeted news of the sting last April, they called it the largest illegal arms dealing case in history. Only later did they find out that the White House was doing the same thing, selling arms to Iran.

The U.S. Attorney in New York, Rudolph Giuliani, and the head of U.S. Customs, William von Raab, announced the indictments of those involved.

WILLIAM VON RAAB: You've probably heard of the merchants of death. Well, these people are the brokers of death. They would have operated a terrorist flea market, selling everything from conventional weapons to some of the most sophisticated weapons in the world.

RUDOLPH GIULIANI: The weapons that were specified in the invoices included 3750 TOW missiles, 18 F-4 fighter planes, five Hercules aircraft.

WALLACE: Remember, at the time of this news conference the U.S. Government itself was selling many of those same arms to Iran. But 17 individuals were indicted on April 22nd of this year and were arrested in Bermuda and New York after the six-month sting that revolved around Cyrus Hashemi.

In this undercover videotape made in New York, Hashemi is meeting with an unsuspecting Niko Minardos. Minardos was arrested right after he left the room.

Who did he and the others think Hashemi was?

NIKO MINARDOS: Cyrus Hashemi was -- claimed that he was the representative of the IOC, which is the oil company from Iran. And the man who represents the oil company of a country, particularly, of that country, is a very important man.

WALLACE: According to the defendants, Hashemi approached them looking for arms for Iran, pressing them to come up with more and more weaponry as quickly as possible.

MINARDOS: Hashemi then started asking us that it's very important, that he will lose his credibility with the Iranians, that he will have problems with his family in Iran.

WALLACE: If?

MINARDOS: If we cannot -- if he cannot find spare parts for the equipment that they need in Iran. And he asked me if I

knew -- he asked us if we knew any other contacts. And, of course, we thought, "Well, why don't we talk with Israel?"

WALLACE: Why Israel? Because Israel has a stockpile of U.S. weapons and spare parts, just what Iran needs to pursue its bloody war with Iraq. Iran desperately needs them to replace and renew equipment purchased from the U.S. during the reign of the late Shah.

Minardos and Sam Evans looked for suppliers in Israel. They found these men, Guri and Israel Eisenberg, who had ties to the Ministry of Defense; and their associate, an American living in Israel, William Northrup.

According to the indictment, Northrup was going to sell to Iran:

Fifty long-range artillery howitzers, one Cobra helicopter engine, 5000 TOW missiles, 13 F-5 aircraft, four Huey helicopter engines.

WILLIAM NORTHRUP: Yes, sir.

WALLACE: Well, how were you going to get hold of this material and make it available for sale to the Iranians?

NORTHRUP: Well, basically, we have it in stock.

WALLACE: Who's we?

NORTHRUP: In Israel. We have it in stock in Israel.

WALLACE: How did Northrup know what was available? The Israeli Government publishes a catalog, like this one, of surplus weapons, as well as new equipment manufactured by Israeli companies. Israel is now one of the top ten arms manufacturers and traders in the world. It lists weapons like these: American-made A-4 Skyhawks, as well as Soviet-made weapons captured from neighboring Arab countries. All are available. All are for sale.

That's what Northrup and the Eisenbergs were offering to Hashemi through Niko Minardos and Sam Evans.

But there were some big problems in these negotiations early on. Minardos and Evans refused to do anything unless they got at least covert U.S. Government approval, as this undercover videotape illustrates.

SAM EVANS: I would never do anything against the United States. It's my country.

WALLACE: Beyond that, Cyrus Hashemi, the sting man, was unable at first to prove that he had the money to buy the billions in arms that he was talking about. But finally U.S. Customs solved that problem for him. Customs made an extraordinary arrangement with a vice president of Chemical Bank in New York to represent on the telephone to the Israeli suppliers that a one billion dollar line of credit existed in the name of Cyrus Hashemi. That fictitious credit not only got the sting moving ahead, but it produced a new player in early April, an Israeli general.

U.S. Customs recorded Cyrus Hashemi's reaction to that news when he got a call about it from Sam Evans.

CYRUS HASHEMI: Who is the general with him? Do you know him?

EVANS: I met him today for the first time, General Bar-Um. He's, you know, been in the army for 30 years. He's now retired and part of the advisory group to the Northern Army Command in Israel.

HASHEMI: Baram is B-a-r-u-m?

EVANS: It's two words. It's Bar, and the second word, I think, is Om or Um, is the way it transliterates from the Hebrew.

HASHEMI: Well, there's a big concern, you know, because a general in the army, I don't know. [Laughter]

WALLACE: General Avram Bar-Um is a legendary tank commander in Israel, credited with trapping an Egyptian army in the 1967 war. Now retired, he is an adviser to Israel's Northern Army Command. Currently, he is out on three-quarters of a million dollars bail in New York and awaiting trial for his role in his case. The man on his left is his attorney, Larry Silverman.

But it was Northrup who got you, in effect, into the deal.

GENERAL ABRAM BAR-UM: Yeah.

WALLACE: Why did he come to you, General Bar-Um?

GENERAL BAR-UM: Because I have a license to sell arms from Israel, and he knew that my license, so I'll be able to go to the government and ask their permission to sell the weapons.

WALLACE: In other words, you are a licensed arms dealer for the State of Israel.

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GENERAL BAR-UM: Yeah.

WALLACE: General Bar-Um, what exactly were you proposing to sell to Iran?

GENERAL BAR-UM: Russian tanks.

WALLACE: And it was General Bar-Um who took his proposal to sell captured Soviet tanks to Paris in April of this year and to a meeting with Sam Evans, Will Northrup, and Cyrus Hashemi, a meeting that was bugged by U.S. Customs.

According to a transcript of the tape, this is what Bar-Um said: "We are now in the position to arrange for you to get a full armored division, all the tanks, all the spare parts, everything which you will need. Around 250 T-55 tanks, change the gun to American. And in addition to that, another 69 T-62 tanks. Everything. Everything ready. We're simply going to take it out from our division, put it on the boat, send it over. One division and one brigade that you can put your people inside and go to the war."

Did you say that?

GENERAL BAR-UM: Yes.

WALLACE: As far as you're concerned, had you been able to make the deal through Hashemi to the Iranian Government, you believe that you would have been able to get the 250 T-55s and the 69 T-62s to deliver from Israel to Iran.

GENERAL BAR-UM: That was my belief in that time.

WALLACE: And you believed that the Israeli Government would have okayed it.

GENERAL BAR-UM: I believe that if I would come with the money and with the guy to buy those tanks to the government, they will approve it.

WALLACE: Would Israel have approved a deal to send enough Russian tanks to equip an Iranian armored division, not to mention all those fighter planes and missiles and spare parts. Well, recently a reporter from Thames Television of London put that question to a spokesman for the Israeli Ministry of Defense, General Menachem Meron (?).

GENERAL MENACHEM MERON: We do not sell weapons to Iran.

REPORTER: Under any circumstances?

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GENERAL MERON: Any other, any other cir -- any circumstances.

REPORTER: How clear and unambiguous are those instructions, sir?

GENERAL MERON: Very clear. Very clear and very unambiguous. Nobody can truthfully be misunderstood about it, or misunderstand those regulations. They are very strict and very severe.

GENERAL BAR-UM: He has his obligation to say whatever he is saying. If everything was not out on the TV and newspaper, I would say the same what he said.

WALLACE: Why should Israel ship arms, Russian arms, American arms, whatever, to Iran?

GENERAL BAR-UM: Arms business today in the world is one of the major business. All the countries, all the European countries are selling arms today, every day, to Iraq and Iran, both sides. Why should we not sell them also?

The other point is, again from my point of view, as long as Iraq and Iran are fighting among themselves and not fighting against us, it is for our benefit.

WALLACE: Despite General Bar-Um's point of view, the official Israeli position is that they ship weapons to Iran only as a favor to the United States. In fact, the Israelis told us yesterday that General Bar-Um was not connected with and was not acting on behalf of the Israeli Government.

But what about the U.S. Government? On the undercover videotape, Niko Minardos is heard telling Hashemi that he had asked for U.S. approval before proceeding with the deal. What did he mean by that?

MINARDOS: You know, I have gone to my friend, the Ambassador in Rome.

HASHEMI: Right.

MINARDOS: And I said to Maxwell, I said, "Look, I don't want to do anything which is against the United States. I won't do it."

WALLACE: Maxwell is Maxwell Rabb, the U.S. Ambassador to Rome. And Minardos told us that over a year ago he had met him at a birthday party for Minardos' former boss, billionaire Adnan Khashoggi. Last February, Minardos said, he contacted Ambassador Rabb again.

MINARDOS: I called Maxwell on the telephone. He did not wish to talk to me over the telephone from Greece. And the secretary came on, he says, "The Ambassador wants to see you in Rome."

So I left the next day, I went to Rome. I had a meeting with Maxwell Rabb.

WALLACE: And you told him that the deal was to send arms to Iran.

MINARDOS: To Iran.

WALLACE: What did you want from Ambassador Rabb in Rome?

MINARDOS: I wanted to find out if what I'm doing and I wanted him -- I wanted to inform him as to exactly what I'm planning to do.

WALLACE: You wanted to find out if it was okay with the Administration.

MINARDOS: The Ambassador said he would call me sometime later and tell me to go ahead with the deal or not.

WALLACE: Did you ever hear from the Ambassador?

MINARDOS: No, I never have. I've been arrested instead.

WALLACE: Ambassador says, to this day, says Rabb to me, "I don't know who he is. We spent eight to ten minutes together. The fellow was coming on to me, conning me for all it was worth. He asked me, 'When are we in the United States going to be able to do business with Iran?' And I told him, 'Not for a long time.' And he left." That was you.

Accurate?

MINARDOS: No. Inaccurate.

WALLACE: What the Ambassador told me, then, is simply not true.

MINARDOS: Well, maybe with what the news is now, maybe he will change his mind. And when we take the deposition of the Ambassador, I'm sure he'll say the truth.

WALLACE: What is the truth of the Hashemi sting? While all the details may never be known, there seems little doubt that

the U.S. Government is prosecuting 17 individuals for doing exactly what the United States Government has done. And Cyrus Hashemi, the one man who might be able to provide the missing details, he is now dead.

Three weeks before he died suddenly, he had been playing tennis with his son in the United States. Then, last July 16th, he was taken to this hospital in London. On July 20th he was partly paralyzed. The following day he died. The cause of death was originally described as myeloplasic leukemia. Later doctors said it was leukemia complicated by a stroke.

His brother spoke to Thames Television in London.

MAN: There was no reason, and [unintelligible] we had no reason whatsoever before his death to believe that there was anything wrong with him. Absolutely nothing.

WALLACE: Today Cyrus Hashemi is buried at the George Washington cemetery in New Jersey. So this story of the two billion dollar arms deal must be told without him.

But one thing about this story is now becoming clear, the U.S. attorney Rudolph Giuliani is going to have to rethink what he told a news conference when he announced the indictments last April.

GIULIANI: This is a very, very substantial case and a very important case. The types of weapons that are involved here are frightening. That there'd even be a plan to divert them to a country such as Iran and the scale of this kind of transaction is almost mind-boggling.

WALLACE: Mind-boggling, too, is the fact that 17 people face prison terms of anywhere from five years to life for doing precisely the same thing the United States Government has been doing.

Yesterday U.S. Attorney Rudolph Giuliani told us that the recent revelations about U.S. Government arms deliveries to Iran and what may follow will trigger a review of the case against the men caught in the Hashemi sting. But for now, their trial is scheduled to begin next February 2nd.