

REPORT OF THE
STAFF'S STUDY OF ALLEGED MISCONDUCT
BY MEMBERS OF THE HOUSE OF REPRESENTATIVES
INVOLVING THE FORMER GOVERNMENT OF IRAN

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INTRODUCTION

On February 12, 1979, the press reported that supporters of the Ayatollah Khomeini had taken control of the Embassy of Iran in Washington, D. C., and quoted their spokesman, Shahriar Rouhani, as stating that upon entering the Embassy they had discovered that documents showing "payoffs" to Members of Congress had been removed. Ten days later, on February 22, 1979, in a private meeting with Representative Michael D. Barnes, Rouhani stated that he and his colleagues had uncovered detailed evidence of bribery and blackmail of prominent Americans, including Members of Congress, by former Ambassador Ardeshir Zahedi. Rouhani added, however, that this evidence would not be released. Representative Barnes made Rouhani's statements public and called upon the Department of Justice and this Committee to conduct an investigation.

Neither Rouhani's allegations nor other charges reported by the press named any particular Member of the House of Representatives. Despite the unspecific nature of Rouhani's accusations, his statements were entitled to be treated seriously since apparently he spoke as a representative of a foreign nation. Moreover, his announced intention not to release supporting evidence indicated that only independent investigating efforts could determine the validity of his accusations.

In light of these considerations, the Chairman and Ranking Minority Member Mr. Spence determined that an examination of the accuracy of the charges should be undertaken. The Committee has the authority, pursuant to its Rules of Procedure, to initiate inquiries into alleged misconduct by Members of the House of Representatives whenever the Committee's Staff presents evidence reasonably indicating that a Member may have engaged in illegal or unethical conduct. In this instance, however, neither the Committee nor the Staff possessed such evidence. It was therefore decided that the Staff should first determine whether there was evidence to support the charges and then report the results to the Committee. For this purpose, a subcommittee, consisting of the Chairman and the Ranking Minority Member, was formed. A. Raymond Randolph, Jr., of the firm of Sharp, Randolph & Green and formerly a Deputy Solicitor General of the United States, was retained as special counsel. The Staff began its inquiry on March 19, 1979. At approximately the same time, the Department of Justice initiated a preliminary inquiry to determine whether there were facts to support the assertions that public officials had received financial favors from the Shah's government.

II

SUMMARY OF THE STAFF'S INVESTIGATIVE ACTIVITIES

At the outset, an investigative plan was developed. While the primary objective was to determine whether any particular Member of the House of Representatives had engaged in activity violating House rules, initial efforts were directed toward the more general question of whether any improper activities had taken place. If this inquiry developed evidence of misconduct, efforts would then be made to identify the participants.

In order to determine the validity of the various allegations of misconduct, the Staff interviewed approximately 170 individuals. The persons interviewed included Iranian Embassy senior officials, mid-level and junior officers, secretarial and clerical staff personnel, and household employees during the tenure of Ambassador Zahedi (1973-1979) as well as those who worked under the new government after the February 1979 revolution. All individuals connected with the Iranian Embassy were cooperative and no one asserted diplomatic immunity to avoid being interviewed. Also interviewed were employees of firms serving the Embassy, including caterers, florists, photographers, and jewelers. Records and photographs in the possession of such firms were obtained and reviewed. Records of the Department of State and of the General Services Administration regarding the Foreign Gifts and Decorations Act were examined for logical leads.

The Staff also interviewed members of the Iranian community in Washington, including those who were pro-Shah and anti-Shah and the publishers of local Iranian newspapers. Friends of Ardeshir Zahedi and frequent guests at Embassy functions were identified and questioned. The Staff reviewed voluminous records seized by the Federal Bureau of Investigation in connection with the federal prosecution in Alexandria, Virginia, of the owners and operators of a Virginia-Washington call girl operation. An order allowing the Staff access to sealed records was obtained from the United States District Court for the Eastern District of Virginia. Certain prostitutes connected with the above-mentioned operation who associated with Embassy employees were identified and located. These women and their associates were then interviewed.

Records of the Foreign Agents Registration Section of the Department of Justice revealed the identities of firms and individuals who registered as foreign agents of the former Iranian government. Several of these individuals, located in New York City and Washington, D.C., were interviewed and, where appropriate, their records were obtained and reviewed.

With the cooperation of the Congressional Research Service of the Library of Congress, every legislative matter of specific interest to Iran was identified. Records and reports of all pertinent hearings were

reviewed and appropriate Congressmen and staff were interviewed to determine the extent of any lobbying efforts by representatives of the Shah's government.

The Staff obtained and reviewed bank records involving numerous accounts maintained by the Embassy of Iran and Ambassador Zahedi. The Central Intelligence Agency, Department of Justice, Federal Bureau of Investigation, Internal Revenue Service, United States Customs Service, Immigration and Naturalization Service, and the Metropolitan Police Department of the District of Columbia furnished cooperation of value.

During the early stages of the investigation, the Khomeini government announced a reward for the assassinations or executions of the Shah and former Ambassador Zahedi. Executions of former government officials were taking place on a daily basis in Iran. Many Iranians questioned in the United States expressed considerable concern about these developments, fearing that any cooperation they furnished the Committee might adversely affect either their relatives in Iran or their own future should they return to Iran. Therefore, these individuals were assured that their identities would be protected whenever possible and that their cooperation would be made public only when necessary. This report was prepared in compliance with that policy.

III.

INVESTIGATION OF CHARGES OF IMPROPER CONDUCT BY MEMBERS OF THE HOUSE OF REPRESENTATIVES

A.

Investigation of Charges of Bribery

As indicated above, an article in the Washington Post, dated February 12, 1979, reported that a pro-Ayatollah Khomeini group had taken control of the Iranian Embassy in Washington, D.C., on February 11, 1979, installing Djafar Faghii, then Counselor of the Embassy, "as the interim replacement for Zahedi." The article stated that Faghii had facilitated the takeover and greeted the revolutionary group at the front door. Once inside the building the Khomeini group had entered Ambassador Zahedi's office by cutting a lock on the door. According to the article they discovered that the Ambassador's file cabinets were empty.

The article further reported charges by Shahrar Rouhani, a twenty-nine year old graduate student who "represents the Ayatollah," that among the files removed from the embassy were documents pertaining to payoffs to American dignitaries, including Members of Congress. Rouhani said that he would not disclose details of the payoffs, except to note that they were indirect, and not just caviar and champagne.

On February 13, 1979, the day following the Post article, John M. Swanner, Staff Director of the Committee, telephoned Rouhani at the Embassy in an effort to arrange an appointment to discuss Rouhani's

reported statements. Rouhani refused to talk about the subject, stating only that "we will investigate the matter and then speak out."

Although Rouhani's initial allegations of cash payments and bribery appeared to be based on documents that, according to him, had been removed prior to his arrival at the Embassy, he asserted to Representative Michael D. Barnes when they met on February 22, 1979, that he and his colleagues had discovered evidence of "cash payments, bribes, provision of luxury overseas travel accommodations, prostitution, and blackmail of American officials and public figures by the previous government of Iran, as represented by former Ambassador Zahedi." In a letter to Committee Chairman Charles E. Bennett on the same day, Representative Barnes stated that Rouhani had characterized these activities as "widespread" and indicated that the beneficiaries of the bribes and the victims of the blackmail particularly included Members of Congress, officers of the executive branch and well-known American journalists. Rouhani stated to Representative Barnes that he did not intend to make this evidence public. The American officials involved, Rouhani explained, were those with whom his government wished to establish good relations and the record of the United States Government, particularly that of Congress, in bringing official wrong-doers to justice did not suggest that there would be anything to gain by "going public."

In order to arrange an interview of Rouhani and gain access to whatever documents were available, the Staff requested the assistance and cooperation of the Department of State in a meeting on April 5, 1979. An official of the State Department met a few days later with a representative of the Iranian Embassy and informed him of the Committee's interests. On April 17, 1979, Rouhani agreed to be interviewed by members of the Committee Staff and the interview took place on April 19, 1979, at the Iranian Embassy.

During this interview, Rouhani denied that he had ever seen documents or lists reflecting the payment of money to Members of Congress. He said that he had seen records of financial transactions with private individuals in this country, but added that these matters were complicated and that it would be impossible to trace the funds. Although Rouhani said he "suspected" that some of this money had eventually gone to Members of Congress, he could cite no specific facts to support his suspicion. He informed the Staff that he had sent these financial records to Iran for "safekeeping." He added that he had also sent to Iran various gift lists maintained by the Embassy under Ambassador Zahedi. Rouhani also disclosed that a review of records still in the Embassy and interviews of former and continuing Embassy employees had failed to develop any information to confirm his suspicions. Rouhani stated that he would seek advice from Iran regarding the Staff's request that the records sent there be returned and furnished to the Committee.

On March 1, 1979, the New York Times reported a statement by James Abourezk, an attorney for the Iranian Embassy, that he had seen documents at the Iranian Embassy indicating widespread payments to prominent Americans, including Members of Congress. The same article indicated that, according to Djafar Faghieh, former Ambassador Zahedi had a secret fund of \$25,000 per month that he used to win friends in the United States for the Shah. The article quoted Faghieh as stating that since Zahedi took most of his financial records, the details of cash payments may never be known although bank records left in the Embassy did reveal payments to individuals. The article further indicated that Rouhani was studying the files and quoted him as asserting that "we may never make these names or documents public, because we do not want to make enemies." The names were, according to Rouhani, those contained on "blank checks" and "lists."

However, one day later, on March 2, 1979, the Washington Star reported Faghieh's denial of the New York Times story to the extent it maintained that records had been discovered indicating payments to Members of Congress. The March 4, 1979, edition of the Star also quoted Faghieh as saying "I am not sure about payoffs. If so, undercover names were used rather than direct payoffs. Zahedi did it all very masterfully, with gifts rather than cash, Persian rugs, trips, that sort of thing. I'm not even sure there was a list, except in his mind or in the Shah's mind."

1 2

In an interview with the Staff, Djafar Faghii, who served as Counselor and Minister Counselor at the Iranian Embassy from June 1977 to February of 1979, and then as Chargé under the new regime until June 1979, again stated that he had no knowledge of any monetary gifts or payments by Zahedi to any Congressman or to any relative or employee of a Congressman. Faghii said he knew of no financial or business dealings between any Iranian or any third party that would redound to the benefit of any Congressman. In regard to Rouhani's accusations that Congressmen had been bribed, Faghii said that after the take-over of the Embassy in February 1979 Rouhani caused a search to be made of the Embassy records to substantiate his allegations and discredit the Shah. Faghii never saw any documentation to support Rouhani's charges and believes that no such documentary material was located or, in fact, ever existed. Faghii speculated that if any documents were sent back to Teheran, these probably were in the nature of guest lists and gift lists.

Similarly, when interviewed by the Staff, James Abourezk denied the statements attributed to him in the March 1, 1979, issue of the New York Times and stated that with respect to Rouhani's allegations concerning documents showing illegal payments to Members of Congress, the only documents he had seen were lists showing gifts to members of the press. Thus, despite the reported allegations, both Rouhani and Faghii admitted that they had no evidence showing payments to or bribery of Members of Congress and James Abourezk denied that he had ever seen such evidence. Moreover, whatever documentary material Rouhani did discover at the Embassy was not

forthcoming.

Although Rouhani promised to reply within a few days to the Staff's request of April 19, 1979, for the documents he had sent to Iran, numerous attempts to obtain an answer from him proved fruitless. On April 25, 1979, Rouhani left a message stating that "because of the change in the Foreign Ministry he has received no response to his request yet." The Staff subsequently determined that Rouhani had left his position at the Embassy and reportedly returned to Iran.

While the Staff, through the State Department and on its own initiative, was arranging to meet with Rouhani and attempting to gain access to whatever documents he had discovered, the following events were occurring in Iran. On April 16, 1979, Karim Sanjabi resigned as Foreign Minister. According to an April 18, 1979, report in the Washington Post from a "well-placed government source," Sanjabi resigned because of interference in the conduct of the Foreign Ministry by Dr. Ibrahim Yazdi, Deputy Prime Minister, a close aide of the Ayatollah Khomeini. The "source" said that Yazdi's son-in-law, Shahriar Rouhani, had angered Iranian government officials by taking over as de facto ambassador to the United States. The "source" further reported that "Rouhani claimed to have sent back to Iran, Embassy documents allegedly revealing Iranian bribes to U.S. Congressmen and journalists, but that the Foreign Ministry was completely left out of the matter and does not know where the documents, if they exist, ended up."

In this regard, the Washington Star reported on May 1, 1979, that Ahmad Salamatian, who had recently been dismissed as Deputy Foreign Minister, stated at a press conference that Shahriar Rouhani "refused to send to Iran pertinent documents" allegedly listing United States Congressmen who received money from the Shah's government. Rouhani, the Star reported, asserted that Zahedi had taken most of the material with him but, when pressed by Foreign Minister Sanjabi, claimed that he, Rouhani, lacked a safe means of transporting the material back to Iran. Finally, according to Salamatian, Rouhani had refused to reply to questions about the documents and the Foreign Minister had no choice but to resign.

On June 11, 1979, the Staff interviewed Ali Asgar Agah, Minister Counselor and newly appointed Chargé d'affaires of the Iranian Embassy. Agah had also been a member of the group that took control of the Embassy in February 1979. When asked whether he had seen or knew of any information indicating any improper actions by Congressmen with respect to representatives of the former Iranian government, he said he had no personal knowledge but relied on Rouhani and believed him. Agah said the Embassy was continuing its own internal investigation, but so far had not uncovered any information involving congressional wrongdoing. He stated that he would furnish the Committee with any pertinent data developed. Agah also said he would obtain instructions from Teheran about the return and release of documents Rouhani had reportedly sent there. If such documents existed, however, Agah said there would be nothing wrong with his country's withholding their release until it became advantageous to use them against Congressmen.

Finally, on August 6, 1979, Time Magazine reported an interview of Rouhani's father-in-law, Dr. Ibrahim Yazdi, who had become the new Foreign Minister following Sanjabi's resignation. In regard to evidence of payoffs to United States Congressmen, Yazdi reportedly stated that the Washington Embassy files were bare, with the exception of a list of people who received "mundane" things such as champagne, perfume and caviar.

During the course of the Staff's efforts to determine from representatives of the current Iranian government whether they possessed any evidence to support their initial charges of bribery and payoffs to Members of Congress, the Staff independently pursued other possible sources of such evidence.

On May 10, 1979, at the Staff's request, Ardeshir Zahedi submitted to an interview during the course of a brief visit to the United States. He denied giving any money to Congressmen or making any contributions to any Congressmen or to any congressional campaigns. Zahedi said the only documents and files he removed from the Embassy concerned "secrets" of his country and family matters. He said the Committee Staff was welcome to review his records in Switzerland. Zahedi added that he would have no objection to the current Iranian government's releasing any documents they had since neither he nor any other former Embassy official had engaged in any activities with Members of Congress that could be considered unlawful or unethical.

Ms. Jaleh Yazdah-Panah, Zahedi's social secretary, informed the Staff that so far as she was aware, Zahedi removed only personal letters upon his departure. Before he left, however, official Embassy business records, which had been kept in two safes in the Ambassador's office, were moved to the code room.

Dr. Abdol-Azmi Biabani, who remained as Counselor for Financial Affairs of the Iranian Embassy, a position he has held since 1976, advised the Staff that he was not aware of any payments, direct or indirect, to any Member or employee of Congress. He stated that, as Counselor for Financial Affairs, he supervised and carefully accounted for all expenditures of Embassy funds. Although he had no knowledge of transactions Zahedi might have made in connection with Zahedi's private account at the Riggs National Bank, he knew that Zahedi had received a special allowance of about \$39,000 per month, which was deposited in this account. Biabani added that, as far as he knew, all documents removed by Zahedi were personal in nature.

The Committee issued a subpoena for bank records from the Riggs National Bank relating to all accounts of Zahedi and of the Embassy of Iran from 1973 until the present time. At conferences held thereafter with legal representatives of Zahedi, the bank, and the Embassy of Iran, all three parties agreed to release these records. It was discovered that the

Embassy and its components had some forty-six separate accounts at the Riggs National Bank and that Zahedi had maintained a personal account at the bank from 1973 through February 1979, when he left the United States. Although the Staff did not undertake a formal audit of each of these accounts, the records were selectively reviewed for possible leads and all available cancelled checks from Zahedi's account were obtained and examined. This review disclosed no information that funds were paid directly or indirectly to Members or employees of the House of Representatives, to relatives of such persons or to any third party known to have a close relationship with such individuals. Moreover, with respect to the Embassy's accounts, Biabani, who had official responsibility for the accounts under the Shah's government and who later became a representative of the new government, confirmed that the accounts contained no information showing payments to Members or employees of Congress.

Nasser Ghoushbeigui, Counselor of the Embassy during Zahedi's tenure, informed the Staff that he was familiar with the personal bank account Ambassador Zahedi maintained at the Riggs National Bank from 1973 through February 1979. Ghoushbeigui stated that Zahedi had authorized him to assist in this account and that he wrote many checks for Zahedi. One of the principal reasons for Zahedi's having this account, according to Ghoushbeigui, was to allow the Ambassador to defray expenses of the Imperial Court, incurred from time to time in the United States.

Ghoushbeigui stated that the Imperial Court deposited some \$119,000 every three months into this account. Ambassador Zahedi also deposited his salary into this account. Therefore, checks issued against this account represented payments by either the Imperial Court or Zahedi, as distinguished from the Embassy. Ghoushbeigui stated he knew of no transaction involving this or any other account that involved or could be construed as involving Members of the House of Representatives.

In addition to the above interviews, all persons questioned during the course of the investigation were asked whether they knew of pay-offs to or bribery of Members of the House of Representatives. All of these individuals denied any personal knowledge of such activity and denied any personal knowledge of the existence of documents that might relate to such activity.

INVESTIGATION OF CHARGES OF
ACCEPTANCE OF GIFTS AND GRATUITIES

Allegations that Members of Congress accepted valuable gifts from Ambassador Zahedi appeared prominently in press reports after the take-over of the Iranian Embassy in February 1979. Unidentified sources charged that "Ambassador Zahedi had a caviar list, a champagne list and a silk-rug list" (Washington Post, February 12, 1979); that at least 20 Senators and dozens of Members of the House of Representatives had received expensive gifts from Ambassador Zahedi (Dallas Morning News, March 2, 1979); and that Ambassador Zahedi commonly gave magnums of champagne valued at \$35 per bottle and caviar worth \$450 a kilo (New Statesman, March 3, 1979). Rouhani announced that he had discovered documents in the Embassy showing gifts to Congressmen from Ambassador Zahedi but that he had sent these documents to Iran and "could barely recall any names" (Washington Star, March 2, 1979). In his private February 22, 1979 meeting with Representative Barnes, Rouhani had also stated that he had found evidence showing Zahedi had bestowed gifts upon Members of Congress.

These allegations raised serious questions. Under Article I, Section 9, clause 8 of the United States Constitution, Members and employees of the House of Representatives may not accept gifts from foreign governments or their representatives without the consent of Congress. In the Foreign Gifts and Decorations Act, 5 U.S.C. § 7342, Congress consented

to the retention of gifts of minimal value (\$100 or less) from foreign governments when tendered and received as a souvenir or mark of courtesy. (Before January 1, 1978, Members and employees were barred from accepting and retaining gifts from foreign governments valued at more than \$50.) Members and employees may also accept -- but not retain -- gifts of more than minimal value if refusing the gift would embarrass or offend the foreign government or adversely affect United States foreign relations. Under the Foreign Gifts and Decorations Act and regulations of this Committee, such gifts must be reported to the Committee and, within 60 days of receipt, turned over to the Clerk of the House of Representatives or, with the Committee's approval, deposited with the Committee for official use. The Committee's regulations further provide that the value of gifts shall be determined by their "retail value in the United States."

In order to determine whether there was evidence reasonably indicating that any Member of the House of Representatives violated the above provisions, the staff focused on four issues: (1) whether, as alleged, Ambassador Zahedi had an organized practice of giving gifts; (2) whether records concerning gifts were maintained by the Embassy or others; (3) whether any gifts went to Members of the House of Representatives; and if so, (4) whether Members retained gifts exceeding the applicable "minimal value."

Early in the investigation it became clear that Ambassador Zahedi was a prolific gift-giver and that the Embassy kept detailed records concerning his gifts. In an interview with the Staff shortly before she left the United States, Elspeth Swain, Zahedi's personal secretary, confirmed a report in the Dallas Morning News (March 14, 1979) that Zahedi sent out nearly 1000 gifts each Christmas and that the Embassy maintained a list of the recipients. These gifts, according to Swain, included approximately 150 cans of caviar, 90 bottles of Dom Pérignon champagne and 600 to 700 books. From the beginning of her employment at the Embassy in May 1973, until her departure in February 1979, she knew of only two or three occasions when a Persian rug was sent as a gift; the rugs went to private individuals and, she informed the Staff, they were small, scatter-type rugs.

In addition to Swain, three other secretaries at the Embassy worked on the arrangements for gifts. Zahedi's social secretary, Jaleh Yazdan-Panah, who worked at the Embassy for 24 years, informed the Staff that there were ledger books, usually prepared by Panah, showing gifts for the period 1973 to 1978. According to Panah, the gifts consisted mainly of tins of caviar and bottles of champagne. The champagne was Dom Pérignon and, another secretary told the Staff, was purchased duty-free. The caviar, which was usually given in a 300-gram tin, arrived by diplomatic pouch from Iran. Caviar, according to one witness, went out daily to six to eight persons. Flowers and fruit were also frequently sent as gifts. Not only Christmas, but also other holidays such as Thanksgiving

and the Fourth of July, were occasions for Zahedi to send out numerous gifts. In addition to books, champagne and caviar, the secretaries and other witnesses mentioned gifts such as photographs, candy, liquor, cufflinks, tiepins, silver pillboxes, and gold coins and watches. The cufflinks and tiepins were described as having no great value and were considered in the nature of party-favors. A gift of liquor usually consisted of one bottle, although one of the secretaries stated that she recalled cases of bourbon being delivered to a Senator and a case of wine being sent to a reporter each month.

Deliveries of most of the gifts were made by Embassy drivers or, occasionally, by Zahedi's personal chauffeur. Flowers were delivered by the florist from whom they were ordered; in some instances, the florist would pick up gifts from the Embassy to be delivered with a floral arrangement. Embassy employees responsible for delivering gifts informed the Staff that they were required to have the recipient sign for the gift and to return these receipts to the Embassy. In the Staff's interview of Rouhani, he stated that documents found in the Embassy included not only lists of gifts, but also receipts showing the names and addresses of the recipients. As indicated previously, James Abourezk informed the Staff that he had seen a list of gifts to members of the press and that the gifts shown were champagne, caviar, silver pillboxes and one or two silk rugs.

When interviewed by the Staff, former Ambassador Zahedi readily admitted that he made a practice of giving gifts and that the recipients included Members of Congress and their spouses. But, Zahedi added, he gave only "insignificant items" to Members of Congress, such as bottles of Persian vodka, flowers, bottles of champagne, chocolates and caviar. He said the caviar cost him between \$8.00 and \$10.00 per tin. Zahedi confirmed that his secretaries maintained detailed records of his gift-giving. He explained that such records were kept in order to ensure that the gifts were in fact delivered. (One of Zahedi's secretaries stated that gift records also were used to make certain that an individual did not receive the same gift, such as a book, on two occasions.)

Zahedi also said that he frequently handed out gold coins as "souvenirs." He displayed two such coins, each one about the size of a quarter and encased in a small gold wire which enabled the coin to be hung on a chain or charm bracelet. Although he denied ever giving such coins to Members of Congress, Zahedi said that he passed them out to many people during his travels and that the giving of such coins was a Persian custom, particularly on March 21, the Persian New Year.

Zahedi also showed the Staff a small box which could be described as a pillbox. He said he purchased such boxes in Iran for a few dollars and gave them to acquaintances. One press photographer advised the Staff that an Embassy of Iran chauffeur delivered a small silver box to his home with a note from Ambassador Zahedi congratulating him on the quality of a

photograph taken by the photographer which had appeared in the press. The photographer, who did not know Zahedi, was surprised by the gift and believed that its value was probably exceeded by the cost of the delivery.

During the Staff's interview of Embassy Counselor Biabani, he pointed out that certain gifts -- "perishables" -- given by Zahedi were purchased through the Embassy accounts. These gifts were generally champagne, caviar, flowers and books. Biabani, who supervised the accounting, said that if any watches, rugs, or expensive jewelry were given by Ambassador Zahedi, these must have been purchased through Zahedi's personal account referred to earlier in this report. The Staff's review of this account disclosed checks to jewelry stores in New York City and to Vacheron & Constantin in Geneva, Switzerland.

The payments to Vacheron & Constantin totalled \$48,420.05 from 1974 until February 1979. The largest payments, which occurred during mid-1978, totalled \$23,887. During this period of time, members of the Shah's family made an extensive tour of the United States and were accompanied by security personnel from the Department of State. A review of General Services Administration inventories of gifts received by government employees from foreign governments and turned over to the United States revealed that seven Vacheron & Constantin watches had been turned in during the above period

by Department of State employees, who reported that the watches had been received from the Iranian government. Inquiry at the Department of State determined that these individuals were assigned to security duties in connection with the visit of the Shah's family and that the watches had been given to them as tokens of the Shah's appreciation for their services. The watches were valued at \$1800 each. The Staff also interviewed the sales agent for Vacheron & Constantin in the United States, but this individual provided no information with respect to purchases outside this country.

Tiffany & Co., in response to a subpoena, provided the Staff with copies of all invoices reflecting business with the Iranian Embassy, the Iranian Consulate in New York, and the Iranian Mission to the United Nations. In all cases, merchandise purchased was either sent to an Iranian official or picked up by an Iranian employee. Interviews of Tiffany employees and a review of Tiffany records developed that they had no knowledge of a gift's ultimate recipient unless the engraving order contained the recipient's full name. The Staff reviewed all available Tiffany engraving records and discovered the names of several Executive Branch officials and at least two former Senators. Most of the engraving records, however, were inconclusive in that they reflected only first names or initials. The Staff found no evidence of receipt by a Member of the House of Representatives of any Tiffany gifts from the Iranian government.

Florist records subpoenaed by the Committee revealed seven instances from July 1976 through January 1979, in which floral gifts costing between \$50 and \$95 were sent to current Members of the House of Representatives by the Iranian Embassy. On three occasions, the flowers were accompanied by a gift of champagne and, in one instance, a gift of caviar. The invoices did not reveal the amount or value of the caviar and champagne. Each of these deliveries occurred in 1976 or 1977, at which time "minimal value" was defined as \$50 or less. (In August 1977, Congress raised the "minimal value" to \$100 by amending the Foreign Gifts and Decorations Act, effective January 1, 1978.)

CINVESTIGATIONS OF CHARGES OF BLACKMAIL
AND OTHER IMPROPER CONDUCT

During the February 22, 1979, meeting between Shahriar Rouhani and Representative Michael D. Barnes, Rouhani alleged that he and his colleagues had discovered evidence of prostitution and blackmail in the Embassy and that "the recipients of these favors -- or, in some cases, the victims of blackmail -- involved Members of Congress, officers of the government, leading figures of the news media and other major corporate and private American leaders" (memorandum of Representative Barnes, February 22, 1979). When interviewed by the Staff, however, Rouhani conceded that he had no direct evidence to support these charges, although he said he had "indications" that such activities "may have" taken place. He added, however, that the women involved had left the United States and that the Embassy's household staff had not fully cooperated with him.

Allegations similar to Rouhani's had appeared in an article by Gregory F. Rose in the September 18, 1978, issue of New York Magazine. Entitled "The Shah's Secret Police are Here," the article ran for seven pages and included sketches and photographs. While the article principally concerned alleged activities of SAVAK* to monitor and harass anti-Shah students in the United States, it also alleged that a SAVAK Security Committee, chaired by Mansur Rafizadeh and located in the Iranian Embassy, had a Political Liaison Section whose target was the Congress of the United States.

*Iran's security and intelligence agency

According to this article, the Security Committee also had a financial Section that handled "payments to SAVAK agents, and sources allege, United States politicians, including some Members of Congress." The article reported that SAVAK provided prostitutes and drugs at the Iranian Embassy parties attended by Members of Congress, who thereby subjected themselves to possible blackmail by their activities. Rose claimed in his article that a staff member of the Senate Foreign Relations Committee was one of several individuals from whom he obtained "cross-confirmation."

In light of this article, the Staff devoted part of its investigation to determining whether Members of the House of Representatives took part in activities at the Iranian Embassy that could be used as a basis for blackmail. Since Rose reported that a group of SAVAK agents at the Embassy orchestrated efforts to influence Congressmen, the Staff also sought to determine whether, as alleged, a SAVAK station was located in the Embassy.

On June 14, 1979, the Staff interviewed Rose in San Francisco, California. He declined to identify those who allegedly furnished information of misconduct on the part of Congressmen or to name the Members of the House of Representatives allegedly involved. Rose did relate, however, that he started research for his article in about February 1978 after a former CIA officer made statements to him that sparked his interest in SAVAK. He claimed that former State Department and CIA officers, all of whom he refused to identify, were also of help to him. When asked for any evidence of blackmail, Rose stated he suspected blackmail was contemplated by the Iranian because he had "heard" that photographs were taken of illicit activities.

Richard Sale, who wrote several articles concerning Iran for the Washington Post during the Shah's regime, advised the Staff that he first met Rose in 1978 through a New York literary agent. Sale stated that Rose spoke with him on several occasions while preparing his New York Magazine article; that a substantial part of Rose's article was based on prior articles and research done by Sale; that he, Sale, had not uncovered any evidence of Congressional misconduct; and that he did not know where Rose had obtained information that narcotics and sex were used to influence Congressmen, or information identifying SAVAK officers assigned to the Embassy. Sale stated that he was friendly with several of the Embassy officials identified by Rose as SAVAK agents and had attended several Embassy functions. He advised, however, that he had no personal knowledge that any of these Embassy officials were connected with SAVAK and no personal knowledge regarding the use of drugs or sex at the Embassy.

Nasser Afshar, publisher of the Iran Free Press, also admitted talking with Rose while Rose was researching his article in the Washington, D. C. area. He denied being Rose's source on the use of opium and sex at the Embassy parties, and denied that he had independent information concerning Congressional involvement in any such activities. During his interview with the Staff, Afshar made numerous allegations against former United States executive branch officials and agencies. When pressed for proof in this regard, he refused.

In a further effort to determine the reliability of Rose's assertions, the Staff examined several other allegations that appeared in his article. These included reports that the Shah had made a \$1,000,000 contribution to the Committee to Reelect the President in 1974; the existence of a SAVAK communications and torture center in Boonville, New York; and the use of opium at the Iranian Embassy. It was determined that all these allegations had previously appeared as early as 1974 in various editions of the Iran Free Press, and two were mentioned in columns by Jack Anderson.

Moreover, with respect to the alleged political contribution, Russell Warren Howe and Sarah Hays Trott, in their book The Power Peddlers, reported that in 1973 a former high official of the Iranian government approached columnist Jack Anderson with a story that the Shah had routed hundreds of thousands of dollars to the Nixon finance committee in 1972. According to this book, Anderson supplied the name of his original source to the authors. When interviewed by the authors, the source denied any knowledge of such campaign contributions. (When the Staff pointed out to Rose that his article used 1974 as the date of the alleged payment, rather than 1972 as stated by Jack Anderson, Rose asserted that he was writing about an additional payment.)

As to the alleged SAVAK communications and torture center in Boonville, New York, the Department of Justice advised the Staff that this allegation had previously been thoroughly investigated and found to be baseless.

In regard to Rose's allegations that opium was used at the Iranian Embassy, an article in the June 1978 issue of the Iran Free Press claimed that United States Customs Officers at Kennedy Airport in New York had seized five kilos of opium from the Iranian Foreign Minister which he allegedly planned to deliver to the Iranian Embassy.

However, John T. Cusack, Special Assistant to the Director of United States Customs Service, advised the Staff that a review of United States Customs records failed to reveal any report of such an incident at Kennedy Airport and a survey of Customs Officers assigned to the airport failed to develop any information that would substantiate the story in the Iran Free Press.

In an additional effort to determine the reliability of information appearing in Rose's article, the Staff interviewed Michael J. Glennon, Legal Counsel of Senate Foreign Relations Committee who, in 1978, conducted an investigation of SAVAK operations in the United States. Glennon stated that he recalled being contacted by Rose in 1978 but denied furnishing Rose any information or verifying any of Rose's statements to him.

The Staff reinterviewed Rose on August 7, 1979, in a further effort to determine the basis for his allegations. Rose again declined to identify his sources and furnished no additional useful details. He did mention, however, that third parties may have been present when he received his information. When asked to name such third parties, Rose again refused, but promised to ask these third parties to permit him to reveal their identities. Although he stated that he would advise the Staff of the results of his efforts, he failed to do so.

In addition to the foregoing efforts to identify Rose's sources and to assess their reliability, the Staff conducted an independent inquiry to determine if, as alleged, Members of the House of Representatives engaged in the use of drugs and in sexual activities at affairs hosted by Ambassador Zahedi.

John T. Cusack, who has spent some 25 years investigating international drug usage, stated that he was personally familiar with efforts of the government of the Shah of Iran to suppress the use of opium in Iran. He stated that the Shah's government successfully reduced opium usage in Iran and that Iranian officials in Teheran and Embassy officials in Washington furnished effective cooperation to United States law enforcement agencies in combating drug traffic and usage. Cusack, who knew Ambassador Zahedi and former Embassy officials, stated that he attended functions at the Embassy but is not aware of any use of drugs or other improper activities at such

affairs. He further stated that, in his view, neither Zahedi nor any other Iranian Embassy official would have tolerated such activities.

During the Staff's inquiry into social activities at the Embassy, it became apparent that Ambassador Zahedi was well known as one of the most active hosts in Washington. His social functions, which included luncheons, dinners and receptions, were both lavish and frequent, ranging from functions with just a few guests to parties with more than 1,000 persons in attendance. Parties and receptions were held in connection with national holidays, birthdays, visits of dignitaries and in honor of a wide-range of well-known personalities, including actors and actresses, members of the press, retiring Senators and Executive Branch officials. The affairs frequently featured champagne, caviar and dancing. Security was minimal and "gate crashing" occurred. The catering account, according to catering firms contacted by the Staff, was one of the most sought-after in Washington, sometimes numbering as many as twenty catered events per month.

Former Ambassador Zahedi, former Embassy officials, persons in attendance at both large Embassy parties and small gatherings at the Ambassador's residence either as guests or household staff (with two exceptions noted below) all denied any knowledge of the use of opium or other drugs or illicit sexual activities at any type of Embassy affair involving Members of the House of Representatives or, in fact, anyone else.

Two individuals, among the 170 persons interviewed during this investigation, stated that they had witnessed improper activities at Embassy

functions. Both of these individuals stated, however, that they had no knowledge of any participation in such activities by any Members or employees of the House of Representatives and both denied knowing or furnishing any information to Rose or any other representative of the media.

In an attempt to determine the accuracy of Rose's information concerning the use of prostitutes at Embassy affairs, the Staff pursued a number of possible leads. Interviews of those involved in the investigation and prosecution of the Foxy Lady operation in Virginia and Washington, D.C., and a review of records seized by the FBI in this regard failed to indicate that the Iranian Embassy or its officers employed this service. The Staff did discover, however, that certain prostitutes who were connected with the Foxy Lady operation were acquainted with some Iranians who either were employed at the Embassy or attended Embassy functions. Three such women admitted social relationships with former Embassy employees. All denied, however, ever attending functions at the Embassy or at the Ambassador's residence. All denied taking part in any activity involving Members of the House of Representatives or ever hearing of any such activity taking place at the Iranian Embassy or the Ambassador's residence. These women advised that on occasion they smoked opium with their Iranian friends but stated that such activities were at private residences and did not involve Members of the House of Representatives.

In regard to the alleged existence of a SAVAK station at the Embassy of Iran in Washington, D.C., and the use of SAVAK by the Iranian government to influence Members of Congress, none of the 170 persons interviewed furnished any evidence that would substantiate such allegations. Both Rouhani and Agah, when asked about the results of their internal investigation into the activities of Embassy officials and Embassy employees, stated that they had not developed any substantiating information.

Rose's article named twelve Embassy employees who allegedly were SAVAK agents in 1978. Investigation by the Staff revealed that none of these twelve remained on the Embassy staff following the takeover by the revolutionary group in February 1979. Although some had returned to Iran and others had gone to Europe, the Staff did locate six of the twelve named individuals. Each denied ever being an agent or employee of SAVAK. Mansur Rafizadeh, who was identified in the Rose article as the head of SAVAK in the United States, was interviewed by the Staff on August 9, 1979. He stated that he was an officer of SAVAK and had been stationed in the United States from 1968 to 1979 as an attache with the Iranian Mission to the United Nations in New York City. Although he was in charge of SAVAK activities in an area including New York and Washington, D.C., he said that other SAVAK agents assigned to Consulates such as Houston, San Francisco and Chicago were not under his supervision or control. According to Rafizadeh, SAVAK did not have any agents or officials assigned to the Iranian Embassy in Washington, D.C. He stated that only thirteen to fifteen SAVAK agents were assigned to the United States and their mission had nothing to do with influencing Congressmen, the media, diplomats or any politicians. Such activity by a SAVAK agent in the United States, he said, was prohibited by headquarters. He advised that SAVAK's principal function in this country, was to monitor the activities of dissident Iranian student groups and of others who opposed the Shah. Rafizadeh stated

that he was in frequent communication with officials of the Embassy in Washington. He denied, however, that those identified as SAVAK agents in the Rose article were in any way connected with SAVAK and denied that any SAVAK officers were assigned to the Embassy. He further stated that nearly all of the information in the Rose article concerning SAVAK was, to his knowledge, false; the only accurate information, according to Rafizadeh, concerned the identity of some of the SAVAK agents stationed at Iranian Consulates outside of Washington or at the Mission to the United Nations.

Finally, in regard to Rose's claim that photographs of illicit activity were taken at the Embassy, an article by Barbara Strong in the Dallas Morning News (March 2, 1979) reported that a picture had been taken of a network correspondent in bed with a woman at Zahedi's residence. Strong quoted her source as saying "it was not taken as a bribe but apparently as a joke." When contacted by the Staff, Strong refused to identify the source but stated that she actually had seen the photograph in question. Interviews of several photographers who worked at Embassy functions and a review of available photographs failed to develop any similar information.

INVESTIGATION OF EXTENT AND PROPRIETY OF IRANIAN EFFORTS
TO INFLUENCE HOUSE OF REPRESENTATIVES

Several persons interviewed during the investigation, including former Ambassador Zahedi, stated that the government of the Shah had no major problems with Congress and therefore had no need to make any concerted effort to influence Congress, much less resort to such measures as bribery or blackmail. They maintained that Iran had been a strong ally of the United States in the Middle East and a source of much-needed oil; in return, Iran had received the arms it believed essential to its national security. In order to determine the accuracy of these assertions, the Staff sought to assess the extent of Iranian efforts to influence Congress.

The Foreign Agents Registration Act (22 U.S.C. §§ 611-618) requires persons and organizations employed in this country by foreign governments ("foreign principals") to register with the Department of Justice and periodically to report on their activities on behalf of that foreign principal. An examination of Department of Justice records identified some fifteen persons or organizations that had registered as foreign agents for Iran in recent years. An analysis of the background and reports of these fifteen agents narrowed the search for agents who might conceivably have been involved in a program to influence Members of the House of Representatives. Interviews of such individuals including those mentioned in press reports and reviews of their records,

and interviews with Embassy officials indicated that the government of the Shah had not engaged in any substantial efforts to influence Congress through private individuals.

The Committee's Staff requested from the Library of Congress' Congressional Research Service (CRS) information concerning issues of interest to Iran that had been the subject of Congressional attention in recent years. CRS responded with computer printouts based on the Congressional Record for each year since 1973 showing brief descriptions of any mention of Iran. Included in the printouts were remarks by Members, insertions of articles by Members, and notices of committee and subcommittee hearings on Iranian issues. The Staff reviewed this material and all available published hearings by House committees concerning Iran held in the last several years. Additionally, the Staff spoke with several key Members and staff members who might have been logical targets for Iranian pressure. The Staff learned that the primary issues of concern in United States-Iranian relations had been alleged violations of human rights by the Iranian government and the export of sophisticated weaponry to Iran, in particular the debate in 1977 over the sale of the Airborne Warning and Control System (AWACS). More recently (that is, from 1978), the Iranian government has been criticized on oil-related matters, mainly price and export levels.

Regarding human rights issues, the Staff reviewed available hearing records and spoke with the key Congressman, his staff members, at least one former witness, and several persons concerned with Iranian matters. The House Subcommittee on International Organizations of the Committee on

International Relations held several hearings on human rights in Iran as part of its series of human rights hearings. Former Representative Donald M. Fraser, who served as Chairman of the Subcommittee, told the Staff that he could recall no meetings with any Iranian government representatives and was quite sure there had been no pressure from them regarding the human rights hearings. John Salzberg and Robert Boettcher, former Fraser staff members who worked closely with him on human rights matters, concurred that they recalled virtually no contact by the Iranian government, and certainly no pressure.

One Member of the House of Representatives who presumably could have been the focus of Iranian influence is the chairman of the Foreign Affairs Committee's Middle East subcommittee. However, Representative Lee H. Hamilton, who has held that position since 1971, also could recall no contact with representatives of the Iranian government. Representative Hamilton noted that he rarely accepts social invitations and never visited the Iranian Embassy. Further, he was known as a critic of United States arms sales to Iran and did not support the AWACS sale. Representative Hamilton told the Staff that he had been surprised by the allegations made by New York Magazine and Shahriar Rouhani; while he had been aware for years of Zahedi's parties, he had always considered them to be purely social and had never heard any suggestion of impropriety.

Representative Hamilton's subcommittee staff director, Michael Van Dusen, told the Staff that he also had had relatively little contact with representatives of the Iranian government. Van Dusen agreed that the

chief issues in United States-Iranian relations had been arms sales and human rights. He believed that the Iranians had felt no need to lobby Congress on these matters because the executive branch had supported the Iranian viewpoint so strongly on Capitol Hill. He added that the Iranians, unlike some Middle Eastern countries, did not have an embassy officer specifically assigned to Capitol Hill.

During the course of the Staff's inquiry into allegations of Iranian influence on Members of Congress, articles appeared in the press concerning a classified report prepared by the Senate Foreign Relations Committee regarding activities in the United States of "friendly" foreign intelligence services, including SAVAK. Michael Glennon of the Senate Foreign Relations Committee told the Staff that he had learned nothing to indicate that SAVAK had made any attempts to influence Members of Congress. Glennon noted, however, that his inquiry had not been concerned with misconduct of Members and that his requests for information from executive branch agencies had not included such matters.

V.

CONCLUSION

The Committee initiated this investigation following public statements by Shahriar Rouhani in February 1979 charging Members of the House of Representatives with a variety of improprieties in connection with efforts by former Ambassador Zahedi to influence Congress. In statements widely reported by the press, Rouhani alleged that he had discovered documentary evidence that Members had been the object of bribery and payoffs. On the basis of its investigation, the Staff has no reason to believe that Rouhani ever discovered such evidence or that he had any grounds for his charges of bribery and payoffs, which he and other current Iranian officials now admit were made without evidentiary support.

As to gifts, the Staff's investigation revealed no evidence to support allegations that Zahedi gave any Member of the House of Representatives gifts of substantial value, such as Persian rugs or expensive jewelry, or that he furnished Members with free transportation. Six current Members, however, apparently received flowers for which the Iranian Embassy was charged between \$50 and \$95; three of these Members received, in addition, champagne, and one received caviar. Since the current Iranian government has failed to cooperate by providing gift lists and other documents recovered from the Embassy, the Staff has not been able to identify any other Member who received gifts from Zahedi.

With respect to allegations that Congressmen participated in illicit activities involving drugs and sex at Iranian Embassy parties, thereby making them vulnerable to blackmail, the staff has discovered no

evidence to support such allegations. The Staff did uncover some reports of related activities by other individuals, which could have formed the basis of rumors to the above effect. Charges appearing in a September 1978 magazine article that SAVAK initiated such activities and arranged payments to Members of Congress were denied by the Iranians allegedly involved. On the basis of the Staff investigation of these and other allegations appearing in the article, the Staff has no reason to believe that the author's information is reliable.

The Staff inquiry into Iran's use of registered agents in recent years indicated that Iran did not mount a lobbying campaign utilizing such persons to influence the House of Representatives. Moreover, the Staff's review of House records and interviews of House Members and their staffs revealed that diplomatic representatives of the Iranian government made no significant efforts to influence the House of Representatives in matters of possible concern to Iran.

The Central Intelligence Agency and the Department of State advised the Staff that they have no information indicating that any Member of the House of Representatives engaged in any improper activity in connection with any representative of the Iranian government. The Department of Justice advised that their investigation of activities of representatives of the government of the Shah in this country has, to date, failed to reveal any evidence of misconduct by any Member of the House of Representatives.

In light of the Staff's mandate to determine whether, under Rule 13 of the Committee's Rules, there is evidence reasonably indicating that any particular Member or employee engaged in misconduct in connection with the

former government of Iran, the Staff believes that no further investigative efforts under this mandate are warranted unless and until the current Iranian government releases whatever documentary evidence it possesses or other reliable information is provided to the Committee.