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Why Muskie may have to resign

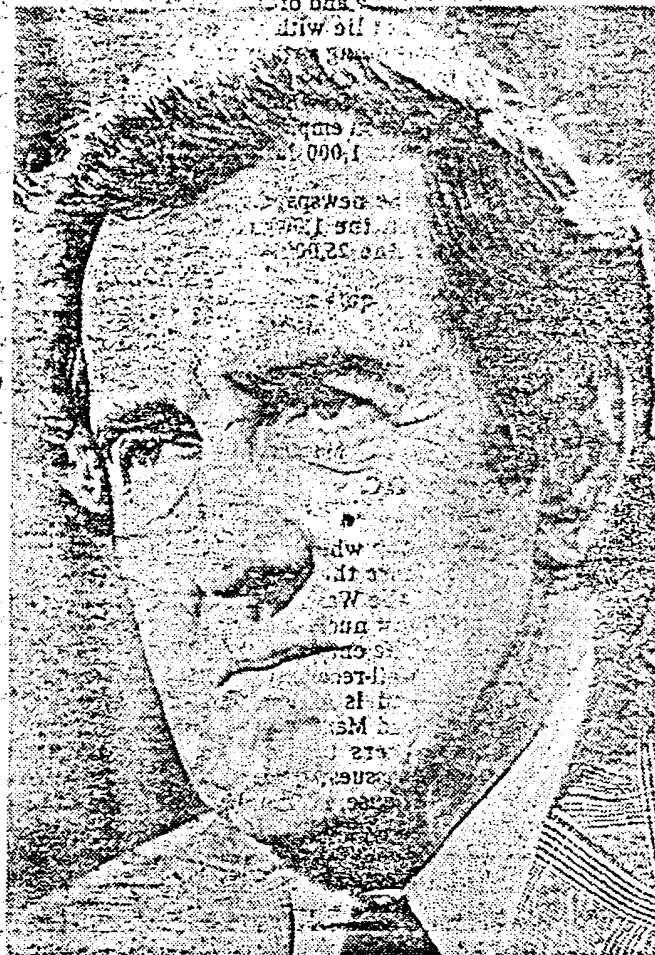
Edmund Muskie is an optical illusion, another rabbit pulled out of President Carter's hat. Carter may not know what he's doing as a president, but he has a sure touch as a candidate. He needs a Brzezinski to keep the hawks happy but he also needed a Cyrus Vance or a Muskie to conciliate the doves, especially on the eve of a re-election campaign in which he will try to treat Ronald Reagan as Johnson did Goldwater, and with perhaps the same aftermath. Johnson campaigned as the responsible man of peace, and then took us deep into an Asian quagmire.

Carter, notoriously, runs a tight ship. The course on which he has set is his, not Brzezinski's. Brzezinski merely serves as a lightning rod. Muskie is on the record for a peaceable solution of the hostage crisis. Sanctions are not "peaceable," and when they fail, as everybody believes they will, Carter may have to choose between a humiliating backdown and military measures.

Military measures in the Persian Gulf will make Vietnam look like a picnic on the periphery of world politics. Muskie, like Vance, will then have to abandon either his conscience or his office.

A peaceable solution would require a price, and Carter is not prepared to pay it. The price involves two concessions to Iran. One is well known. The other has been kept in the shadows. The well-known concession is the "apology" which Carter over and over again has refused to make.

Here the gulf between Carter and Muskie is clear and wide. As recently as



Edmund Muskie

Feb. 17, Muskie said that to admit what the CIA had done in Iran would not be a "mea culpa" (Muskie's term) but would merely acknowledge an "historical truth."

Now we come to the hidden part of the price. The U.S. too holds hostages in the Iranian dispute. When Carter froze Iranian assets in U.S. banks last November, he took some \$8 billion as his own hostage. In any peaceable solution, the release of the hostages in Iran

would trigger release of Iranian assets here.

But Chase Manhattan and some of the largest banks in this country want to use these assets to "offset" their loans to the shah, and some already have done so, albeit illegally.

Carter is preparing legislation for Congress enabling him to disburse this \$8 billion in Iranian assets to American claimants. At his press conference April 17, he presented this as a means "to pay reparations to the

hostages and their families" and added, as if in afterthought, that it would meet "contract and other commercial claims of American firms."

No reporter asked him about the effect this might have on hostage negotiations. Nor has it been noticed that most of the \$8 billion is not in this country at all, but in branches of U.S. banks abroad. Those deposits abroad could not be seized unless allied countries legislate such action as sanctions.

Here we come to a revelation which has drawn too little attention. Some of these loans are tainted. On March 28, *The Wall Street Journal* published a sensational expose showing that in the closing years of the shah's reign a banking consortium headed by Chase Manhattan loaned the shah a total of \$1.3 billion, though Chase's own lawyers in Tehran warned on three occasions that these loans were invalid under the shah's own constitution.

Should the hostages be released and diplomatic relations be restored, Iran might attack these loans in our courts as invalid and the stockholders in Chase in the event of loss might sue the directors for ignoring these warnings from Chase's own Iranian attorneys.

When Carter's claims legislation comes before Congress, it should realize that it may be choosing between the fate of the hostages and the convenience of the banks. This too might well figure some day in a Muskie resignation.

Mr. Stone was editor and publisher of I.F. Stone's Weekly.