

# Unwrapping the true story of the 'October Surprise'

by Edward Spannaus

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### **October Surprise: America's Hostages in Iran and the Election of Ronald Reagan**

by Gary Sick

Times Books/Random House, New York, 1991  
278 pages, hardbound. \$23.00

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This book scares people. It drew more attacks before it was released than most books draw after publication. *Newsweek* magazine devoted the lead story in its Nov. 11 issue to a shabby effort to discredit the book; simultaneously the *New Republic* magazine used 14 pages to disparage it in its Nov. 18 issue. As we reported in last week's issue, the Bush/CIA crowd and the Israeli lobby have pulled out all the stops to try to kill the "October Surprise" story.

And no wonder. As Sick, who was the Carter administration's point man on Iran on the National Security Council, says in his introduction, "The deal to delay the release of the hostages may well have been the first act of a drama that was ultimately to conclude with the Iran-Contra Affair." The central allegations, he says, are that this deal involved people from within the government working with the Reagan-Bush campaign to influence the outcome of the 1980 elections. "If true, even in part, they suggest that there was an organized cabal among individuals inside and outside the government of the United States to concoct an alternative and private foreign policy with Israel and Iran without the knowledge or approval of the Carter administration." This was, says Sick, "nothing less than a political coup."

Unlike his critics—who don't hesitate to call the entire

story a "myth" or a "total fabrication" on the flimsiest of pretexts—Sick is very cautious in his approach and very modest about what he has accomplished. "All I have done is just scrape off the covering of the top of the iceberg," Sick said in an interview on National Public Radio on Nov. 12. "There's much, much more."

There definitely is much, more more. As someone who has followed the story of the arms-dealing Hashemi brothers and the hostage crisis for over 10 years, I can attest to that fact. Sick only skims the surface of the deeper policy issues involved, and, out of perhaps an excess of caution, he has declined to use much evidence that is available.

Nevertheless, this is an extremely valuable book. What Sick has accomplished is to sort out the wheat from the chaff, to cut through the flood of false leads and disinformation which has surrounded this subject since 1988. One only has to compare Sick's book to Barbara Honegger's 1989 book on the same subject, to see how much Sick has discarded from the incredibly numerous and often dubious versions of this story that are floating around. Sick has culled out a basic scenario of the events during the 1980 campaign—one which is coherent and plausible. It is by no means the whole story. But it is enough to definitively establish that a deal was made between the Reagan-Bush campaign, the Israelis, and the Iranians, which resulted in the American hostages being held in captivity for an additional two and one-half months.

Sick begins by describing the strategy undertaken by the Republicans in 1980 to protect themselves against a possible release of the hostages before the elections. This strategy, Sick asserts, had two prongs: intelligence and disinformation. The campaign set up various, sometimes competing, networks of informants within the Carter administration to keep them informed of developments around the hostage

crisis. One group was a network of ex-CIA agents, most of whom had been victims of the Carter administration's massive firings of CIA covert operatives under Stansfield Turner. Richard Allen, the campaign's chief foreign policy adviser, organized a broad network of informants, which targeted the Pentagon, the intelligence agencies, the State Department, and the White House. These informants "were providing regular intelligence reports on the most highly classified policies and operations."

The second prong was disinformation. Sick documents how the Reagan-Bush campaign planted false news reports asserting that military equipment was on its way to the Gulf as a last-minute swap for the release of the hostages. Columnist Jack Anderson was used to leak purported Carter administration plans for a military invasion of Iran shortly before the elections.

In the context of discussing the penetration operations set up by the campaign, Sick describes how he himself was drawn into a series of meetings with a former Iranian cabinet minister, arranged through a prominent Washington lawyer. Years later, says Sick, "I learned that this man was working closely with Henry Kissinger." Sick says he has now learned that Kissinger had developed a considerable network of his own informants inside the government who reported to him on the hostage issue and other matters: "A senior official at the Pentagon, for example, recounted several experiences during 1980 when his colleagues in the Defense Department would interrupt a discussion to place a call to Kissinger to inform him of something they had just learned."

### Casey and the Hashemis

Nevertheless, it is not Henry Kissinger, but William Casey, around whom Sick builds his account of the October Surprise events. Casey was appointed Reagan's campaign manager on Feb. 26, 1980. A few weeks later, Casey approached the Hashemi brothers, who became his principal liaison to the Iranians with whom Casey was ultimately to conclude the deal to delay the release of the hostages.

Sick picks up the story of Cyrus Hashemi's involvement in the hostage crisis in late 1979, when an unnamed American lawyer approached the State Department offering Hashemi's services to assist the U.S. government in negotiating a resolution to the hostage crisis. Sick states that Cyrus Hashemi became a regular source for the U.S. government for information, with his reports being passed into the State Department by an intermediary. In March 1980, says Sick, Cyrus Hashemi was contacted by Casey, and he and his brother Jamshid agreed to become "double agents," working for the Republicans while still reporting to the Carter administration. Sick describes two events of interest both occurring in March. First, Cyrus's older brother Jamshid reports that he met Donald Gregg in Cyrus's New York offices in March, at which time Gregg was discussing Cyrus's contacts with the U.S. government.

What Sick finds especially interesting about this is that Gregg, a member of the Carter National Security Council staff, had no responsibility for Iran policy or for contacts with Hashemi. Gregg's position was intelligence coordinator, which made him the liaison between the White House and the intelligence community. As Sick describes it, "there was a dimension to his background that was entirely unknown to his colleagues at the White House, and that was his acquaintance with one of the Republican frontrunners, George Bush." Gregg was a longtime CIA officer who had worked with Bush in the Far East, and during 1976 he had been the CIA liaison to the congressional Pike Committee investigating CIA misconduct.

Sick offers no explanation, other than the obvious inference, of why Gregg would have been meeting with Cyrus Hashemi in the spring of 1980.

Secondly, Casey himself made a direct approach to the Hashemis in March. While Jamshid Hashemi was in Washington to meet with his own intelligence contact in the U.S. government, Casey and Casey's longtime associate Roy Furmark visited him at the Mayflower Hotel. Casey then arranged to meet Cyrus Hashemi in New York to discuss the hostage situation. (Jamshid says he was told by his regular intelligence contact to "disregard" the meeting and not to meet Casey again.)

A few days later, according to Jamshid's account as relayed by Sick, Cyrus and Jamshid decided to become "double agents," and proceeded to arrange a series of meetings with highly placed Iranians for both the Carter administration and for Casey.

Sick knows for a fact that Cyrus Hashemi did arrange for a relative of Khomeini, who was close to then-Iranian President Abol Hassan Bani-Sadr, to come to Madrid for a meeting with Carter representatives on July 2, 1980. (*Newsweek* suggests that the "Carter representative" was J. Stanley Pottinger.) Cyrus and Jamshid also arranged for another Madrid meeting later in July between Casey and Mehdi Karrubi, who represented the powerful "shadow government" of the fundamentalist clerics, led by Ayatollah Behesti. At the Casey-Karrubi meeting, also attended by Donald Gregg, Casey told Karrubi that a Republican administration in the White House would be better for Iran. He promised to return frozen Iranian financial assets and military equipment, and to aid Iran with new arms shipments, if Iran would release the hostages as a "gift" to the new Reagan administration rather than to Carter. In early August, Karrubi asked Jamshid to set up a second set of meetings with Casey. At these meetings, the preliminary deal was concluded. Within days, the Hashemis met with an Israeli general and began arms shipments from Israel to Iran.

Meanwhile, the political situation inside Iran was increasingly unstable. President Bani-Sadr found himself excluded from decision-making, and the strength of the radical clerics and the Islamic Republican Party (IRP) increased.

The deal between the Behesti faction and the Reagan-Bush campaign was unknown to Bani-Sadr, who was continuing his efforts to negotiate a settlement with the Carter White House. In September, Sadegh Ghotbzadeh, the acting foreign minister, publicly warned that Reagan and Kissinger were trying to block a solution to the hostage crisis, but his warnings were not heeded—especially, Sick notes, by the Carter administration, which was “blind to the intrigue swirling around it.”

The final deal was concluded in a series of meetings in mid-October in Paris, Sick believes. These meetings included Iranians, Israelis, William Casey, Donald Gregg, and, some say, George Bush. It is around the Paris meetings that the most controversy exists, and it is in connection with these meetings that the disinformation campaign which began in 1980 seems to continue. Obvious discrepancies and falsehoods in some of the stories told by alleged participants (such as Richard Brenneke) have given the nay-sayers wide latitude to attempt to discredit the entire October Surprise theory. Yet, Sick is convinced that the meetings did occur:

“When all the . . . accounts are checked against one another, one fundamental question looms above all others: Did William Casey, without the knowledge of the U.S. government, travel to Paris during the period of Oct. 15-20, 1980, and there meet with Iranian and Israeli representatives to arrange the release of the U.S. hostages to the Reagan-Bush forces in return for promises of military equipment? The answer, it appears, is yes. Everything else is of secondary importance.”

Sick correctly places heavy emphasis on the policy shifts which occurred at this time. In early October, he notes, there had been a flurry of new reports coming in which “had generated a mood of cautious optimism within the Carter administration that its latest offer was being taken seriously and that Iran was moving toward an early resolution of the crisis.” Then, Sick says, for five days, from Oct. 15-20, “everything seemed to stop.” The usual sources and channels dried up, and there were no new pronouncements from Iran.

Suddenly, over the next week, everything began to change. The Carter negotiations collapsed. The Iranian leaders declared themselves uninterested in obtaining military equipment, despite the bitter war with Iraq.

Starting on Oct. 20, says Sick, the participants in the Paris meeting began to reemerge, and a number of other events took place:

- On Oct. 20, William Casey called Richard Allen.
- On Oct. 20, Cyrus Hashemi was back in New York and made calls to plan arms shipments to Iran.
- On Oct. 21, the Iranian government transferred funds to the Israeli purchasing mission in Paris.
- On Oct. 21, arms dealer Hushang Lavi (who had gone to Paris with Cyrus Hashemi) called his lawyer Mitchell Rogovin (more about him below). Rogovin made an entry in his diary referencing Paris and which also said: “48 hours

Iranians agent coming—no release of anyone before election—want to talk to Bush.”

- On Oct. 21, Rogovin also told State Department official Harold Saunders that “the Iranians were not going to make a negotiation with the Carter administration.”

- On Oct. 21, Hashemi convened a meeting in his New York office to organize new arms sales to Iran. According to his “intermediary” to the administration, he also spoke to Speaker of the Iranian Parliament Ali Akbar Hashemi Rafsanjani, who said he was not disposed to release the hostages before Nov. 4.

- On Oct. 21, Prime Minister Rajai said that Iran would not release the hostages to the Carter administration, even for an offer of spare parts in exchange.

- On Oct. 21, Ronald Reagan addressed the hostage issue for the first time in weeks, saying he had “some ideas” as to how to deal with the problem. Reagan refused to elaborate on what the press called his “secret plan.”

- On Oct. 23, President Carter was enraged to learn of an Israeli arms shipment to Iran the previous day, and fired off an urgent message to Prime Minister Menachem Begin implying that Begin had double-crossed him. Still, a second Israeli planeload went to Iran on Oct. 24.

### Israelis betrayed Carter

By violating a solemn promise to President Carter that it would send no equipment to Iran, Sick states that the Israeli government “had deliberately, almost contemptuously, turned its back on Jimmy Carter’s administration.”

“For any Israeli government,” writes Sick, “there are few decisions more grave than to risk its relationship with its principal political, military, and financial backer. That risk would scarcely be justified by mere impatience to reopen a channel to the Iranian military. It might be justified, however, if Israel had already decided that its future lay not with the Carter administration but with its likely successor.”

Of course, not all of the above events were known to everybody at the time. The Republicans, particularly Richard Allen, were still worried that the Carter White House might pull off some last-minute stunt. At this point in his account, Sick makes the following fascinating observation: “Not every Republican was focused on the immediate prospects of a hostage release. Former Secretary of State Henry Kissinger told the press that day that there was no reason a Reagan administration could not work with Iran once the hostages were freed. Iran, he said, was a strategic country and the hostility need not be permanent. That, of course, was precisely the nature of the bargain proposed by Casey to the Iranians.”

The above account of the Republican-Iranian-Israeli deal is solely Sick’s account, although necessarily abbreviated; I have added nothing to it. As someone who began investigating Cyrus Hashemi in 1981, and who has delved into this story off and on for years (and who first wrote about the

“October Surprise” in 1983), it is reassuring to find that there is nothing in Sick’s careful and well-documented account which is inconsistent with anything I have written about these events. (It’s also not a little ironic, since Sick has assiduously avoided drawing directly upon any of my files, or on the material published by *EIR* over the years—probably out of fear of being smeared with the same brush that paints *EIR* and LaRouche associates as “extremists” and worse.)

Nonetheless, it is necessary to note some of the more obvious omissions in Sick’s work, and to explicitly draw out what Sick leaves to inference.

### Where’s Stanley Pottinger?

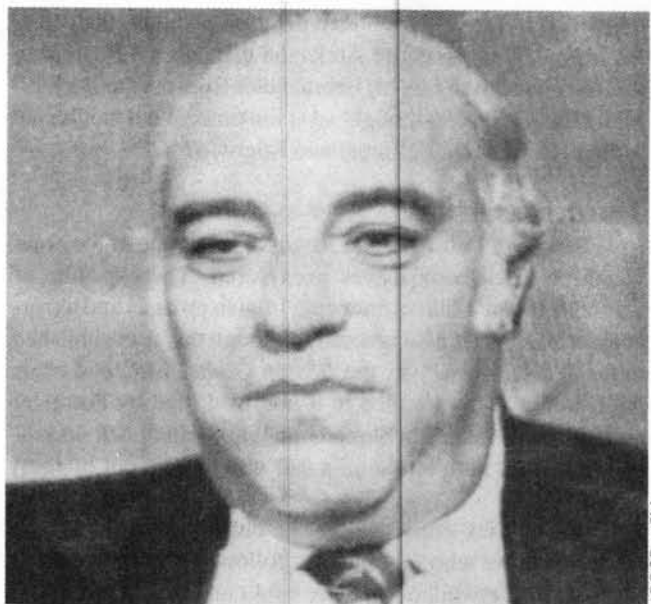
The case of J. Stanley Pottinger is one of the biggest anomalies of the entire “October Surprise” affair, and it is a string which, if pulled, could potentially unravel the entire mystery about what really happened. Pottinger, a Republican and a former Assistant Attorney General in the Nixon and Ford administrations, was Cyrus Hashemi’s lawyer and adviser during the period of the hostage crisis. Pottinger is also, incidentally, a close personal friend of George Bush from the days when Bush was director of the CIA.

Pottinger’s name appears nowhere in Sick’s book, but Pottinger is clearly the “intermediary” between Cyrus Hashemi and the Carter administration. In a footnote, Sick says that the intermediary “spoke to me in a series of interviews in New York, 1989-90, on the condition he not be identified.”

One has to conclude that Sick got the short end of that particular deal, for apparently Sick interpreted this agreement to preclude him from mentioning Pottinger’s name even when it is a matter of public record. For example, Sick uses the 1984 Hashemi indictment as documentation, but doesn’t cite Pottinger’s name even though the indictment clearly describes Pottinger as a participant in the conspiracy to violate the arms embargo. For example, Sick mentions the Oct. 21, 1980 meeting in Hashemi’s New York offices (also the offices of one of Cyrus’s banks, the First Gulf Bank and Trust). The indictment in fact states the following:

“On or about Oct. 21, 1980, defendant *Cyrus Hashemi* and John Stanley Pottinger met at the offices of defendant *First Gulf* and discussed a request by the Iranian government for *Cyrus Hashemi* to procure and export arms to the Islamic Republic of Iran.”

A later section of the indictment describes another meeting between Pottinger, Cyrus Hashemi, and another brother, Reza Hashemi, in which John Stanley Pottinger advised them as to how shipping documents could be drawn, so as to conceal the identities of the parties involved and the true destination of the goods. Yet Pottinger was never indicted, even though he engaged in precisely the same conduct as those who were, and he was arguably more culpable than some of those who went to prison. News stories in 1984 reported that Pottinger escaped indictment because the FBI “lost” certain tape recordings of the surveillance of Ha-



*Iranian arms broker Jamshid Hashemi, a source on the October Surprise story for nearly a decade.*

ABC/Gary Sick

shemi’s office on which Pottinger’s advice to the Hashemi brothers was overheard. A CIA memorandum recently obtained by *EIR* shows that Pottinger was still under investigation in 1985.

Sick’s description of the Hashemi brothers as “double agents” fits Pottinger as well. At the same time Pottinger was acting as Hashemi’s intermediary to the Carter administration, he was helping the Hashemis ship military equipment to Iran, in violation of the administration’s arms embargo.

Pottinger’s uninvestigated role also serves as a paradigm for examining the role of Mitchell Rogovin, the lawyer for the Iranian-Jewish arms dealer Hushang Lavi. Rogovin’s publicly identified role (in the Sick book and elsewhere) is limited to Rogovin’s faithfully reporting Lavi’s contacts to the Carter administration, in a manner paralleling Pottinger’s “intermediary” relationship to the Carter State Department on behalf of Cyrus Hashemi.

But there’s a lot more to Rogovin too. Rogovin was Special Counsel to the CIA when George Bush was director; his job was to protect the agency with respect to the congressional investigations of CIA misconduct. (Remember Donald Gregg’s liaison role to the congressional committee at the same time?) The *National Law Journal* said in 1979 that Rogovin “is credited with having saved the CIA” following the disclosures of illegal CIA spying.

It gets even more interesting when one realizes that Rogovin was acting not only as Lavi’s lawyer when he reported to the State Department, but also as General Counsel to the John Anderson presidential campaign. An Evans and Novak column at the end of 1980 complained that Pottinger “has been given the top rating for a sub-cabinet position in the Reagan administration”—even though, they remarked, Pot-

tinger had run for a Republican delegate position pledged to Anderson! Was the entire Anderson campaign a Bush dirty trick designed to siphon off liberal votes from the Democrats? Many Carter backers thought so at the time. What would that further tell us about Pottinger and Rogovin?

### The deeper issues

The role of Pottinger and Rogovin is but one of the areas which the Sick book leaves unexplored. The exposure of Cyrus Hashemi's role in financing Iranian protests and terrorism during 1980 is also ignored, although this was published in the *Washington Post*, the *Boston Globe*, *EIR*, and other publications. This resulted in a libel suit filed by Pottinger on Hashemi's behalf in September 1980, which *EIR* continued to litigate until Hashemi's suit was thrown out of court in 1983.

Further, Sick concedes that he chose not to follow the advice of those who told him to "follow the money" and to trace out the network of offshore banks and front companies. This is also unfortunate, for it is here that one finds very suggestive leads concerning Hashemi's intelligence ties. My own researches have proven that Hashemi was backed by much the same group of investors that is behind the Bank of Credit and Commerce International—including Saudi financier Ghaith Pharaon and former Saudi intelligence chief Kamal Adham.

Finally, the deeper policy questions behind the U.S.-Iran relationship are not addressed. Sick does devote a chapter to the Israeli "Doctrine of the Periphery," but he ignores the long-term policy, often called the "Bernard Lewis Plan," of promoting destabilization and fostering Islamic fundamentalism throughout the Middle East. This is where the Zbigniew Brzezinski "arc of crisis" policy of the Carter administration flowed logically into the surreptitious contacts by Casey and Kissinger with the radical Iranian mullahs.

This is why Kissinger and Casey found it so easy to deal with the Beheshti clerical faction—a grouping which was created and controlled for decades by British intelligence. Sick, in his own way, makes it clear that while the Republican grouping tried to play the hostage crisis for their own tactical advantage, they, along with the Israelis, viewed the hostage crisis as an impediment to an improved long-term relationship with the revolutionary Iranian regime. Sick also makes it clear that one of the reasons the Israelis favored the Reagan-Bush team was that they thought the Republicans "wanted to come to terms with Iran."

It is in the continuity of policy between Brzezinski and Kissinger, between the Carter and the Reagan-Bush administrations, that the real truth of the October Surprise is to be found.

*Mr. Spannaus, a researcher for the Constitutional Defense Fund, gave a press conference in Washington on Nov. 21, detailing his findings on the October Surprise story.*

## Books Received

**The Memoirs of Count Witte**, translated by Sidney Harcave, M.E. Sharpe, Armonk, N.Y., 1990, 885 pages, hardbound, \$39.95

**Choosing God, Chosen by God, Conversations with Cardinal Jean-Marie Lustiger**, by Dominique Wolton and Jean-Louis Missika, Ignatius Press, San Francisco, 1991, 420 pages, paperback, \$19.95

**Henry Clay, Statesman for the Union**, by Robert V. Remini, W.W. Norton, New York, 1991, 818 pages, hardbound, \$35

**Beowulf, A New Verse Translation**, by Frderick Rebsamen, HarperCollins, New York, 1991, 109 pages, hardbound, \$19

**Under Fire, An American Story**, by Oliver L. North with William Novak, HarperCollins, New York, 1991, 446 pages, hardbound, \$25

**The Sampson Option**, by Seymour Hersh, Random House, New York, 1991, 354 pages, hardbound, \$23

**The Cold War, Fifty Years of Conflict**, by William Hyland, Times Books/Random House, New York 1991, 222 pages, paperback, \$12

**Conspiracies, Cover-ups, and Crimes: Political Manipulation and Mind Control in America**, by Jonathan Vankin, Paragon House, New York, 1991, 319 pages, hardbound, \$24.95

**Little Man, Meyer Lansky and the Gangster Life**, by Robert Lacey, Little, Brown and Co., Boston, 1991, 547 pages, hardbound, \$24.95

**Soldiers, Statesmen, and Cold War Crises**, by Richard K. Betts, Columbia University Press, New York, 1991, 326 pages, hardbound, \$45; paperback, \$16.50

**The \$36 Billion Bargain: Strategy and Politics in U.S. Assistance to Israel**, by A.F.K. Organski, Columbia University Press, New York, 1990, 315 pages, hardbound, \$32.50; paperback, \$15

**Lingering Shadows: Jungians, Freudians, and Anti-Semitism**, edited by Aryeh Maidenbaum and Stephen A. Martin, Shambhala Publications, Boston, 1991, 424 pages, hardbound, \$30

**Regulating Death: Euthanasia and the Case of the Netherlands**, by Carlos F. Gomez, M.D., The Free Press, New York, 1991, 172 pages, hardbound, \$19.95