

# Senate 'October Surprise' report confirms EIR's allegations

by Edward Spannaus

The first of two congressional reports on the so-called "October Surprise" affair has been issued by the Senate Foreign Relations Committee. Despite the misleading impression given by much of the press, the report by no means clears the 1980 Reagan-Bush campaign of involvement in efforts to manipulate the Iran hostage crisis. On the contrary, the carefully worded report in fact supports much of the evidence previously presented on the "October Surprise," and particularly that developed by *EIR*.

In large part, the Senate report, entitled "The 'October Surprise' Allegations and the Circumstances Surrounding the Release of the American Hostages Held in Iran," which was prepared by the special counsel of the Subcommittee on Near Eastern and South Asian Affairs and released on Nov. 19, is a sweeping confirmation of *EIR*'s groundbreaking coverage of this matter going back to 1979-80. As both proponents and critics of the "October Surprise" allegations acknowledge, *EIR* was the first to break the story, and we presented the most thorough investigation of the role of the Hashemi brothers and former Justice Department official (and friend of George Bush) J. Stanley Pottinger. It is obvious that the *EIR Special Report* on the "October Surprise," published last February, was utilized extensively for background and leads by the Senate investigators. The *EIR Special Report*, entitled "Treason in Washington: New Evidence on the 'October Surprise,'" is cited in the first footnote of the Senate report, which is a listing of the most important sources of the "October Surprise" allegations.

At the same time, the Senate report is a striking refutation of the efforts to debunk the "October Surprise" allegations by kept "investigative journalists" and by congressional Republicans. Two examples will suffice. First, the report concludes that William Casey, then the campaign director for Ronald Reagan, "was intensively involved in the hostage crisis and likely was dealing with Cyrus Hashemi, either directly or indirectly." Further, it states, the weight of the evidence shows that Casey "conducted informal, clandestine, and potentially dangerous efforts on behalf of the Reagan campaign" in gathering intelligence on the ongoing hostage negotiations between the Carter administration and Iran.

Secondly, the report notes in its "Final Remarks": "The evidence strongly suggests that Cyrus Hashemi was at least

attempting to play the role of double agent by acting as an intermediary for both the Carter administration and the Republicans." The vigorous denial of Hashemi's double agency has been a key point of attacks on the "October Surprise" theory, especially those published by *Newsweek*, *New Republic*, and by former CIA agent Frank Snepp in the *Village Voice*.

## 'Impossible task'

Senate investigators were operating under severe constraints, both financial and political, which they readily admit "handicapped" their investigation. Their conclusions, which they stress are only "preliminary," must be viewed in that light.

The central conclusion of the report is that "there is not sufficient credible evidence" to support the allegation that there was a secret agreement between the Reagan campaign and representatives of the Ayatollah Khomeini to delay the release of the hostages until after the 1980 election.

The report emphasizes that this is a preliminary conclusion, because reaching a final conclusion was "an almost impossible task." Among the factors handicapping their investigation was the unavailability of certain evidence, and what they describe as "possible efforts to obstruct the investigation." In fact, in commenting on the FBI's "curious" handling of the Hashemi evidence, the special counsel states: "It is conceivable that as yet unreviewed FBI evidence could change those conclusions we are now able to reach."

The financial constraints on the special counsel's investigation were enormous, and were obviously intended to curtail his ability to conduct a thorough investigation. In October 1991, a resolution was introduced into the Senate authorizing almost \$600,000 for an "October Surprise" investigation. Senate Republicans managed to kill the appropriation at the end of November, with Sen. Mitch McConnell (R-Ky.) declaring that "the Senate should not finance a fantasy." As a result, the entire investigation had to be conducted with only \$75,000 of regularly allotted subcommittee funds. (In contrast, the House of Representatives has appropriated \$1.35 million for its investigation, the final report of which will be issued on Jan. 3, 1993.)

In December 1991, attorney Reid Weingarten was designated as special counsel to the subcommittee. He was provided only a small staff, and was not given independent authority

to subpoena witnesses. His request for authorization to travel to Europe to interview former Iranian President Abul Hassan Bani-Sadr and other witnesses was blocked by Sen. Jesse Helms (R-N.C.). Key evidence was either missing (such as Casey's calendars and passport for 1980) or was delayed (such as FBI tapes and transcripts of the Hashemi surveillance in 1980).

The combined effect of the narrow definition of the investigation's scope, plus the obstruction of its conduct, means that the fundamental issues of the treason committed during 1979-80 by Kissingerians in *both* parties who were supporting the Khomeini terrorists, were never addressed in the Senate probe.

As *EIR* warned, many of the "October Surprise" allegations were deliberate disinformation designed to discredit all serious investigation of what happened in 1980. The *EIR Special Report* said that "many of the 'sources' have been deployed for the express purpose of sowing confusion and setting up straw men that can be easily knocked down," and it cautioned that "most, if not all, of the stories about whether George Bush was in Paris in October 1980 seem to fall in this category."

### Useful lines of inquiry

We proposed three lines of inquiry which Congress should pursue: 1) Why did the Iranian leadership reject the offers made by the Carter administration in September-October 1980, and why did they conclude they were better off with a Republican administration? 2) What were Stanley Pottinger and Cyrus Hashemi doing during 1980-81, particularly with respect to the issue of the Iranian assets? 3) Why were Hashemi and Pottinger then protected from prosecution by the Reagan administration for their illegal military shipments to Iran?

The Senate investigation did focus to an extent on the first two lines of inquiry, but also expended a great deal of effort investigating the politically "hot" issue of whether or not Bush was in Paris in 1980. One entire chapter and portions of other chapters deal with the role of the Hashemi brothers and Pottinger, but the crucial issue of the obstruction of justice around the Hashemi and Pottinger cases, of how and *why* the Reagan-Bush administration protected them during the 1980s, was excluded from the special counsel's investigation.

Had the effort that was expended on the wild goose chase of proving or disproving whether Bush was in Paris, been devoted instead to more important issues, the Senate investigation could have been far more productive.

### The assets negotiations

Based upon a review of FBI records released to *EIR* one year ago, *EIR* analysts reached the conclusion that the principal means by which Cyrus Hashemi and his lawyer and business partner Pottinger had sabotaged Carter's hostage

negotiations was on the issue of the \$12 billion in frozen Iranian assets, plus the estimated \$12 billion of the late Shah's wealth. Whereas most other investigators had focused on arms and spare parts, *EIR* showed that Hashemi and Pottinger had conducted an extensive study on the Iranian assets held in the United States, and had provided a report of this to the revolutionary Iranian leadership. At the same time, they were giving contradictory advice to the Carter administration and the Iranians, which would have seriously undermined the Carter administration's negotiating position with the Iranians.

Internal evidence in the Senate report suggests that Pottinger himself may still be continuing this course, by misleading Senate investigators on this issue. When interviewed by Senate investigators on Aug. 17, 1992, Pottinger told them that a trip which Hashemi made to Paris in late November 1980 was to deal with arms procurement issues. However, an FBI report from that period states the following: "On the weekend of November 22 or November 23 Cyrus Hashemi will be traveling to Europe to specifically meet with Iranian officials concerning the Shah's assets and the frozen Iranian assets still remaining in United States banks."

That statement on the reasons for Hashemi's trip is preceded by this: "Hashemi and [deleted] feel that ever thing hinges on the report Hashemi and [deleted] made to the Iranian government on the Shah's assets. Hashemi believes that Iranian government is basing everything on this report. In this report Hashemi had advised the Iranian government that it was his belief that the United States government could do more than they are doing in regards to putting pressure on the United States banks."

Pottinger undoubtedly does not fear focusing attention on the arms issue, because he has successfully evaded prosecution for his involvement in illegally shipping arms and military equipment to Iran—including bombs and explosives capable of terrorist utilization.

In 1984, just as he was about to be indicted, the FBI discovered that it had "lost" crucial surveillance tapes of conversations involving Pottinger and Hashemi. FBI files obtained by *EIR* showed that the FBI had conducted an extensive administrative investigation on the "Pottinger tapes," which apparently ended in mid-1986.

The Senate report adds a curious twist to this strange tale of the "Pottinger tapes." In February 1992, during their second search of a government storage facility in Newburgh, New York, FBI officials located 450 Hashemi surveillance tapes. Included were the four missing Pottinger tapes. The FBI says said that the FBI case agent had found the missing tapes in 1986, and had put them back with the other tapes in storage. The Senate report states that he did this "without informing his supervisor or anyone else at the FBI or the Department of Justice that he had done so." Thus, if the FBI is to be believed, for six years, while the controversy grew around the issue of the missing tapes, they were no longer missing.