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## Iran Divided & the 'October Surprise'

By Robert Parry (A Special Report)  
June 24, 2009

**Iran's current political divisions can be traced back to a controversy nearly three decades ago when Iran faced war with Iraq and became entwined with U.S. and Israeli political maneuvers that set all three countries on a dangerous course that continues to this day.**

In the election dispute now gripping the streets of Tehran, Iran is experiencing a revival of the internal rivalries born in the judgments made in 1980 and later that decade about how and whether to deal with the Little Satan (Israel) and the Great Satan (the United States).

Former Prime Minister Mir Hossein Mousavi, who claims he is the rightful winner of the June 12 presidential election, was part of the group (along with his current allies former President Ali Akbar Hashemi Rafsanjani and former House Speaker Mehdi Karubi) that favored secret contacts with the United States and Israel to get the military supplies needed to fight the war with Iraq.

Ayatollah Ali Khamenei, the country's current spiritual leader and the key supporter of reelected President Mahmoud Ahmadinejad, was more the ideological purist in the early 1980s, apparently opposing the unorthodox strategy that involved going behind President Carter's back to gain promises of weapons from Israel and the future Reagan administration.

Khamenei appears to have favored a more straightforward arrangement with the Carter administration for settling the dispute over 52 American hostages seized by Iranian radicals in 1979.

In 1980, the internal Iranian divisions played out against a dramatic backdrop. Iranian radicals still held the 52 hostages seized at the U.S. Embassy in Tehran; President Jimmy Carter had

imposed an arms embargo while seeking the hostages' release – and he was struggling to fend off a strong campaign challenge from Republican Ronald Reagan.

Meanwhile, Israel's Likud Prime Minister Menachem Begin was furious at Carter for pushing him into the Camp David peace deal with Egyptian President Anwar Sadat that required Israel returning the Sinai to Egypt in exchange for normalized relations.

Begin also was upset at Carter's perceived failure to protect the Shah of Iran, who had been an Israeli strategic ally. Begin was worried, too, about the growing influence of Saddam Hussein's Iraq as it massed troops along the Iranian border.

### **Upsetting Carter**

Determined to help Iran counter Iraq – and hopeful about rebuilding at least covert ties to Tehran – Begin's government cleared the first small shipments of U.S. military supplies to Iran in spring 1980, including 300 tires for Iran's U.S.-manufactured jet fighters. Soon, Carter learned about the covert shipments and lodged an angry complaint.

“There had been a rather tense discussion between President Carter and Prime Minister Begin in the spring of 1980 in which the President made clear that the Israelis had to stop that, and that we knew that they were doing it, and that we would not allow it to continue, at least not allow it to continue privately and without the knowledge of the American people,” Carter's press secretary Jody Powell told me in an interview.

“And it stopped,” Powell said -- at least, it stopped temporarily.

Questioned by congressional investigators a dozen years later, Carter said he felt that by April 1980, “Israel cast their lot with Reagan,” according to notes I found among the unpublished documents in the files of a congressional investigation conducted in 1992.

Carter traced the Israeli opposition to his possible reelection in 1980 to a “lingering concern [among] Jewish leaders that I was too friendly with Arabs.”

Carter's National Security Adviser Zbigniew Brzezinski also recognized the Israeli hostility. Brzezinski said the Carter White House was well aware that the Begin government had “an obvious preference for a Reagan victory.”

Begin's alarm about a possible Carter second term was described, too, by Israeli intelligence and foreign affairs official David Kimche in his 1991 book, *The Last Option*. Kimche wrote that Begin's government believed that Carter was overly sympathetic to the Palestinian cause and was conspiring with Arabs to force Israel to withdraw from the West Bank.

“Begin was being set up for diplomatic slaughter by the master butchers in Washington,” Kimche wrote. “They had, moreover, the apparent blessing of the two presidents, Carter and Sadat, for this bizarre and clumsy attempt at collusion designed to force Israel to abandon her

refusal to withdraw from territories occupied in 1967, including Jerusalem, and to agree to the establishment of a Palestinian state.”

### **Collaborating with Republicans**

Extensive evidence now exists that Begin’s preference for a Reagan victory led Israelis to join in a covert operation with Republicans to contact Iranian leaders behind Carter’s back and delay release of the 52 American hostages until after Reagan defeated Carter in November 1980.

That controversy, known as the “October Surprise” case, and its sequel, the Iran-Contra scandal in the mid-1980s, involved clandestine ties between some leading figures in today’s Iran crisis and U.S. and Israeli officials who supplied Iran with missiles and other weaponry for its war with Iraq. The Iran-Iraq conflict began simmering in spring 1980 and broke into full-scale war in September.

Khamenei, who was then an influential aide to Ayatollah Ruhollah Khomeini, appears to have been part of a contingent exploring ways to resolve the hostage dispute with Carter.

According to Army Col. Charles Wesley Scott, who was one of the 52 hostages, Khamenei visited him on May 1, 1980, at the old U.S. consulate in Tabriz to ask whether milder demands from Iran to the Carter administration might lead to a resolution of the hostage impasse and allow the resumption of U.S. military supplies, former National Security Council aide Gary Sick reported in his book *October Surprise*.

“You’re asking the wrong man,” Scott replied, noting that he had been out of touch with his government during his five months of captivity before adding that he doubted the Carter administration would be eager to resume military shipments quickly.

“Frankly, my guess is that it will be a long time before you’ll get any cooperation on spare parts from America, after what you’ve done and continue to do to us,” Scott said he told Khamenei.

However, Khamenei’s outreach to a captive U.S. military officer – outlining terms that became the basis of a near settlement of the crisis with the Carter administration in September 1980 – suggests that Khamenei favored a more traditional approach toward resolving the hostage crisis than the parallel channel that soon involved the Israelis and the Republicans.

In that narrow sense at least, Khamenei was allied with Abolhassan Bani-Sadr, the sitting Iranian president in 1980 who also has said he opposed dealing with Israel and the Republicans behind President Carter’s back. In a little-noticed letter to the U.S. Congress, dated Dec. 17, 1992, Bani-Sadr said he first learned of the Republican hostage initiative in July 1980.

Bani-Sadr said a nephew of Ayatollah Khomeini, then Iran’s supreme leader, returned from a meeting with an Iranian banker, Cyrus Hashemi, who had led the Carter administration to believe he was helping broker a hostage release but who had close ties to Reagan’s campaign chief William Casey and to Casey’s business associate, John Shaheen.

Bani-Sadr said the message from the Khomeini emissary was clear: the Reagan campaign was in league with pro-Republican elements of the CIA in an effort to undermine Carter and wanted Iran's help. Bani-Sadr said the emissary "told me that if I do not accept this proposal they [the Republicans] would make the same offer to my rivals."

The emissary added that the Republicans "have enormous influence in the CIA," Bani-Sadr wrote. "Lastly, he told me my refusal of their offer would result in my elimination." Bani-Sadr said he resisted the GOP scheme, but the plan ultimately was accepted by Ayatollah Khomeini, who appears to have made up his mind around the time of Iraq's invasion in mid-September 1980.

### **Clearing the Way**

Khomeini's approval meant the end of the initiative that Khamenei had outlined to Col. Scott, which was being pursued with Carter's representatives in West Germany before Iraq launched its attack. Khomeini's blessing allowed Rafsanjani, Karoubi and later Mousavi to proceed with secret contacts that involved emissaries from the Reagan camp and the Israeli government.

The Republican-Israeli-Iranian agreement appears to have been sealed through a series of meetings that culminated in discussions in Paris arranged by the right-wing chief of French intelligence Alexandre deMarenches and allegedly involving Casey, vice presidential nominee George H.W. Bush, CIA officer Robert Gates and other U.S. and Israeli representatives on one side and cleric Mehdi Karoubi and a team of Iranian representatives on the other.

Bush, Gates and Karoubi all have denied participating in the meeting (Karoubi did so in an interview with me in Tehran in 1990). But deMarenches admitted arranging the Paris conclave to his biographer, former New York Times correspondent David Andelman.

Andelman said deMarenches ordered that the secret meeting be kept out of his memoir because the story could otherwise damage the reputation of his friends, William Casey and George H.W. Bush. At the time of Andelman's work ghostwriting the memoir in 1991, Bush was running for re-election as President of the United States.

Andelman's sworn testimony in December 1992 to a House task force assigned to examine the October Surprise controversy buttressed longstanding claims from international intelligence operatives about a Paris meeting involving Casey and Bush.

Besides the testimony from intelligence operatives, including Israeli military intelligence officer Ari Ben-Menashe, there was contemporaneous knowledge of the alleged Bush-to-Paris trip by Chicago Tribune reporter John Maclean, son of author Norman Maclean who wrote *A River Runs Through It*.

Maclean said a well-placed Republican source told him in mid-October 1980 about Bush's secret trip to Paris to meet with Iranians on the U.S. hostage issue. Maclean passed on that information to State Department official David Henderson, who recalled the date as Oct. 18, 1980.

Since Maclean had never written a story about the leak and Henderson didn't mentioned it until Congress started its cursory October Surprise investigation in 1991, the Maclean-Henderson conversation had been locked in a kind of historical amber.

One could not accuse Maclean of concocting the Bush-to-Paris allegation for some ulterior motive, since he hadn't used it in 1980, nor had he volunteered it a decade later. He only confirmed it when approached by a researcher working with me on a PBS Frontline documentary and in a subsequent videotaped interview with me.

Also, alibis concocted for Casey and Bush – supposedly to prove they could not have traveled to the alleged overseas meetings – either collapsed under close scrutiny or had serious holes. [For details on the October Surprise case, see Robert Parry's [Secrecy & Privilege](#).]

### **Military Shipments**

Though the precise details of the October Surprise case remain hazy, it is a historic fact that Carter failed to resolve the hostage crisis before losing in a surprising landslide to Reagan and that the hostages were not released until Reagan and Bush had been sworn in on Jan. 20, 1981.

It also is clear that U.S. military supplies were soon moving to Iran via Israeli middlemen with the approval of the new Reagan administration.

In a PBS interview, Nicholas Veliotis, Reagan's assistant secretary of state for the Middle East, said he first discovered the secret arms pipeline to Iran when an Israeli weapons flight was shot down over the Soviet Union on July 18, 1981, after straying off course on its third mission to deliver U.S. military supplies from Israel to Iran via Larnaca, Cyprus.

“It was clear to me after my conversations with people on high that indeed we had agreed that the Israelis could transship to Iran some American-origin military equipment,” Veliotis said.

In checking out the Israeli flight, Veliotis came to believe that the Reagan-Bush camp's dealings with Iran dated back to before the 1980 election.

“It seems to have started in earnest in the period probably prior to the election of 1980, as the Israelis had identified who would become the new players in the national security area in the Reagan administration,” Veliotis said. “And I understand some contacts were made at that time.”

In the early 1980s, the players in Iran also experienced a shakeup. Bani-Sadr was ousted in 1981 and fled for his life; he was replaced as president by Khamenei; Mousavi was named prime minister; Rafsanjani consolidated his financial and political power as speaker of the Majlis; and Karoubi became a powerful figure in Iran's military-and-foreign-policy establishment.

Besides tapping into stockpiles of U.S.-made weaponry, the Israelis also arranged shipments from third countries, including Poland, according to Israeli intelligence officer Ben-Menashe, who described his work on the arms pipeline in his 1992 book, *Profits of War*.

Since representatives of Likud had initiated the arms-middleman role for Iran, the profits flowed into coffers that the right-wing party controlled, a situation that created envy inside the rival Labor Party especially after it gained a share of power in the 1984 elections, Ben-Menashe said.

### **The Iran-Contra Case**

In this analysis, Labor's desire to open its own arms channel to Iran laid the groundwork for the Iran-Contra scandal, as the government of Prime Minister Shimon Peres tapped into the emerging neoconservative network inside the Reagan administration on one hand and began making contacts to Iran's leadership on the other.

Reagan's National Security Adviser Robert McFarlane, who had close ties to the Israeli leadership, worked with Peres's aide Amiram Nir and neocon intellectual (and NSC consultant) Michael Ledeen in spring 1985 to make contact with the Iranians.

Ledeen's chief intermediary to Iran was a businessman named Manucher Ghorbanifar, who was held in disdain by the CIA as a fabricator but claimed he represented high-ranking Iranians who favored improved relations with the United States and were eager for American weapons.

Ghorbanifar's chief contact, as identified in official Iran-Contra records, was Mohsen Kargarlu, who worked as an aide to Prime Minister Mousavi, according to Israeli journalist Ronen Bergman in his 2008 book, [\*The Secret War with Iran\*](#).

However, Ghorbanifar's real backer inside Iran appears to have been Mousavi himself. According to [a Time magazine article](#) from January 1987, Ghorbanifar "became a trusted friend and kitchen adviser to Mir Hussein Mousavi, Prime Minister in the Khomeini government."

In November 1985, at a key moment in the scandal as one of the early missile shipments via Israel went awry, Ghorbanifar conveyed Mousavi's anger to the White House.

"On or about November 25, 1985, Ledeen received a frantic phone call from Ghorbanifar, asking him to relay a message from the prime minister of Iran to President Reagan regarding the shipment of the wrong type of HAWKS," according to Iran-Contra special prosecutor Lawrence Walsh's [Final Report](#).

"Ledeen said the message essentially was 'we've been holding up our part of the bargain, and here you people are now cheating us and tricking us and deceiving us and you had better correct this situation right away.'"

Earlier in the process, Ghorbanifar had dangled the possibility of McFarlane meeting with high-level Iranian officials, including Mousavi and Rafsanjani.

Another one of Ghorbanifar's Iranian contacts was Hassan Karoubi, the brother of Mehdi Karoubi. Hassan Karoubi met with Ghorbanifar and Ledeen in Geneva in late October 1985 regarding missile shipments in exchange for Iranian help in getting a group of U.S. hostages freed in Lebanon, according to [Walsh's report](#).

## **A Split Leadership**

**As Ben-Menashe describes the maneuvering in Tehran, the basic split in the Iranian leadership put then-President Khamenei on the ideologically purist side of rejecting U.S.-Israeli military help and Rafsanjani, Mousavi and Mehdi Karoubi in favor of exploiting those openings in a pragmatic way to better fight the war with Iraq.**

The key decider during this period – as in the October Surprise phase – was Ayatollah Khomeini, who agreed with the pragmatists on the need to get as much materiel from the Americans and the Israelis as possible, Ben-Menashe said in an interview this week from his home in Canada.

Ben-Menashe said Rafsanjani and most other senior Iranian officials were satisfied dealing with the original (Likud) Israeli channel and were offended by the Reagan administration's double game of tilting toward Iraq with military and intelligence support while also offering weapons deals to Iran via the second (Labor) channel.

**The ex-Israeli intelligence officer said the Iranians were especially thankful in 1985-86 when the Likud channel secured SCUD missiles from Poland so Iran could respond to SCUD attacks that Iraq had launched against Iranian cities.**

“After that (transaction), I got access to the highest authorities” in Iran, Ben-Menashe said, including a personal meeting with Mousavi at which Ben-Menashe said he learned that Mousavi knew the history of the Israeli-arranged shipments in the October Surprise deal of 1980.

Ben-Menashe quoted Mousavi as saying, “we did everything you guys wanted. We got rid of the Democrats. We did everything we could, but the Americans aren't delivering [and] they are dealing with the Iraqis.”

In that account, the Iranian leadership in 1980 viewed its agreement to delay the release of the U.S. Embassy hostages not primarily as a favor to the Republicans, but to the Israelis who were considered the key for Iran to get the necessary military supplies for its war with Iraq.

Today, many of the same Iranian players are back at center stage in the election dispute, but it's unclear what the power struggle might mean for President Barack Obama's desire to negotiate agreements on Iran's nuclear program and on broader Middle East peace.

For instance, does the Mousavi-Rafsanjani-Karoubi contingent still have its more pragmatic view about the West? Does Khamenei still favor his more straightforward approach toward dealing with Washington?

Since Khamenei holds Ahmadinejad's political strings, one could conclude that the Khamenei-Ahmadinejad faction might be easier to deal with in a traditional diplomatic framework that seeks a direct solution and wants to avoid endless bickering. However, others might see the Mousavi-Rafsanjani-Karoubi faction as the more flexible negotiating partners.

Whatever the case, President Obama might want to get a better grasp on the complex history of U.S.-Iranian-Israeli relations before he charges off into that negotiating thicket.