

OCTOBER SURPRISE

The Hostage Crisis Returns to Haunt George Bush

In 1980, the U.S. political scene was dominated by the holding of 52 American diplomats hostage in Iran. Amid a cacophony of candlelight vigils, yellow ribbons, militant speeches by politicians and Ted Koppel's nightly "America Held Hostage" newscast, the Carter administration desperately tried to secure their release. By the fall of 1980, the hostage crisis came to symbolize Jimmy Carter's alleged weakness, a theme that was eagerly seized on by the Reagan-Bush campaign.

But for years allegations have lingered that the Reagan campaign staff secretly contacted representatives of Ayatollah Khomeini, promising arms deliveries and favorable treatment for Iran in exchange for Iran's agreement not to release the hostages before the November 1980 election. Such a scandal, if true, could trigger a political earthquake and even lead to the impeachment of President Bush.

by Robert Dreyfuss

"I have a package for Mr. Tabatabai." The speaker was David Belfield, dressed as a U.S. mail carrier. He was standing on the steps outside the home of Ali Tabatabai, in a quiet residential section of Bethesda, Md., a well-to-do suburb of the nation's capital. It was July 22, 1980.

Belfield had just emerged from a postal truck that was parked at the curb in front of Tabatabai's home. Tabatabai, an Iranian nationalist who, until the revolution in 1979, had been the press counselor at the Iranian embassy in Washington, was a bitter opponent of Ayatollah Khomeini's brand of Islamic government. About a year before, he had founded the Iran Freedom Foundation and became a visible spokesman for anti-Khomeini Iranians abroad.

For security reasons, Tabatabai never answered the door himself, preferring to remain in a second floor room that served as his office. That day, as usual, a colleague opened the door. But Belfield insisted that the package must be delivered to the Iranian personally. On hearing an altercation, Tabatabai came downstairs.

Suddenly, from a 9mm pistol concealed behind two manila envelopes he held, Belfield fired several shots at Tabatabai. Fatally wounded, he died shortly thereafter.

Belfield, a young American black man who was a devotee of Ayatollah Khomeini, left the scene of the murder and disappeared. Traveling apparently on a false passport, Belfield fled the country, first to Europe and then to Iran, where he still resides, according to Iranian sources.

Tracing Belfield through the mail truck

he had borrowed, supposedly for an errand, the police eventually learned that he had been employed as a security guard at the Iranian embassy by the Khomeini regime. The police also found out that Belfield resided at the so-called "Islamic House" on 16th Street in Washington, which was run by a local Iranian revolutionary activist named Bahram Nahidian. Nahidian, a rug merchant, had also employed Belfield as a bodyguard.

Exactly how Belfield escaped the United States has never been determined. To this day, no one has been prosecuted for the murder. Nahidian, the rug merchant, applauded the killing, but despite his ties to the suspected assassin no evidence was ever produced linking him to the act.

But the trail of evidence did not stop with Nahidian. And that trail produces one piece of a puzzle, now being assembled by investigative reporters and a pair of congressional inquiries, that could implicate elements of U.S. and Israeli intelligence, former CIA Director William Casey, Ronald Reagan's campaign staff and even President Bush in a conspiracy to steal the election of 1980.

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According to Iranian sources, Nahidian's activities in the United States were funded and directed by a shadowy Iranian banker named Cyrus Hashemi. On August 7, 1980, *The Washington Post*, citing law enforcement officials, reported that "at least \$5 million" in funds from Khomeini's Iran had flowed into the United States to support the activities of

pro-Khomeini elements, including Nahidian, whom the *Post* described as the "key coordinator of Moslem protests here." It said that much of the funds flowed through "an East Coast banking concern with offices overseas," which, said the author of the article, was run by Cyrus Hashemi. Hashemi's bank, the First Gulf Bank & Trust, Ltd., was headquartered in the Caribbean, with offices in New York.

Like Nahidian, Hashemi was never charged for his alleged role in providing funds to terrorists. More than 10 years later, however, Hashemi emerged as a central figure in a complex conspiracy that has come to be known as "the October Surprise."

According to Gary Sick, a former Navy captain who served President Jimmy Carter as the National Security Council staff expert on Iran, during 1980 a series of secret meetings was held between officials of Khomeini's Iran and campaign staff for the Reagan-Bush election effort. The object of those talks, according to Sick, was to prevent the release of the American hostages held captive in the U.S. embassy in Teheran until after the election in November 1980.

Hashemi, says Sick, played a critical role in the plot, beginning with a meeting between Hashemi and William Casey, then campaign manager for presidential candidate Ronald Reagan, in late February or early March 1980. Casey, a veteran spook who worked for U.S. intelligence during World War II and later headed the CIA, conducted a series of meetings with Iranians, Israelis, and U.S. military and intelligence personnel, culminating in a deal in



October 1980, says Sick.

Both Casey and Hashemi are dead. But others alleged to have been involved in or knowledgeable about such a deal have issued strong denials. Asked whether he was in Paris in October 1980 to meet with Iranians, or for any other purpose, President Bush — then the candidate for vice president — said, "Absolutely not." Geoffrey Kemp, who succeeded Gary Sick as the NSC's Middle East expert in the Reagan administration, calls Sick "obsessive" and ridicules the charges. Reagan aide Richard Allen calls the charges "sick and obscene."

Amid the Republican denials, however, swirls an enigmatic comment by former President Reagan earlier this year. "Absolute fiction," said Reagan, who then added, "I did some things the — actually, the other way, to try and be of help in getting those hostages." When reporters pressed him, Reagan added, "I can't get into details. Some of those things are still classified."

Needless to say, nothing done by a private citizen, like candidate Reagan, could be classified. And interference in the sensitive and complex diplomacy then underway by the Carter administration, even to help free the hostages, would be a grave

transgression. In any case, Carter officials say that no contact, for any purpose, was ever authorized between Reagan and Iran.

The following is an effort to further unravel the story of the "October Surprise."

THE HASHEMI CONNECTION

One chain of evidence leads to Cyrus Hashemi, his brothers Jamshid and Reza, and their pyramid of businesses and corporate entities, topped by the First Gulf Bank & Trust.

Hashemi was not a stranger to secret intelligence in 1980. According to a reporter for Cable News Network who tracked down

part of the Hashemi story in 1980, Hashemi's bank in Anguilla, in the Caribbean, was a base from which the Iranian brothers were involved in dealings with the National Security Agency (NSA), the top-secret U.S. communications intelligence unit, and in other highly classified electronic and computer intelligence projects, including the so-called "Stealth" technology project. Hashemi also profited by leasing real estate to the NSA for use as secret bases of operation, said another investigative reporter.

They identified Hashemi to us as one of many Iranians who wanted to mediate the release of the American hostages." "Cutter says that Cyrus Hashemi "may well have had a relationship with the Central Intelligence Agency going back to an earlier time," but adds that "he offered to be helpful." The former Carter White House lawyer says that Hashemi "claimed to be a cousin of (Ayatollah) Khomeini, whose middle name is Hashemi." Katsanjani, who later became speaker of the Iranian parliament, is today Iran's president. Henry Pecht, who ran the State Department's Iran desk in 1980, says, "Hashemi was introduced to us by Stanley Pottinger." Pottinger, a former chief of the civil rights division of the U.S. Justice Department in the 1970s, was Hashemi's law partner in New York. Pottinger called in, said he in 1980, "Pottinger called in, said he had this guy." According to Pecht, Hashemi "never produced anything." While Carter officials were willing to deal with Hashemi despite his alleged terrorist links, an unclassified CIA document raises the possibility that some U.S. officials did suspect Hashemi. The document, released in connection with the Iran-contra investigation in the mid-80s, reads in part: "In early 1980, during the Iranian hostage crisis, Hashemi made representations to (the) State (Department) that he could serve as a channel for negotiations concerning the hostages. It developed that Hashemi did not have the ability to perform as projected, and it was suspected that his offers were part of a scam." Edward Luttwak, who helped direct Ronald Reagan's campaign for foreign-policy planning, "I know that," Luttwak suggests that Hashemi may even have skimmed some of the funds for himself, with Madani's grateful complicity. Cary Sick, whose charges relaunched the October Surprise thesis, said that after the failure of Madani's effort Hashemi "remained in contact with the U.S. government, providing useful information about developments in the hostage crisis."

Through the rest of 1980, from January until the very eve of the November 1980 U.S. presidential election, Hashemi stayed in touch with Carter administration officials. Carter's White House counsel, Lloyd Cutler, who admits to at least one meeting with Cyrus Hashemi, says that he was unaware of any links that Hashemi had to the terrorism in the United States or to the assassination of Ali Tabbataba'i. "The State Department initiated the contact," says Cut-

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Sick bases his analysis on "hundreds of interviews," including "government officials who claimed to have knowledge of these events by virtue of their official duties and their access to intelligence reports." And the star witness for his claim that Reagan-Bush campaign officials "met secretly with Iranian officials to delay the release of the American hostages until after the presidential election" is Cyrus Hashemi's brother, Jamshid Hashemi. Cyrus Hashemi died suddenly in 1986,

Cutter, who is skeptical of reports of a secret deal between Iran and the Republican in 1980, nevertheless lends credence to the thesis that Hashemi was murdered. "Some people say that Hashemi was murdered," said Cutler. "So maybe he did try to make some information known."

According to Jamshid Hashemi, Cyrus met secretly with William Casey in late February or early March 1980 at the Mayflower Hotel in Washington. At that meeting, he says, Casey and Cyrus Hashemi discussed the fact that the outcome of the 1980 election could depend on whether Hashemi agreed to cooperate with Mr. Casey without the knowledge of the Carter administration, according to Sick. While there is no known documentary record showing that Casey and Hashemi met, an August 1991 article in the German weekly, *Der Spiegel*, by Martin Kilian, reports that Hashemi had contact in 1980 with John Shahaen, William Casey's close friend and fellow veteran of the World War II-era U.S. Office of Strategic Services (OSS), for whom he worked. Shahaen's diary, Kilian shows that Shahaen and Hashemi held a series of meetings during the summer and fall of 1980 at critical moments.

Thus, while routinely conferring with Sick, Cutler, Harold Saunders of the State Department and other Carter officials, Hashemi also operated a parallel, but secret channel to the Republican opposition. Getting Reagan aides to admit dealing with Hashemi in 1980 is not easy. Richard V. Allen, who directed the Reagan-Bush campaign's foreign policy team and who later became Reagan's director of the National Security Council, angrily denies any links to a hostage deal with Iran. Allen declined to be interviewed for this article. But in an interview with the New York *Daily News*, Allen admitted that some "scenarios" in the Reagan camp "might have met some Iranian geeks in Paris."

Edward Luttwak, who describes himself as "No. 3" after Allen and Fred C. Ikle in the Reagan-Bush foreign policy team,

A scam? Perhaps. Could Hashemi's dealings with the Carter administration have been a deception? If, as Cary Sick and others say, Hashemi was also dealing with Republican campaign officials, is it possible that Hashemi arranged to be introduced to the Carter administration specifically to

HASHEMI AND CASEY

mistead?

mislead?

admits that Reagan-Bush officials conferred with Hashemi.

"We ran into Hashemi," says Luttwak. "He was profoundly unimpressive." Luttwak says Iranians, including Hashemi, "were all talking to Casey, would come in, make their pitch, and then he would blow them off."

Another surprising non-denial denial came from Reagan aide Geoffrey Kemp, who readily admitted to the possibility of "some free-wheeling activities by Casey and some Iranian entrepreneurs" like Hashemi. Asked about alleged follow-up meetings between Casey and high Iranian officials in Madrid, Spain, said to have been set up by Hashemi, Kemp says, "Let's assume that there was a meeting in Madrid between Casey and this Iranian. What does that prove? It doesn't prove that Casey had a deal, or that he could deliver the Reagan administration. He (Casey) may have played some games."

THE ISRAELI CONNECTION

Enter the Israelis. No deal between Iran and the Reagan-Bush campaign could have worked without the active support of the Israelis. While Iran had the power to undermine Carter by holding the hostages, William Casey did not have the ability, at least in 1980, to promise Iran what it needed the most: arms. But Israel did.

When Carter ordered a freeze on sales of arms to Iran, in retaliation for the seizing of the hostages, at once Iran lost its chief arms supplier. Its need for weapons was urgent, and it worsened as tensions grew along the Iran-Iraq border throughout 1980, eventually erupting into all-out war on September 22, of that year.

Separate from U.S. policy towards Iran, Israel maintained its own military relationship with Iran both before and after the Iranian revolution. A strong Iran, with the ability to intimidate its Arab neighbors, was in Israel's interest. But the Israelis were reluctant to supply Iran with weapons unless those shipments had U.S. approval. If Carter would not authorize the shipments, then perhaps the support of the Reagan team, along with anti-Carter elements of the U.S. defense establishment, would work as well. Edward Luttwak, who is close to Israeli defense circles, said that Israel was angry with the Carter-imposed embargo on arms for Iran. "The Israelis simply believed that to confuse the balance of power in the Persian Gulf with the hos-

tage issue was ridiculous," says Luttwak.

To the Israelis, Iran needed to be strong whether or not it held the U.S. diplomats hostage. The Israeli point of view coincided perfectly with the political requirements of the hard-line Iranian clerics holding the hostages, who needed arms but wanted to use the hostage issue to gain political advantage over relatively moderate rivals.

Luttwak said that "large amounts of weapons flowed into Iran from Israel, Brazil, Portugal, Italy" and other countries, and the shipments included howitzer and mortar ammunition, and other heavy arms. While Carter engaged in a bitter war of words with Israel's Begin concerning reports that Israel was sending shipments of



William Casey

F-4 aircraft tires to Iran despite the U.S. embargo, a vastly larger pipeline of arms was being opened by the Israelis, apparently with the support of William Casey.

In February 1980, at about the same time that Casey is alleged to have met with Hashemi to open channels to the circle around Ayatollah Khomeini, Casey allegedly met with a team of Israeli intelligence officials in Georgetown, an upscale Washington neighborhood. The source for information about the channel to the Israelis is Ari Ben-Menashe, a former agent of the Israeli secret service — who claims to have been part of a special group of Israeli arms experts assembled to assist Iran.

According to Ben-Menashe, during 1980 the Israeli regime of Prime Minister Menachem Begin mediated an increasingly

intimate relationship between Iran and the Reagan-Bush campaign. "Begin loathed Carter at that time," says Ben-Menashe. "Israel wrote Carter off by February or March of 1980."

Ben-Menashe says that the American who opened the connection to Israel for Casey was a former CIA operative named Miles Copeland.

"A number of Israelis, including myself, met with Copeland and Casey too. There were a series of meetings," he continued. "Copeland's message to us was that Iran could be dealt with, that it was important to save the United States from humiliation. He said that Carter was doing all the wrong things.

"Copeland said he represented a group of ex-CIA officers who were concerned about the direction of the country," says Ben-Menashe.

SPOOKS FOR BUSH

Copeland, a fascinating figure, was a charming, Southern-accented storyteller who had served with the CIA in Egypt and Iran in the 1950s. In late 1979, he started pulling together a group of former U.S. intelligence officers to support the presidential campaign being waged by George Bush, who was then vying with Reagan for the nomination. Like many CIA people, Copeland believed that Bush, a former CIA director, would reverse the anti-CIA bias that many career intelligence professionals perceived in the Carter era.

Copeland called his organization "Spooks for Bush."

In an interview in 1980, Copeland said that he had brought together "30 to 40 of the good old boys from the agency" into a loose organization designed to become "a private intelligence apparatus for George Bush, the eyes and ears, and even the hands, of the campaign."

Although Copeland died not long ago, Hunter Copeland, his brother, says Spooks for Bush was a group of "old alumni of the CIA who got together both in Langley (CIA headquarters), in England and all over Europe, pulling for Bush because he had gotten in as CIA director back in the '70s." Its rationale, said Hunter Copeland, was that former senator "Church f—d up the CIA so bad it still hasn't recovered, particularly in the dirty tricks department."

Among those who played an active role in Spooks for Bush was Archie Roosevelt, then a top official of David Rockefeller's

Chase Manhattan Bank. Roosevelt, like Copeland, an ex-CIA agent, was the brother of the legendary Kermit (Kim) Roosevelt, the man who organized the 1953 CIA coup d'etat that re-established the shah's power in Iran.

The Roosevelts, grandsons of President Teddy Roosevelt, and Copeland were close friends. Together, they provided a potentially invaluable connection to Iran, especially the grey world of intelligence operations. In addition, the New York banking interests around Rockefeller, especially Chase itself, were enormously involved in Iran during the shah's regime, and therefore had a huge stake in the outcome of the U.S.-Iran crisis.

The possibility remains that Copeland's group of spies might not just have included former CIA officials, but extended into the ranks of serving U.S. intelligence officers. Though the CIA is secretive, it was no secret that many CIA personnel detested Carter. According to Angelo Codevilla, then on the Senate Intelligence Committee staff, Reagan-Bush campaign posters (with the Reagan part torn off) frequently appeared on the walls of the CIA's building in Langley, Virginia.

In an interview with *Frontline*, Copeland said, "There were many of us, myself ... with Henry Kissinger, David Rockefeller, Archie Roosevelt, in the CIA at the time, we felt very strongly that we were ... showing a kind of weakness which people in Iran and elsewhere in the world hold in great contempt." Note the phrase "in the CIA at the time."

Stansfield Turner, Carter's CIA chief, says, "I don't doubt that many of the people in the CIA, especially in the operations branch, didn't like some things about the administration."

In fact, the Republican Party platform of 1980 explicitly appealed to CIA dissidents. "The U.S. intelligence community has lost much of its ability to supply the President, senior U.S. officials and the Congress with accurate and timely analysis concerning fundamental threats to our nation's security. Morale (inside the CIA) and public confidence have eroded ... As a result of such problems, the U.S. intelligence community has incorrectly assessed critical foreign developments, such as Iran."

The platform went on to call for strengthened capability for "covert actions," and blasted "restrictions sponsored by Democrats" that "have debilitated U.S. in-

telligence capabilities."

It is in this context that suspicions about one CIA agent in particular ought to be viewed. Donald Gregg, who held a high position in the CIA's Operations Directorate at the beginning of 1980, has been named by Carter as one who, while nominally serving the Carter Administration, may have covertly provided information and other help to the Reagan-Bush campaign.

In mid-1980, according to Turner, the CIA director offered Gregg a promotion to a post in the office of the Director of Central Intelligence (DCI). But Turner says Gregg turned down the job, "perhaps because he knew the NSC (National Security Council) job was in the works." So, by

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the middle of 1980, Don Gregg was inside the White House, working for Zbigniew Brzezinski's NSC.

Carter told the *Village Voice* that he suspects that Gregg may have passed on sensitive information about the hostage talks to the Reagan-Bush camp.

THE APPROACH TO IRAN

By the summer of 1980, Reagan's pollsters had concluded that the November vote might hinge on the hostage crisis. Carter's popularity suffered enormously because of the continuing plight of the hostages.

At Reagan-Bush headquarters, William Casey established two publicly acknowledged teams of campaign workers to monitor the hostage crisis. According to a 1984 House of Representatives inquiry, one included Reagan's pollster, Casey, Ed Meese and Admiral Robert Garrick, the latter who set up a system of liaison with U.S. military bases to watch for activity that might relate to the Iran situation. The second group was run by Richard Allen,

and included Ikle, John F. Lehman and Admiral Thomas Moorer.

One of Allen's telephone logs from the period, according to the House report, mentions Angelo Codevilla, an intelligence expert then on the staff of the Senate Intelligence Committee. The log reads: "1115 Angelo Codevilla—938-9702. DIA-Hostages—All back in compound, last week. Admin. embargoed intelligence. Confirmed."

According to Ben-Menashe, the Israeli agent, while Casey's "October Surprise" committees kept watch on the hostage crisis, Casey traveled four times to Madrid to meet with Iranian officials.

In Spain, Casey met with Mehdi and Hassan Karrubi, two Iranian clerics who were close to Khomeini, he says. "The first Casey-Karrubi meeting was in March 1980," says Ben-Menashe, after channels for Israeli-Iranian arms deals had been opened by the Miles Copeland initiative.

Several Iranians say that Mehdi Karrubi was the perfect choice to meet secretly with Casey. "Karrubi would be exactly the person who Khomeini would want to use. He was a former student of Khomeini and was very close to the Khomeini circle," said Mansur Farhang, a former Iranian diplomat who was in Teheran at the time.

Hassan Karrubi, Mehdi's brother, who later surfaced as a principal in the mid-1980s Iran-contra scandal involving Casey, was in 1980 the chief of the Islamic Martyrs Organization, a body that handled hundreds of millions of dollars to provide medical care to Iranians wounded in battle, according to another Iranian source. Hassan Karrubi's wife currently directs Iran's state hospital system.

Ayatollah Mehdi Karrubi, in 1980 a relatively unknown cleric, in 1991 is the speaker of Iran's Majlis, or parliament.

According to Ben-Menashe, after Copeland and Casey held initial talks in Washington with Ben-Menashe's Israeli unit, two American negotiators flew to Israel and then to Iran in the spring of 1980: Robert MacFarlane and Earl Brian.

MacFarlane, who was then on the staff of Sen. John Tower's Senate Armed Services Committee, later became NSC director and a major player in the Iran-contra affair that tarred Casey. At the time, says Ben-Menashe, MacFarlane was secretly — and illegally — on the payroll of Israel's Rafi Eytan, Prime Minister Begin's anti-terrorist aide.

Earl Brian, who had served in Gov. Ronald Reagan's cabinet in California as secretary of health, later ran a number of businesses, one of which sought a contract with the Shah's government to provide health-care delivery. "While going back and forth to Teheran, Brian met a lot of Iranians," says Ben-Menashe.

MacFarlane and Brian's Iran visit, according to Ben-Menashe's scenario, arranged for the subsequent meetings between the Karrubis and other Iranian officials with Casey in Spain. According to a recent investigation by ABC's *Nightline*, during one of the times that Casey is alleged to have traveled to Spain, hotel records show that the Hashemi brothers were also present.

END GAME

The culmination of the nearly year-long effort alleged to have involved Casey and various Iranian intermediaries took place, according to various sources, in Paris, between October 19-22, 1980.

Ben-Menashe says that Casey finalized a deal concerning the hostages in a series of meetings at the Hotel Raphael and Hotel Florida in Paris. He also says that, to confirm the arrangements, vice-presidential candidate George Bush was present for at least one of the meetings with the Iranians.

"There was a deal," says Ben-Menashe. "It was not a contract, it was an understanding. The Iranians were made to understand that they should keep the hostages. Both Casey and Bush were there."

The charges about Bush are by far the most controversial, even explosive, of the "October Surprise" allegations. In the *New York Times*, Gary Sick wrote: "At least five of the sources who say they were in Paris in connection with these meetings insist that George Bush was present for at least one meeting. Three of the sources say they saw him there. In the absence of further information, I have not made up my mind about this allegation."

Bush has vigorously denied being in Paris, and has ridiculed Sick. But, Sick says, "What I find strange is that so far he has not produced any conclusive evidence to show that he or his aides were not present at these meetings, which I think is something that could very easily be done." So far, Secret Service and campaign records seem to have enough holes in them to allow Bush to have undertaken a lightning trans-Atlantic flight and returned unnoticed.

Interestingly, Geoffrey Kemp, the Reagan NSC staffer, who views the allegations as fabricated, also does not flatly rule out a Bush Paris trip: "In the course of a campaign — let's say he was in Paris — Bush could be introduced, shook the hands of all kinds of people. There might be a photograph of some shady arms dealer shaking Bush's hand."

A powerful *Frontline* documentary by reporter Robert Parry cites several other sources who place Casey in Madrid and Paris during 1980.

Frontline quoted a French arms dealer with close ties to French intelligence who said that Casey took part in meetings "between the 19th and 22nd of October 1980,

Ben-Menashe says that Casey finalized a deal concerning the hostages in a series of meetings at the Hotel Raphael and Hotel Florida in Paris.

in Paris, at the Hotel Raphael first, I think, and then two meetings in the Florida." And Iranian-born Israeli arms dealer Houshang Lavi told *Frontline* that he and Cyrus Hashemi went together to Paris, where Hashemi took part in meetings with Americans, Iranians and Israelis.

What is not in dispute is what happened next.

Talks between the Carter administration and the Iranians suddenly turned cold. Although in mid-October Iran had told the U.S. government that the Iranian parliament, or Majlis, would meet shortly to ratify the broad outlines of a proposed accord to free the hostages, the meeting did not take place. When the crucial meeting of the Majlis convened on Oct. 26, only days after the alleged Paris deal was struck, a majority faction of hard-liners, led by the rising trio of Ayatollah Mohammad Beheshti, Ayatollah Ali Akbar Hashemi-Rafsanjani and Prime Minister Alireza Rajai, succeeded in preventing a quorum. While those who supported the proposed deal with Carter's people shouted helplessly

from the floor of the Majlis, the hard-liners refused to enter the meeting hall. The Carter administration's last hopes of freeing the hostages before the election went up in smoke.

Mansur Farhang, who served as Iran's United Nations representative during the early phase of the hostage crisis, was in Iran in October 1980. He says he witnessed a "sudden interruption of the negotiations" with Carter, accompanied by a "dramatic and unexplained change in behavior, attitude, even tone of voice" on the part of the Iranian clergy, or mullahs.

"They were completely relaxed, even sarcastic and cynical about the idea that a Reagan administration would be worse for Iranian interests," said Farhang. He said that he observed a gradual convergence of interests between the right-wing Iranian clergy, led by Beheshti and Rafsanjani, and the Republican team.

President Bani-Sadr, whose prestige was evaporating with the collapse of the hostage accord in October 1980, also blames a secret deal between the Reagan-Bush camp and the Beheshti-Rafsanjani circle. Former Iranian Foreign Minister Sadegh Ghotbzadeh openly denounced Khomeini's regime and its "collusion with Reagan," says Bani-Sadr. The next day, on Oct. 27, Bani-Sadr wrote in an editorial in an Iranian newspaper "that Carter was no longer in control of U.S. foreign policy and had yielded the real power to those who ... had negotiated with the mullahs in the hostage affair."

Although Bani-Sadr admits he has "no proof," he says that "Rafsanjani, Beheshti, and Ahmed Khomeini played a key role in proposing this agreement to the Reagan team." Ahmed Khomeini is the son of the late ayatollah. Beheshti was assassinated in 1981, and today Rafsanjani is president of Iran. Rafsanjani is the much-praised "Iranian moderate" who was the contact for the mid-1980s Iran-contra initiative launched by MacFarlane, Oliver North, and Casey.

Whether or not a secret deal occurred in Paris in October 1980, the hostages were not released in time for the election.

Carter lost to Reagan in a landslide.

The Iranians held the hostages until minutes after Reagan was sworn in as president in January 1981.

Almost immediately after Reagan took office, a virtually unchecked flow of arms to Iran began, and it continues to this day. ●