

The FBI's Mystery Tapes

Is There Wiretap Evidence of an 'October Surprise'?

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By Craig Unger

LAST WEEK, the "October surprise," the story with nine lives, came back from the dead one more time. After months of relative silence, the congressional investigation into allegations that the 1980 Reagan-Bush campaign secretly delayed the release of U.S. hostages finally drew some headlines.

The latest development came when the FBI made available to Congress scores of long-missing surveillance tapes of the late Cyrus Hashemi, an Iranian arms merchant. The tapes potentially represent a large

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body of contemporaneous communications by a man who allegedly was one of the key players in the October surprise. It is possible they will establish whether Hashemi was a double agent who was secretly working for Reagan-Bush campaign manager William Casey, as his brother Jamshid Hashemi has alleged.

A merchant banker operating in London, Paris and New York, Cyrus Hashemi had approached the Carter administration in late 1979, shortly after the hostages were seized in Iran, proffering information about the situation in that country. Carter officials found that much of his information proved accurate.

See SURPRISE, C4, Col. 1

SURPRISE, From C1

But according to Gary Sick, the former Carter White House aide, while dealing with the Carter people Hashemi was also brokering a series of meetings between Casey and Ayatollah Mehdi Karrubi, a powerful Iranian cleric close to Ayatollah Khomeini. As the 1980 presidential campaign got under way, resolution of the hostage issue became paramount. Sick and others theorize that the Reagan camp, with Casey as instigator, covertly encouraged the Iranians to hold the U.S. embassy hostages until after the election, in hopes this would head off a possible "October surprise" engineered by Carter—release of the hostages—that could win him re-election in November. In return, the theory goes, the Reagan-Bush campaign promised that if elected, it would send U.S. weapons to help Iran defeat Iraq, which attacked Iran earlier in 1980. The House of Representatives' October Surprise Task Force is probing all these allegations.

Completely separate from any presidential politics, the FBI, later joined by U.S. Customs, in late August 1980 began electronic surveillance in this country of Hashemi, who they suspected had a role in the murder of an anti-Khomeini activist in Washington. No evidence was found linking Hashemi with the killing. But according to FBI documents, the wiretaps revealed two aspects of Hashemi's life that are now of intense interest to the House Task Force. Not only was Hashemi involved in ongoing negotiations on the hostage issue with highly placed Iranian officials, he also was making arms deals with Iran, in apparent violation of an American embargo.

According to Lloyd Cutler, former counsel to

President Carter, the Carter administration had authorized Hashemi to be a contact to the Iranians in hopes of gaining information valuable to any hostage negotiations, but had not authorized any arms sales. "Later we got a call from Customs saying they had him under surveillance," says Cutler. "They had confronted the Hashemis [about the arms dealing] and the Hashemis said we had approved it. But we never gave them our blessing. The intercepts tended to confirm they were involved in arms sales." Surveillance of Hashemi continued until February 1981, with an eye to prosecution for illegal arms sales to Iran.

Hashemi was eventually indicted but never prosecuted and the tapes never surfaced publicly. When reporters on the October surprise beat went after them, no one seemed to know their whereabouts. But FBI spokesman Stephen Markardt says, "From the beginning of the Hashemi investigation until this day, the tapes have been in FBI custody. They have not been available to the public because they are classified."

In 1991, the FBI declassified and released several hundred pages of telexes and memos about the Hashemi investigation. The documents include summaries of Hashemi's eavesdropped conversations and internal bureau reports about the overall probe. And last January, an FBI team discovered approximately 200 Hashemi surveillance tapes in a bureau storage facility near Newburgh, N.Y.

Markardt said the tapes have now been made available to the task force but declined to elaborate. "The examination of the materials and the conclusions to be drawn from them is to be left to the committee," he said.

But until the tapes are made public—if they ever are—the best indication of their contents comes from the Hashemi probe telexes and memos released earlier by the FBI. The documents are of limited value in that they cite the

original surveillance tapes only selectively and rarely quote actual conversations. When they do, the dialogue is almost incomprehensible. A typical exchange includes Hashemi saying, "Right . . . Fine . . . Okay" in response to a person whose identity and conversation have been deleted. "It is so heavily censored you can't tell who is talking to whom," said Sick, who has read the material. As a result, the memos do not answer questions that most intrigue students of the October surprise theory.

However, they do contain some clues. For one thing, they show that discussions of arms deals are likely to be on the tapes. "It is possible," says Sick, "that the arms dealing discussed is part of the October surprise. But we don't know, except that this is contemporaneous material, and it should be full text and should include a wide range of individuals."

The FBI summaries also refer to a business deal that attracted little attention at the time, namely Hashemi's attempt to purchase an oil refinery in Newfoundland. On Oct. 17, 1980, Hashemi made an offer of \$71 million in Canadian currency to buy Shaheen Natural Resources, a bankrupt oil refinery in Newfoundland, owned by John Shaheen, a longtime associate of Casey's. A few days later, some sources have maintained, a meeting took place in Paris at which agreement was reached on a Reagan-Bush deal with the Iranians. Hashemi's offer to buy the Newfoundland refinery eventually was scotched by a court. But the task force is known to be interested in probing any links Hashemi may have had to Casey, the Reagan-Bush campaign director.

Critics of the October surprise theory have asked why the Reagan administration would have prosecuted Hashemi if he had been so helpful to them. But the FBI documents show that once the Reagan administration took office, the Hashemi investigation abruptly changed character. At the time of Reagan's inauguration, Hashemi's arms deals were just beginning to escalate from relatively small items such as night vision goggles to more substantial

hardware. But less than three weeks after Reagan became president, on Feb. 9, 1981, the new administration gave instructions to discontinue surveillance of Hashemi, even though it was explicitly aware of the increasing size of the arms deals.

A request from the FBI's New York field office for a warrant to search Hashemi's office for evidence also was rejected by bureau headquarters. "The NYO [New York office] respectfully [sic] disagrees with the conclusion of FBIHQ that the execution search warrant is premature," says one telex. "The NYO points out that when we concluded the electronic surveillance on Feb. 13, 1981, the subjects were actively engaged in negotiations . . . for the purchase of machine guns, surface to air missiles, air to air missiles and other items for use by the Iranian military."

Moreover, when Hashemi was finally indicted three years later, the memos indicate that the Justice Department was far from zealous in prosecuting him. In fact, on May 16, 1984, Hashemi, then in London, canceled his Concord flight reservation to New York at the last minute—after the Justice Department had alerted his attorney, Elliott Richardson, the former attorney general, about the forthcoming indictment. Hashemi never returned to the United States. Similarly, Justice alerted lawyers for another target in the case, Cyrus Davari, about the indictment, and he also declined to return to U.S. soil where an indictment awaited him.

Written with a striking air of resignation, one FBI memo in the case says that several subjects of the investigation are likely to remain fugitives, and that "results of a positive nature do not appear forthcoming despite the mammoth investigative effort put forth this far." The memo added that "Hashemi's now obviously aware of prosecution plans due to exposure when DOJ [Department of Justice] Deputy Attorney General Lowell Jensen ordered USA, SDNY [U.S. Attorney, Southern District of New York] to call Hashemi's attorneys to discuss evidence and prosecution because he made such a commitment to Hashemi's attorney, former

Attorney General Elliott Richardson who obviously has Cyrus Hashemi notified."

Justice Department and FBI officials declined to comment on the memos. But Richardson said, "I don't recall asking for such a commitment. I'm pretty sure I didn't ask for one. I had presented reasons why Hashemi shouldn't be indicted at all. The interesting thing about the prosecution is that he was never indicted for anything except these dinky transactions. It is my assumption that Hashemi was doing the larger arms dealing for the Reagan administration. There were arms shipments to Iran early in the Reagan administration. I think that has been perfectly clearly established, and that indeed is the reason why the prosecution was aborted."

Hashemi stayed abroad, and died in London in 1986 of what a Los Angeles Times report described as a "rare and virulent form of leukemia" that was diagnosed just two days before his death.

Can the rediscovered surveillance tapes help answer any of these mysteries? Perhaps. And perhaps not. For one thing, according to the FBI internal memos, some of the tapes may be missing. For another, Sick says he believes Hashemi was aware he was under surveillance and may have taken precautions to deceive any eavesdroppers.

So far, task force sources say there has been little or no friction on the bipartisan committee. But that undoubtedly reflects the fact that their work is in a preliminary stage that has dealt with space allocation, staffing and other organizational matters. Now that the tapes have arrived, the honeymoon may be over. Tougher questions will arise. Who has access? When, if ever, will they be released? Will there be public hearings?

The task force is scheduled to release a status report on the investigation by July 1. One source says they will try to finish up by early October. If the investigation does not become bitterly partisan by then, that could be the biggest October surprise of all.