

# Second Thoughts on October Surprise

**Special Report:** New evidence has shaken the confidence of former Rep. Lee Hamilton in his two-decade-old judgment clearing Ronald Reagan's 1980 campaign of going behind President Carter's back to frustrate his efforts to free 52 U.S. hostages in Iran, the so-called October Surprise case, Robert Parry reports.

By Robert Parry

Former Rep. Lee Hamilton, who oversaw two congressional investigations into Ronald Reagan's secret dealings with Iran, says a key piece of evidence was withheld that could have altered his conclusion clearing Reagan's 1980 campaign of allegations that it sabotaged President Jimmy Carter's hostage negotiations with Iran.

In a phone interview on Thursday, the Indiana Democrat responded to a document that I had e-mailed him revealing that in 1991 a deputy White House counsel working for then-President George H.W. Bush was notified by the State Department that Reagan's campaign director William Casey had taken a trip to Madrid in relation to the so-called October Surprise issue.

Casey's alleged trip to Madrid in 1980 was at the center of Hamilton's investigation in 1991-92 into whether Reagan's campaign went behind Carter's back to frustrate his attempts to free 52 American hostages before the 1980 election, popularly known as the "October Surprise." Hamilton's task force dismissed the allegations after concluding that Casey had not traveled to Madrid.

"We found no evidence to confirm Casey's trip to Madrid," Hamilton told me. "We couldn't show that. The [Bush-41] White House did not notify us that he did make the trip. Should they have passed that on to us? They should have because they knew we were interested in that."

Asked if knowledge that Casey had traveled to Madrid might have changed the task force's dismissive October Surprise conclusion, Hamilton said yes, because the question of the Madrid trip was key to the task force's investigation. "If the White House knew that Casey was there, they certainly should have shared it with us," Hamilton said, adding that "you have to rely on people" in authority to comply with information requests.

The document revealing White House knowledge of Casey's Madrid trip was among records released to me by the archivists at the George H.W. Bush library in College Station, Texas. The U.S. Embassy's confirmation of Casey's trip was

passed along by State Department legal adviser Edwin D. Williamson to Associate White House Counsel Chester Paul Beach Jr. in early November 1991, just as the October Surprise inquiry was taking shape.

Williamson said that among the State Department “material potentially relevant to the October Surprise allegations [was] a cable from the Madrid embassy indicating that Bill Casey was in town, for purposes unknown,” Beach noted in a “memorandum for record” dated Nov. 4, 1991.

### **Organizing the Cover-up**

Two days later, on Nov. 6, Beach’s boss, White House counsel C. Boyden Gray, arranged an inter-agency strategy session and explained the need to contain the congressional investigation into the October Surprise case. The explicit goal was to insure the scandal would not hurt President Bush’s reelection hopes in 1992.

At the meeting, Gray laid out how to thwart the October Surprise inquiry, which was seen as a dangerous expansion of the Iran-Contra investigation, which Rep. Hamilton had co-chaired when the scandal was reviewed by Congress in 1987. A parallel criminal investigation by special prosecutor Lawrence Walsh was continuing in 1991 and some of his investigators were coming to suspect that the origins of Iran-Contra contacts with Iran traced back to Reagan’s 1980 campaign.

Up to that point, Iran-Contra had focused on illicit arms-for-hostage sales to Iran that President Reagan authorized in 1985-86. However, some October Surprise witnesses were claiming that the framework for Reagan’s secret arms shipments to Iran, usually through Israel, took shape during the 1980 campaign.

The prospect that the two sets of allegations would merge into a single narrative represented a grave threat to George H.W. Bush’s reelection campaign. As assistant White House counsel Ronald vonLembke, put it, the White House goal in 1991 was to “kill/spike this story.”

To achieve that result, the Republicans coordinated the counter-offensive through Gray’s office under the supervision of associate counsel Janet Rehnquist, the daughter of the late Chief Justice William Rehnquist.

Gray explained the stakes at the White House strategy session. “Whatever form they ultimately take, the House and Senate ‘October Surprise’ investigations, like Iran-Contra, will involve interagency concerns and be of special interest to the President,” Gray declared, according to minutes. [Emphasis in original.]

Among “touchstones” cited by Gray were “No Surprises to the White House, and Maintain Ability to Respond to Leaks in Real Time. This is Partisan.” White

House “talking points” on the October Surprise investigation urged restricting the inquiry to 1979-80 and imposing strict time limits for issuing any findings.

“Alleged facts have to do with 1979-80 no apparent reason for jurisdiction/subpoena power to extend beyond,” the document said. “There is no sunset provision this could drag on like Walsh!” a reference to the Iran-Contra special prosecutor.

But the key to understanding the October Surprise case was that it appeared to be a prequel to the Iran-Contra scandal, part of the same storyline beginning with the 1980 crisis over 52 American hostages held in Iran, continuing through their release immediately after Ronald Reagan’s inauguration on Jan. 20, 1981, then followed by mysterious U.S. government approval of secret arms shipments to Iran via Israel in 1981, and ultimately morphing into the Iran-Contra Affair of more arms-for-hostage deals with Iran until that scandal exploded in 1986.

### **How to Kill an Inquiry**

The documents, which I obtained under a Freedom of Information Act request, showed that Reagan-Bush loyalists were determined to thwart any sustained investigation that might link the two scandals. The GOP counterattack included:

Delaying the production of documents;

Having a key witness dodge a congressional subpoena;

Neutralizing an aggressive Democratic investigator;

Pressuring a Republican senator to become more obstructive;

Tightly restricting access to classified information;

Narrowing the inquiry as it applied to alleged Reagan-Bush wrongdoing while simultaneously widening the probe to include Carter’s efforts to free the hostages;

Mounting a public relations campaign attacking the investigation’s costs; and

Encouraging friendly journalists to denounce the story.

Ultimately, the GOP cover-up strategy proved highly effective, as Democrats grew timid and neoconservative journalists then emerging as a powerful force in the Washington media took the lead in decrying the October Surprise allegations as a “myth.” The Republicans benefited, too, from a Washington press corps, which had grown weary of the complex Iran-Contra scandal.

It would take nearly two decades for the October Surprise cover-up to crumble

with admissions by officials involved in the investigation that its exculpatory conclusions were rushed, that crucial evidence had been hidden or ignored, and that some alibis for key Republicans didn't make any sense. [For details, see Robert Parry's *America's Stolen Narrative*.]

## **Getting Some Help**

In the near term, however, Republicans succeeded in their well-organized cover-up. They were aided immensely by Newsweek and The New Republic, which published matching stories on their covers in mid-November 1991 claiming to have debunked the October Surprise allegations by proving that Casey could not have made the trip to Madrid in 1980.

Though Bush's White House already had the State Department's information contradicting the smug self-certainty of the two magazines, the administration made no effort to correct the record. In the interview, Hamilton confirmed that he was unaware of the confirmation of a Casey-to-Madrid trip from the U.S. Embassy.

Yet, even without Beach's memorandum, there was solid evidence at the time disproving the Newsweek/New Republic debunking articles. Both magazines had sloppily misread attendance records at a London historical conference that Casey had attended on July 28, 1980, the time frame when Iranian businessman (and CIA agent) Jamshid Hashemi had placed Casey in Madrid for a secret meeting with Iranian emissary Mehdi Karrubi.

The two magazines insisted that the attendance records showed Casey in London for a morning session of the conference, thus negating the possibility that he could have made a side trip to Madrid. But the magazines had failed to do the necessary follow-up interviews, which would have revealed that Casey was not at the morning session on July 28. He didn't arrive until that afternoon, leaving the "window" open for Hashemi's account.

At PBS "Frontline," where I was involved in the October Surprise investigation, we talked to Americans and others who had participated in the London conference. Most significantly, we interviewed historian Robert Dallek who gave that morning's presentation to a small gathering of attendees sitting in a conference room at the British Imperial War Museum.

Dallek said he had been excited to learn that Casey, who was running Reagan's presidential campaign, would be there. So, Dallek looked for Casey, only to be disappointed that Casey was a no-show. Other Americans also recalled Casey arriving later and the records actually indicate Casey showing up for the afternoon session.

In other words, the high-profile Newsweek-New Republic debunking of the October Surprise story had itself been debunked. However, typical of the arrogance of those publications and our inability to draw attention to their major screw-up the magazines never acknowledged their gross error.

### **Ignoring Doubts**

I later learned that the journalistic malfeasance at Newsweek was even worse than sloppiness. Journalist Craig Unger, who had been hired by Newsweek to work on the October Surprise story, told me that he had spotted the misreading of the attendance records before Newsweek published its article. Unger said he alerted the investigative team, which was personally headed by executive editor Maynard Parker.

“They told me, essentially, to fuck off,” Unger said.

During my years at Newsweek, from 1987-90, Parker had been my chief nemesis. He was considered close to prominent neocons, including Iran-Contra figure Elliott Abrams, and to Establishment Republicans, such as former Secretary of State Henry Kissinger. Parker also was a member of banker David Rockefeller’s Council on Foreign Relations, and viewed the Iran-Contra scandal as something best shut down quickly. Jumping to a false conclusion that would protect his influential friends would fit perfectly with what I knew of Parker.

The false articles in Newsweek and The New Republic gave the White House cover-up a key advantage: Washington’s conventional wisdom crowd now assumed that the October Surprise allegations were bogus. All that was necessary was to make sure no hard evidence to the contrary, such as the U.S. Embassy’s confirmation of a mysterious Casey trip to Madrid, reached the congressional investigation.

A big part of the Bush-41 cover-up was to run out the clock on Hamilton’s inquiry, which was only authorized through the end of the congressional session in early January 1993. Delays of document production and evasion of a subpoena would prove crucial.

For instance, on May 14, 1992, a CIA official ran proposed language past associate White House counsel Janet Rehnquist from then-CIA Director Robert Gates regarding the agency’s level of cooperation with Congress. By that point, the CIA, under Gates, was already months into a pattern of foot-dragging on congressional document requests.

Bush had put Gates, who was also implicated in the October Surprise case, at the CIA’s helm in fall 1991, meaning that Gates was well-positioned to stymie congressional requests for sensitive information about secret initiatives involving Bush, Gates and Donald Gregg, another CIA veteran who was linked to

the scandal.

The records at the Bush library revealed that Gates and Gregg, indeed, were targets of the congressional October Surprise probe. On May 26, 1992, Rep. Hamilton wrote to the CIA asking for records regarding the whereabouts of Gregg and Gates from Jan. 1, 1980, through Jan. 31, 1981, including travel plans and leaves of absence.

The persistent document-production delays finally drew a complaint from Lawrence Barcella, chief counsel to the House task force who wrote to the CIA on June 9, 1992, that the agency had not been responsive to three requests on Sept. 20, 1991; April 20, 1992; and May 26, 1992.

### **A History of Lies**

Gregg and Gates also were implicated in the broader the Iran-Contra scandal. Both were suspected of lying about their knowledge of secret sales of military hardware to Iran and clandestine delivery of weapons to Contra rebels in Nicaragua.

A ex-CIA director himself, Bush also had been caught lying in the Iran-Contra scandal when he insisted that a plane shot down over Nicaragua in 1986 while dropping weapons to the Contras had no connection to the U.S. government (when the weapons delivery had been organized by operatives close to Bush's vice presidential office where Gregg served as national security adviser).

And, Bush falsely claimed that he was out of the "loop" on Iran-Contra decisions when later evidence showed that he was a major participant in the discussions. From the Bush library documents, it was apparent that the October Surprise cover-up was essentially an extension of the broader effort to contain the Iran-Contra scandal, with Bush personally involved in orchestrating both efforts.

For instance, Iran-Contra special prosecutor Walsh discovered in December 1992 that Bush's White House counsel's office, under Boyden Gray, also had delayed production of Bush's personal notes about the arms shipments to Iran in the 1985-86 time frame. Though Gray's office insisted that the delay was unintentional, Walsh didn't buy it.

Beyond dragging its heels on producing documents, the Bush administration maneuvered to keep key witnesses out of timely reach of the investigators. For instance, Gregg used his stationing as U.S. Ambassador to South Korea in 1992 to evade a congressional subpoena.

Like Gates and Bush, Gregg had been linked to secret meetings with Iranians during the 1980 campaign. When asked about those allegations by FBI polygraph

operators working for Iran-Contra prosecutor Walsh, Gregg was judged to be deceptive in his denials. [See Final Report of the Independent Counsel for Iran/Contra Matters, Vol. I, p. 501]

### **Dodging a Subpoena**

And, when it came to answering questions from Congress about the October Surprise matter, Gregg found excuses not to accept service of a subpoena.

In a June 18, 1992, cable from the U.S. Embassy in Seoul to the State Department in Washington, Gregg wrote that he had learned that Senate investigators had “attempted to subpoena me to appear on 24 June in connection with their so-called ‘October Surprise’ investigation. The subpoena was sent to my lawyer, Judah Best, who returned it to the committee since he had no authority to accept service of a subpoena.

“If the October Surprise investigation contacts the [State] Department, I request that you tell them of my intention to cooperate fully when I return to the States, probably in September. Any other inquiries should be referred to my lawyer, Judah Best. Mr. Best asks that I specifically request you not to accept service of a subpoena if the committee attempts to deliver one to you.”

That way Gregg ensured that he was not legally compelled to testify while running out the clock on the Senate inquiry and leaving little time for the House task force. His strategy of delay was endorsed by Janet Rehnquist after a meeting with Best and a State Department lawyer.

In a June 24, 1992, letter to Gray, Rehnquist wrote that “at your direction, I have looked into whether Don Gregg should return to Washington to testify before the Senate Subcommittee hearings next week. I believe we should NOT request that Gregg testify next week.”

The failure to effect service of the subpoena gave the Bush team an advantage, Rehnquist noted, because the Senate investigators then relented and merely “submitted written questions to Gregg, through counsel, in lieu of an appearance. . . This development provides us an opportunity to manage Gregg’s participation in October Surprise long distance.” Rehnquist added hopefully that by the end of September 1992 “the issue may, by that time, even be dead for all practical purposes.”

Asked about this strategy of delay, Hamilton told me that “running out the clock is a very familiar tactic in any congressional investigation” since the Bush-41 administration would have known that the task force’s authorization expired at the end of the session. The deadline came into play when the floodgates on evidence of Republican guilt opened in December 1992.

In 2010, shortly before his death, the task force's former chief counsel Barcella told me that so much incriminating evidence against the Reagan campaign poured in during December 1992 that he asked Hamilton for a three-month extension, but was rebuffed. Hamilton said he had no recollection of such a specific request from Barcella, but added that he might have explained the problem of the task force's authorization running out at end of the session.

"All I could have done is go before the next Congress and request reauthorization," Hamilton told me. However, with key evidence withheld and facing fierce Republican resistance to extending the inquiry Hamilton chose to simply wrap up the task force's report with a judgment clearing Reagan, Bush, Casey and other alleged participants.

Now, realizing that the White House was sitting on knowledge about a mysterious Casey trip to Madrid, Lee Hamilton is no longer so sure. [For more details on the cover-up, see Parry's [\*America's Stolen Narrative\*](#).]

**Investigative reporter Robert Parry broke many of the Iran-Contra stories for The Associated Press and Newsweek in the 1980s. You can buy his new book, *America's Stolen Narrative*, either in [print here](#) or as an e-book (from [Amazon](#) and [barnesandnoble.com](#)). For a limited time, you also can order Robert Parry's trilogy on the Bush Family and its connections to various right-wing operatives for only \$34. The trilogy includes *America's Stolen Narrative*. For details on this offer, [click here](#).**

---