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## Book Review

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# From 'October Surprise' to Iraqgate: A decade of geopolitical duplicity

by Edward W. Spannaus

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### **Profits of War: Inside the Secret U.S.-Israeli Arms Network**

by Ari Ben-Menashe

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This book is not just about intelligence operations: It is itself an intelligence operation. It is written as a sort of declaration of war by certain factional interests in both the U.S. and Israeli intelligence community. As such, it must be taken with a big grain of salt. But, that having been acknowledged, it should also be said that this is one of those kind of books about which one thinks, "If half, or even one-quarter, of what this guy says is true . . ."

Few writers in recent times have been as vilified as Ari Ben-Menashe. He has been attacked as a liar, a con man, a perjurer, and worse. On Nov. 23, the Senate Foreign Relations Committee issued a report on the "October Surprise" which called Ben-Menashe "a fascinating individual with a deft sense of geopolitical history," but concluded that he was "a totally unreliable witness." The report did concede, however, that Ben-Menashe "undoubtedly had real connections with Israeli intelligence and had access to some highly classified information."

Ari Ben-Menashe was born in 1951 in Teheran to an Iraqi-Jewish family. He spent much of his youth in Iran, and in 1966 emigrated to Israel. From 1974-77, he worked in signals intelligence for Israeli Military Intelligence (MI) in codebreaking; from 1977-87, he was an employee of the External Relations Division (ERD) of the Israeli Defense Forces (IDF) Military Intelligence. From 1987-89, he was a special adviser to Prime Minister Yitzhak Shamir.

Ben-Menashe portrays himself as being in the middle of secret Israeli arms sales to Iran from 1980 forward, spanning the period from the 1980 "October Surprise" deals through the so-called "Iran-Contra" deals of 1985-87. He also de-

scribes a myriad of other secret Israeli intelligence operations in which he claims to have been involved, the most notable of which were Israeli efforts to destroy Iraq's procurement of sophisticated military goods. Thus, Ben-Menashe's revelations shed a great deal of light on both "Irangate" and "Iraqgate."

One problem with the book is that Ben-Menashe does not always specify clearly which operations he was personally involved in, as contrasted with those he knows about only second-hand. It is clear that he had a lot of help from both Israeli and U.S. intelligence operatives in writing the book; in part, the book consists of significant official "leaks" that reflect real events, but which are not necessarily the unalloyed truth.

It is impossible for this reviewer to state with certainty which details of Ben-Menashe's accounts are true and which are not; nevertheless, the broad outlines of what he describes has a strong ring of truth, and it demonstrates the shallowness and the fraud of most reporting of "Iran-Contra," not to mention the current media ballyhoo around "Iraqgate." Because what Ben-Menashe describes is important for understanding the true history of the 1980s, we will review it at some length. What follows here is a summary of Ben-Menashe's account of various episodes involving the secret U.S. and Israeli arms deals.

### **The Iran arms deals in 1980**

Ben-Menashe's best-known allegations are those concerning the secret deals made with the Iranians over the release of U.S. hostages in 1980, which have become known as the "October Surprise." In June, he gave sworn testimony before a U.S. Senate committee and stuck to his version of events, despite being threatened with prosecution for perjury.

What is new in this book is his description of the differences between Israeli interests and the Reagan-Bush campaign. Ben-Menashe says that Israel wanted to arm Iran and prevent Iraq from seizing Iranian oil fields as early as the summer of 1980; Prime Minister Menachem Begin wanted to get the U.S. hostages out in October to facilitate this. But

William Casey (representing presidential candidate Reagan) and Bush (representing himself as the vice-presidential candidate) wanted the release delayed until after the elections. The Iranians were ready to release them earlier, says Ben-Menashe, but the final deal worked out with George Bush in Paris in October provided that the release would not take place until January.

In the fall of 1980, Begin ordered the creation of the "Joint Committee for Israel-Iran Relations" of the Mossad and IDF's Military Intelligence, to facilitate arms sales to Iran. Ben-Menashe says he was appointed to the Joint Committee because of his personal experience and contacts in Iran. The big arms shipments to Iran began in March 1981. From 1981 to 1987, claims Ben-Menashe, the Joint Committee shipped \$82 billion in arms to Iran—a phenomenal amount.

The story Ben-Menashe tells about the Iran side of the so-called Iran-Contra operation is fascinating if true—and much of it does seem to be. But before getting to that, we should listen to what Ben-Menashe says about the "Contra" side of the operation, and about the role of Robert McFarlane, before he was national security adviser.

The Israelis were just as involved in the Contra aspect of "Iran-Contra" as they were on the Iran side. ("Iran-Contra" is a misnomer, a term used to link two different operations involving some of the same personnel.) In the mid-1970s, then-Defense Minister Ariel Sharon had set up a "private" Central American arms network, using ex-Mossad agent Mike Harari. CIA official Robert Gates was heavily involved with the Sharon-Harari network, to the point where this became more of a CIA operation than an Israeli one. In 1981, the Sharon-Harari-Gates network started supplying arms to the Nicaraguan Contras. But the problem was, who would pay for the weapons for the Contras? The U.S. Congress had refused, and Sharon could not get then-Deputy Prime Minister Yitzhak Shamir or the Israeli intelligence community to pay for the arms out of the Joint Committee slush fund derived from the Iran sales. Ben-Menashe reports that, according to Harari, they created their own fund by shipping cocaine from South America to the United States via Central America.

In 1978, when Rafi Eytan was counter-terrorism adviser to the Likud party's Begin, he came to the United States and set up an espionage operation to obtain U.S. intelligence information. The operation was funded by LAKAM—the Military Intelligence scientific liaison bureau. While in the United States, Eytan met with Sen. John Tower (R-Tex.) and his aide Robert McFarlane. Eytan then befriended McFarlane and invited him to Israel. McFarlane was soon recruited to Israeli intelligence and became the "Mr. X" identified during the trial of Israeli spy Jonathan Pollard.

According to Ben-Menashe, among McFarlane's activities was passing secret computer access codes to Rafi Eytan; these codes were then provided to Pollard, who would call

up the desired information and print it out, and make it available to the Israelis for copying overnight. Thus, Israeli intelligence was able to obtain direct access to classified U.S. intelligence information. As U.S. Secretary of Defense Caspar Weinberger charged at the time of Pollard's sentencing, the Israelis were indeed passing some of the Pollard information on to the Soviets. This was authorized directly by Shamir, and was part of the cooperative arrangement between the Joint Committee and the Soviets, providing for East bloc arms to be shipped to Iran.

## The second channel

In the 1984 Israeli elections, there was no majority to form a government, so a Labor-Likud coalition government was formed, with the key ministries alternating from one party to the other. Because of this arrangement, the Joint Committee moved its slush fund accounts, derived from the Iranian arms sales, to the East bloc in order to protect them. This was arranged by Shamir through KGB chief Vladimir Chebrikov and Robert Maxwell, the British newspaper publisher who had been recruited to Israeli intelligence because of his ties to the Soviet bloc.

In 1984, when Shimon Peres was Labor prime minister, he brought in Amiram Nir as his counter-terrorism adviser to replace Rafi Eytan. Eytan wouldn't work with Peres, but Nir found documents relating to Eytan's spy network and to the Joint Committee arms sales to Iran. Peres saw the profit potential of the Iran arms sales, and wanted to get in on it. He tried to take authority for Iran arms sales away from the Joint Committee and the intelligence community (which were run by Likud). Likud's Shamir, who was deputy prime minister and held the Foreign Ministry portfolio, would never agree. So Peres decided to open up a competing arms channel, which is what Ben-Menashe calls the "second channel." (This particular channel is the network which the public identifies with the "Iran-Contra" scandal.)

McFarlane was recruited to the Peres "second channel" in a tried-and-true way: blackmail. Nir simply threatened to expose the fact that McFarlane had been spying for Eytan, and "turned" him. McFarlane then put Nir in touch with Oliver North and John Poindexter at the National Security Council (NSC). They all agreed that a "second channel" was a brilliant idea. They went to Director of Central Intelligence Casey (whom Ben-Menashe claims had been cut out of the daily operations of the CIA by Bush and Gates since Casey's stroke in 1981). Casey saw this as a way of regaining his stature. Under a 1980 agreement with the Reagan people, Bush was in charge of the intelligence community. Bush turned a blind eye to the second channel, since he wanted to maintain relations with the Labor Party.

This intersected with the U.S. proposal for a Middle East peace conference. The U.S. proposal was blocked by Shamir and the Likud: Shamir thought Jordan should be the Palestinian state, and moreover he would not negotiate with Iraq's

Saddam Hussein, whom he regarded as the major threat to Israel.

The United States had begun wooing Iraq in 1982 with arms and money. The United States wanted the Iran-Iraq War to continue until Iraq was in its pocket, and also wanted to force Likud's hand on the peace proposal by turning Iraq into a major threat to Israel. But the U.S. buildup of Iraq had to be covert, lest it run afoul of the Jewish lobby in the United States. Peres agreed to this plan of arming both Iran and Iraq, and encouraged Geneva-based Israeli businessman Bruce Rappaport to buy Israeli military equipment and divert it to Iraq.

### Oliver North's operation

Acting on behalf of the "second channel," North and Nir then set out to wreck the first channel, and to destroy Likud's credibility in the United States. One of their steps was to leak the story of the Eytan spy ring, exposing Pollard, his wife, and Israeli Air Force officer Col. Aviem Sella—but not McFarlane. Likud was furious, and retaliated by leaking information to the U.S. military about McFarlane's role. The information got to Gen. William Odom, then head of the National Security Agency (NSA). Odom proved to his own satisfaction that McFarlane was an Israeli mole working for Rafi Eytan, and McFarlane was forced to resign from the NSC at the end of 1985.

North then proceeded to shut down competing arms operations. U.S. Customs used Iranian arms dealer Cyrus Hashemi to run a sting operation against other targeted arms networks. Although Cyrus and Jamshid Hashemi had been tipped off about their 1984 indictments, their brother Reza was arrested and jailed; he was a "hostage" used to induce Cyrus's cooperation. Eytan found out about the sting, and threw in the "dumbest" arms-dealing ex-general he could find—Avraham Bar Am—to take the fall.

Ben-Menashe was then assigned to rescue Bar Am and get him off the hook. He went to London to induce Cyrus Hashemi not to testify against Bar-Am et al.; after being threatened by Ben-Menashe, Hashemi called the U.S. Attorney's office in Manhattan and told them he wouldn't testify. Shortly after this he was killed. Israeli surveillance of Hashemi's apartment in London showed that the last person to leave the apartment was U.S. Customs agent Joe King. (Ben-Menashe is not the first, or only source, to allege that it was agent King who killed Hashemi.)

Meanwhile, Ben-Menashe continues, then-Speaker of the Iranian Parliament Ali Akbar Hashemi Rafsanjani was still working with the Likud channel. Accordingly, he sabotaged the North-Nir trip to Teheran in May 1986 (the famous trip with the Bible and the cake), making North and friends come off looking like fools. Everything North did involving Iran and the Contras was sabotaged by the Joint Committee; this is why nothing worked. Another example: Peres ordered Hawk missiles for Iran; the Joint Committee arranged for the

shipment of outdated Hawks with Star of David stickers on them, which caused a big blowup in Iran.

The Joint Committee tried to expose the North operation, first through *Time* magazine in May 1986, and then through *New York Newsday*. Both publications refused to go with the story. Then Rafsanjani had the story about North's operation planted in *Al Shiraa*—the first exposure of the North operation.

It is hardly necessary to point out, as Ben-Menashe does, that the Tower Commission and the congressional investigation of "Iran-Contra" were complete coverups. During the same time that the Tower Commission was investigating the Oliver North operation, he says, Gates and the Joint Committee were running the biggest ever arms sale to Iran, including 4,000 TOW missiles, tanks, rockets, etc. As far as Congress goes, Ben-Menashe says that contributions of monies from the Joint Committee slush fund were made to the Democrats on the Iran-Contra committee through AIPAC (the American-Israeli Public Affairs Committee). This is one reason the full story never came out, even though the Israeli arms sales were known to a number of the Democrats on the investigating committee.

In the wake of the breaking Iran-Contra scandal in the United States, the Labor Party demanded that heads also roll in Israel. Ben-Menashe and others in the Joint Committee were fired in September 1987. Soon after that, he was offered a job as a special intelligence consultant to the Office of Prime Minister Shamir.

### Maxwell and the slush fund

The slush fund from Iran arms sales was used for various operations, including West Bank and Gaza Strip settlements scams, financing of Shamir's faction of Likud, and black operations—including to finance Israeli-controlled "Palestinian terrorists." One such phony "Palestinian" operation was the *Achille Lauro* cruise ship hijacking in 1985. Ben-Menashe says that the entire incident, including the brutal murder of the American Jew Leon Klinghoffer, was orchestrated by Rafi Eytan "as the best kind of anti-Palestinian propaganda."

In the slush fund was \$600 million for the Israelis, deposited in the East bloc, and \$600 million for the CIA, entrusted to Israel under a deal worked out with Shamir, after Gates failed to be confirmed as CIA director. Robert Maxwell came to be deeply involved with these funds, in the following way: Nicholas Davies, the foreign editor of the London *Daily Mirror*, had been recruited by Mossad in the 1970s, through former British SAS officer Anthony Pearson. Davies became the Joint Committee contact man in 1983 and worked full-time for them out of his offices at the *Mirror*.

This was before Maxwell, who had had a prior relationship to Israeli intelligence, bought the *Daily Mirror*. In 1988, Maxwell approached Shamir for a loan to expand his publishing empire. The United States, through Senator Tower,



*Israel's Shimon Peres, as Labor Party prime minister, organized the "second channel" for arms deals with Iran, whose most flamboyant participant was Oliver North. This "second channel" was what became known as the Iran-Contra affair. The name is misleading: Both the U.S. and Israel had been pursuing various arms- and drug-dealing tracks into Central America, Iran, and Iraq long before, as Ben-Menashe details.*

agreed that its portion of the slush fund could be used as a guarantee for the loans to Maxwell.

Later, Ben-Menashe says he and others moved the CIA slush fund to the East bloc without Shamir's knowledge; Shamir was furious because these funds were being used to guarantee Maxwell's loans and left Maxwell hanging.

### **Israel creates 'Iraqgate'**

Some of the most timely revelations in *Profits of War* pertain to Israeli efforts to prevent Iraq from obtaining advanced weaponry, and they provide a useful background to the orchestrated scandals which today are known as "Iraqgate."

In August of 1988, Shamir appointed a task force to deal with shipments of chemical weapons, missiles, and nuclear technology to Iraq. One of the first targets of the Israeli task force was Carlos Cardoen in Chile, who had been selling arms, including cluster bombs to Iraq since 1985, with the help of South Africa and the CIA.

In 1986, after Shamir had threatened to go to the U.S. Congress to expose the sales to Iraq, Robert Gates and John Tower went to Chile for a meeting concerning the Iraq arms shipments. At this meeting, Gates explained that U.S. policy was to pull Iraq into its sphere of influence, through the sale

of conventional, but not sophisticated, weaponry. Gates said Israel was being paranoid. To keep the balance between the two still-warring countries, it was also understood that Israel would continue to supply Iran.

But by August 1988, Shamir said that Israel had to take matters into its own hands, and so, Ben-Menashe says, he was sent to Chile to meet with top government officials and to convey Shamir's demand that Chile stop its trade with Iraq.

While there, he had a confrontation with Cardoen, during which Cardoen explained to Ben-Menashe that he was carrying out U.S. policy. Ben-Menashe let it be known that Cardoen would be killed if he didn't break off sales to Iraq and accept an Israeli contract offer in its place.

Ben-Menashe then went to Paraguay, which was an important transshipment point for Israeli arms shipments. In Paraguay, he met with President Alfredo Stroessner, and demanded that he shut down Cardoen Industries, which had a factory in Paraguay. Cardoen told Ben-Menashe to get out of Paraguay, and bragged that he was protected by the CIA, Gates, and Margaret Thatcher—whose son Mark was a business partner of Cardoen.

In September, Israel cut off military trade with Chile and South Africa because of their support of Iraq. Since these deals were CIA-backed, AIPAC had been deployed in the United States against them. Orders came down from George Bush, who needed to appear friendly to Israel, directly to Gates (bypassing then-CIA director William Webster), to stop the flow of arms to Iraq until after the November 1988 elections. They resumed after the elections.

According to Ben-Menashe, the next phase of the Israeli operation was direct assassinations. Eight German scientists who were traveling to and from Iraq were killed. Another German, Hans Meyer, was murdered in a car accident. Four Iraqi businessmen were killed in Britain, as were some Egyptians, Pakistanis, and one Frenchman; the death toll came to 19 assassinations.

Ben-Menashe reports that these assassinations were carried out by four Mossad hit squads made up of Palestinians, so that they could not be traced back to Israel; their controller was a Sicilian Mafia don, who was secretly working for Mossad.

Ben-Menashe reports that he went to Brussels and met with inventor Gerald Bull. Bull had originally offered his "supergun" project to Israel in 1981, but was turned down. In 1983, Mark Thatcher introduced Bull to the chief of South African Military Intelligence. Bull was arrested in the United States and left the country. Through South Africa, he was commissioned to develop the supergun for Iraq, and was paid thru Cardoen. Bull maintained that the supergun was for Iraq's defense, saying that, if the balance of terror was maintained in the Mideast, no one would dare a first strike. Ben-Menashe states that he threatened Bull that he would be killed if he didn't stop the Iraq supergun project. In November

1988, he says he went to see Gerald Bull again, and delivered another threat. In March 1990, Bull was assassinated; Ben-Menashe says this was carried out by the Israelis.

Remember the incident with the poisoned Chilean grapes in 1989? Here's Ben-Menashe's account of that incident: Gates had called Mossad head Nachum Admoni in February 1989, to complain about the problems that Israel was causing in Chile, and to complain that Ben-Menashe had arranged for the London *Financial Times* to publish an exposure of Cardoen on Nov. 11, 1988.

Gates told Admoni that the Chileans were listening too much to Israel, and that they would have to be taught a lesson. Shortly after this, *three* Chilean grapes were found by the U.S. Food and Drug Administration (FDA) to have been laced with cyanide poison, and the United States banned all Chilean food imports. When Chile began to cooperate with the CIA, the ban was quickly lifted.

In October 1989, Ben-Menashe was set up and arrested by the U.S. Customs Service. The case went to trial in October 1991. The federal prosecutors contended that Ben-Menashe was just a low-level translator, but he was able to produce official letters from Israeli military and intelligence officials which showed otherwise. The jury apparently believed him, and he was acquitted in November, after a six-week trial.

### The 'Great Game'

There is much more in this book, some of it questionable. Of particular interest are his descriptions of the Israeli nuclear program, his account of the Promis computer software spy system which forms the basis of the Inslaw scandal in the U.S., and his allegations about Israel's dealing with the terrorist Shining Path terrorists in Peru. Ben-Menashe claims that he was sent to Peru in 1988 to make a deal with Shining Path, which would allow Israel to obtain rare minerals and chemicals for its nuclear program. He says that Shining Path was paid at least \$28 million by Israel to permit it to obtain the needed materials.

Ben-Menashe says that he was set up and abandoned because he knew too much. It might be more accurate to say he knew too little. Ben-Menashe was a player in a larger game, the so-called Great Game of British geopolitical strategy. The recent assertion in a London court by Sir Alan Clark, former minister of industry and trade, succinctly summarizes that British-orchestrated strategy: "The interests of the West were well served by Iran and Iraq fighting each other." Never mentioned in the book, for example, is one of the masters of this British balance-of-power strategy, Henry A. Kissinger.

As much as Ben-Menashe, or the reader, may believe that Israel was calling the shots, the truth is that Israel itself has been a pawn—although a willing one—in a larger geopolitical game choreographed from the West. So long as that is taken into account, then *Profits of War* can be profitably studied.

## Insurers propose universal health care

by Linda Everett

In a radical departure from previous policy, the health insurance industry has launched an initiative calling for universal health care coverage. In a statement on Dec. 3, the board of directors of the Health Insurance Association of America (HIAA), which represents 270 commercial carriers, endorsed comprehensive health care reform and called for federal legislation that requires all individuals to carry, and all employers to offer, an essential package of health care coverage.

The preliminary set of proposals is still "evolving," HIAA told *EIR*, but it includes: 1) universal coverage: Everyone would be covered, either through their employer or their own means, and the government would pay private insurers to provide managed care to those below the poverty line; 2) a basic package of benefits: Everyone would have the same basic package of care, with primary and preventive services and catastrophic coverage; 3) an equitable tax policy: Premiums paid for the essential package would be excluded from employee or individual taxable incomes, but employees would be taxed on premiums paid by the employer for benefits in excess of that package and the tax revenue generated would finance health care coverage for the poor; 4) cost controls: HIAA says its cost control plan will eliminate Medicare and Medicaid underpayments and cost-shifting, and will discourage "excessive" doctor visits and unnecessary use of technology, hospitals, and specialist care.

Cutting the "excesses" is standard dogma for all "managed care" plans and health maintenance organizations (HMOs) and their hybrids. HMOs and/or physicians are at financial risk to keep the costs of a patient's care under a flat per patient payment rate. To eliminate "unnecessary" care, HMO doctors act as gate-keepers, refusing or delaying patient referrals to specialists for tests—and the patient suffers.

In HIAA's plan, the "private sector is empowered by government which removes barriers to growth of pluralistic, competitive systems." That means that evolving generations of managed care, with ever more stringent cost-cutting mechanisms, will be thrown into an unholy competition for patients. For each "body" signed up, a flat fee is paid, covering *all* physician and hospital care. HIAA's own Responsible Health Systems integrates financing, delivery of services, financial incentives, and treatment protocols. A "self-regulatory group" will establish ground rules for everyone involved.