

CIA documents tie Shackley to Libyan arms dealer

Exclusive to EIR

It looks as if former CIA agent and convicted Libyan arms merchant Edwin Wilson is about to win a retrial in his 1982 convictions for shipping tons of plastique explosives to Muammar Qaddafi; and that news has a number of key Irangate players, especially Ted Shackley, Tom Clines, and Dick Secord, reportedly climbing up the walls.

Back in 1982, when Wilson was captured, tried, and convicted of a string of nefarious acts, his principal defense had been that, all the while that he was training and arming Qaddafi's terrorists (and making money hand over fist), he had been working "undercover" for the CIA attempting to accomplish a variety of patriotic chores, such as accessing Soviet military equipment from the Qaddafi government. Wilson named Ted Shackley, the ex-assistant deputy director for clandestine activities, and Tom Clines, a former Shackley aide and senior official in the International Communism Branch, as the case agents he was secretly reporting back to.

At the time of Wilson's trials in Texas and Virginia federal courts, both judges had rejected his "CIA defense" on the grounds that he had not produced sufficient evidence of his alleged ongoing CIA patronage. The government documents that would prove his case were nowhere to be found—during Wilson's trials and even during his lengthy sentencing and appellate hearings. Wilson went off to Marion Prison, not exactly a friendly place, and Clines, Shackley, Gen. Richard Secord, and former Pentagon bigwig Erich Von Marbod all went on to play starring and supporting roles in the Irangate affair.

Now, suddenly, all that has changed. At the beginning of June, attorneys seeking a retrial for Wilson received three Central Intelligence Agency documents under the Freedom of Information Act. The documents, excerpted below, tend to show that Wilson, whatever else he was, was apparently

telling the truth about his relationship with Shackley, Clines, Secord, Von Marbod, and a money-making scheme remarkably similar to the Irangate "Enterprise" called EATSCO. The documents also show that in the spring of 1983, the CIA and the White House were taking a long hard look at the Wilson-EATSCO link and were apparently contemplating a massive conspiracy prosecution. They ultimately rejected that option, despite the fact that they were in possession of over 600,000 documents itemizing the conspiracy.

Daniel Alcorn, Esq., one of the attorneys representing Wilson in his petition for a retrial before Federal Judge Richard Williams in Virginia, feels that the just-released documents may open up a scandal bigger than Irangate: "My conclusion [from reviewing the documents] is that a high-level decision, probably at the White House level, was made to block the prosecution of Shackley, Secord, Clines, and Von Marbod—at the expense of sending Ed Wilson to Marion. The timing of this decision seems to coincide with the period in which The Enterprise was in its early formation, suggesting a high-level decision to use Secord and company for one more covert operation."

A word about EATSCO

If the EATSCO case bears a remarkable resemblance to the North-Secord Enterprise, it's not surprising. According to court records and the series of CIA documents just released, back in 1978, still active-duty CIA officials Shackley and Clines, and Pentagon brass Secord and Erich Von Marbod (then head of the Defense Security Assistance Administration, the office responsible for overseeing all American overseas arms sales) "were holding weekly meetings in Northern Virginia to discuss ways to obtain contracts with U.S. Defense Department." ("CIA Memorandum for the Re-

cord," 21 March 1983).

At the time of these discussions, big opportunities for "free enterprise" were to be found in the secret clauses of the Camp David accords, clauses whereby both Egypt and Israel would be recipients of billions of dollars' worth of American arms.

According to U.S. intelligence sources, under the secret clauses of Camp David, Israel was given special status as the *primus inter pares* among "friendly" intelligence services to be used as surrogates for the CIA in countries where direct U.S. covert presence, if discovered, might trigger a violent response from the U.S. Congress. This arrangement blossomed under the Reagan administration, particularly after Washington's embrace of the British cause during the Malvinas crisis abruptly terminated the American-Argentine joint program in Central America.

In October 1978, Clines retired from the CIA, borrowed a load of cash from Edwin Wilson, who had "formally" quit the Agency in 1971, and set up a string of consulting companies. By secret agreement among Clines, Wilson, Shackley, Secord, and Von Marbod, according to the CIA documents, each party would be a 20% shareholder in each of the ventures. Everybody's share, except for Clines's, would be secret. And for good reason. Wilson was deeply involved in passing arms, secret intelligence, and virtually anything else with a big price tag attached, on to Qaddafi, not exactly a friend of neighboring Egypt. All the others were still active-duty civil servants.

In June 1979, Clines, operating through his consulting firm, Systems Services International, Inc. (SSI), became a 49% owner of EATSCO, in partnership with an Egyptian businessman and former Egyptian intelligence agent. By September, EATSCO had the exclusive shipping contract for all American military equipment destined for Egypt. Pentagon official Von Marbod, alleged by Wilson and others to be the mastermind of the scheme, graciously gave EATSCO an estimated \$71 million in advance payments, which Clines reportedly squirreled away in an interest-bearing Swiss bank account. If the millions in interest payments were not enough for the five American entrepreneurs, Clines, according to government documents, overbilled the Pentagon by \$8 million over the short period of EATSCO's existence.

Copycat crime?

In December 1981, auditors for the U.S. Maritime Commission stumbled upon EATSCO's innovative relationship with the Defense Department. But when federal prosecutor Lawrence Barcella attempted to bring down EATSCO with the same fervor that would send Ed Wilson up the river for 40 years, a strange combination of government "friends" came to the defense of Shackley, Von Marbod, and company. As Barcella told it to author Peter Maas, one night in February 1982, the Department of Justice official received a late-night visit at his home from Michael Ledeen, then an aide to Alex-

ander Haig at the State Department. Ledeen in effect warned Barcella to back off from Shackley and Von Marbod, praising Von Marbod's character, and hinting that any "missing" money probably had gone into a covert action fund.

Barcella was removed soon after from the EATSCO end of the case, which was transferred to the U.S. Attorney's office in Alexandria, Virginia, "just down the road from CIA headquarters in Langley." In Alexandria, Ted Greenberg took charge of the case and Clines eventually reached an out-of-court civil settlement. Greenberg went on to earn notoriety as the DoJ's top hatchet man against professional Pentagon special forces units that were the primary "competitors" with The Enterprise for charge over America's covert paramilitary program. Greenberg's performance earned him high marks in Israel, which had been increasingly infiltrating U.S. covert operations since Camp David.

In the spring of 1983, the very top levels of the CIA and the White House were riveted on the EATSCO/Wilson story. On March 21, an interagency group, which included at least one CIA representative, apparently did an extensive review of some portion of the 600,000 pages of paper detailing the EATSCO affair. On April 26, CIA general counsel Stanley Sporkin sent a brief, curious memo to the director, William Casey, and his two top deputies, simply saying "Here is another interesting memo on EATSCO. See page 2, paragraph B." Appended was a 1981 memo from Ed Wilson to the Libyan government detailing his role in EATSCO and the prospect of handing over to Qaddafi an intelligence bonanza on all Egyptian military activities.

Did these top secret meetings and memos deal with efforts to prosecute the EATSCO principals? Or was EATSCO in the process of being embraced as the model for how the Reagan administration would henceforth carry out its covert agenda?

These questions and more are once again on the public docket, as Special Prosecutor Lawrence Walsh prepares his prosecution of North, Secord, Poindexter, and Hakim, and as federal judges in Texas and Virginia consider Edwin Wilson's fate, and implicitly the fate of the EATSCO team.

Shackley's dreams

Back in 1975, and again in 1980, Theodore G. Shackley had entertained great hopes of becoming Director of Central Intelligence. Gerald Ford's defeat by Jimmy Carter dashed his original hopes, and the onset of the Ed Wilson scandal, which smeared Shackley's name all over the press, cut short his dreams in 1980. The 1986 Irangate scandal, while damaging his longtime cronies Secord and Clines, did little harm to Shackley's public image. And the prospect of another reportedly close associate and former boss, George Bush, moving into the Oval Office, may have once again sparked the old dream.

Now, Shackley's fate, and perhaps that of George Bush, are once again on the line.

Documentation

*The three CIA documents excerpted below were obtained under the Freedom of Information Act. The "redacted" (deleted) areas are here indicated by ***, while sections omitted by EIR are indicated by ellipses.*

1. Cover letter

Central Intelligence Agency
Washington, D.C. 20505

Counsel
26 April, 1983

Note for: DCI, DDCI, ExDir

Here is another interesting memo on EATSCO. See page 2, paragraph B. ***

Stanley Sporkin

Attachment

2. The memorandum

Services Commerciaux & Financiers du Moyen-Orient S.A.
Contact in Tripoli: European Correspondence:
P.O. Box 10596 C/O BAS
Tel. No: 70723 P.O.B. 94
Tlx. No: 20546 (MEP Ly) 1211 Geneva 6
Switzerland

12th May, 1981

S.P.L.A.J. Military Security, Tripoli, S.P.L.A.J.

Subject: Edwin P. Wilson Operations in Morocco & Egypt. . . .

B. ACTIVITIES IN EGYPT:

The undersigned is a 20% partner of the company Systems Services International, Inc. (SSI). This organisation was formed about three years ago, and the undersigned funded it with \$500,000. Individuals setting the company up were Thomas J. Clines, retired C.I.A. operative with activities in the Far East, Cuba, Africa, etc. General Richard Secord, Chief of Foreign Military Sales for the U.S. Air Force, Pentagon. His present activities include authorisation of all military sales in the world for the Air Force, and in particular for Egypt, Saudi Arabia and other Middle Eastern countries. He was for three years Chief of the U.S.A. Air Force Attachés in Iran and responsible for the build-up of the Shah's Air Force military machine. Eric Von Mabod [sic], Assistant Secretary of Defence, Pentagon in charge of all world-wide foreign military sales, and has held jobs as Assistant Com-

troller of the Defence Department, as well as many other top level jobs over the years. Also in the Corporation is Theodore Shakley [sic], Former Deputy Director of the C.I.A., and now Managing Director SSI.

Two years ago I suggested an activity on behalf of S.P.L.A.J. [Libya] whereby this Group could for a \$500,000 fee provide S.P.L.A.J. with up-to-date world-wide intelligence, particularly against Egypt. A short executive summary was provided indicating the extent of their knowledge, but when presented to S.P.L.A.J. Security, it was turned down. I reported to them that S.P.L.A.J. Security was not interested in their services. These individuals are now uncommunicative as to assisting me with information since they felt that S.P.L.A.J. was too conservative with their money to warrant their services. As a result I feel a great opportunity was missed by S.P.L.A.J. Attached please find sample indicating the type of information available at that time three years ago.

SSI has set up one or two small companies as subsidiaries. Their purpose being to move military supplies purchased in the United States to Egypt and to some other Middle Eastern countries. Clines, who operates this subsidiary company, called "E.A.T.S." (address 777 Leesburg Pike, Suite 307, Falls Church, Virginia) travels monthly to Egypt. He has met with Sadat on several occasions and from my conversations with him has as a partner in this company one individual who is a member of Sadat's intelligence as well as Sadat's "bagman." A full report on this was presented. However, no copy was retained by me, and some of the facts from two years ago are now somewhat vague.

I am not now sure that, even though I financed this company, whether I could persuade them to act on behalf of the S.P.L.A.J. Government after they have once been turned down. However, if the S.P.L.A.J. Government were to offer a substantial retainer fee perhaps their considerable information and influence could be obtained in reference to Egypt and other countries of interest to S.P.L.A.J.

C. FINANCIAL ARRANGEMENTS

In both of the above, Morocco and Egypt, the undersigned will do his best to assist S.P.L.A.J. in any way possible. I only request that I be reimbursed for actual expenses in these efforts. However, my future residence and working in S.P.L.A.J. is, as I have indicated before, depending on collecting the outstanding invoices and monies from S.P.L.A.J. which I desperately need.

EDWIN P. WILSON

3. Memorandum for the record

FROM: ***

SUBJECT: Meeting at the White House, 21 March 1983

2. ***

3. Appearance of EATSCO as the shipping agent was evidence of the conspiracy. Husayn Salim had a letter from the GOE [Government of Egypt] hiring him in 1978, as exclusive agent for the GOE. Clines and Salim then formed a company together.

4. Much of the investigation deals with the period November 1979 through September 1981. EATSCO and a Baltimore freight forwarder, Hobleman, filed \$6.2 million in false claims. EATSCO defrauded the U.S. of \$1.3 million in interest, and an excess of 600,000 documents have been reviewed.

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5. Salim is a former Egyptian intelligence agent. He is a protégé of Kamal Hasan Ali from the days when Ali headed the Egyptian General Intelligence. Salim is also close to Abu Ghazala. One Marty Hoffman, a lawyer and former Secretary of the Army in the Ford/Nixon era now represents the Hobleman firm. At one time he said he represented Abu Ghazala; now says he does not.

6. In the fall of 1978 Clines, Shackley, Secord and Von Marbod were holding weekly meetings in northern Virginia to discuss ways to obtain contracts with U.S. Defense Department. In October 1978, Clines retired from the CIA. On 4 October 1978 the Defense Department received a letter from the Egyptians saying that Tersam of Panama is the sole shipping agent for the GOE. In January 1979 Wilson, Secord, and Von Marbod were in London together. Wilson gave Von Marbod \$10 thousand in cash according to an eye witness.

7. In February 1979 Wilson loaned one-half million dollars to Clines (this is Wilson's part of the conspiracy). The money was to be used by Clines to form various business groups. All of the principals have 20 percent shares, and all but Clines share are "SECRET".

8. On 2 April 1979, Abu Ghazala sent a letter to the Pentagon. It says Tersam USA is the exclusive shipping agent for the Egyptian Government. The Pentagon told Salim that it must be an American firm in order to obtain DOD business.

9. In June 1979 Clines and Tersam form a joint venture, EATSCO—Clines puts in \$49 thousand and Tersam puts in \$51 thousand. In July 1979 EATSCO is incorporated in Delaware. On 25 September 1979 a services contract is signed by the Egyptian Government and EATSCO. The contract says that EATSCO will act as a shipping agent for costs and fixed fees. On 10 November 1979 the first shipment is made by EATSCO. The fee is 0.23 percent of the value of the goods. In the end, it works out to an \$8 million rip-off by EATSCO, funds which the Egyptians could have used for supplies.

10. In December 1979, the GOE (Abu Ghazala) writes to the DOD and says EATSCO should have an advance to meet their expenses, and asks for a \$25 million advance. Meanwhile, EATSCO, which has no shipping experience, contracts out to Hobleman, a freight forwarder in Baltimore. The DOD settles for a \$13 million advance to EATSCO (\$7 mil-

lion in reserve, \$6 million for current operating expenses), which would be replenished when the balance drops to \$[illegible] million.

11. In October 1980, in Geneva, Von Marbod receives a cash payment from Clines. Again, there is an eye witness. In May or June of 1981, Clines gives a cash payment of \$5-\$10 thousand in \$100 bills (not clear to me to whom this payment went). In mid-August 1981, Clines takes \$1 million from EATSCO as a loan. In October 1981, Jack Anderson's newspaper article appears.

12. In December 1981, the Maritime Administration discovers discrepancies in actual costs and what is shown on the bills of lading. The DOD asks the Egyptian Embassy about this. The Egyptian Embassy and EATSCO representatives reply that it covers costs, EATSCO fees, and the "forwarding of documentation fees". For example, the actual cost for a Baltimore-Alexandria shipment was \$830 thousand. EATSCO bills the DOD at \$1,400 thousand, which includes \$105 thousand forwarding and documentation fees (which is really a kickback to Hobleman) and \$300 thousand for EATSCO revenue. Hobleman also is further inflating its costs to EATSCO.

13. On 2 January 1982, Von Marbod retires from DOD citing health problems. Also, Clines gets booted out of EATSCO. Salim buys him out. Salim says the Egyptians kicked Clines out because of Clines' ties to Wilson (and hence to Libya). Clines comes out of this with \$2.7 million on his \$49 thousand initial investment.

14. ***

15. Since 27 December 1982 the DOD has advanced another 2 plus million dollars to EATSCO on top of the \$7 million base. Of that \$7 million base, Salim invested \$5 million in certificates of deposit and Euro bonds overseas, and kept the interest for himself.

16. According to Wingate Lloyd of State, in the fall of 1982 Mubarak told the State Department to deal only with Usana al-Baz on the EATSCO case. State propounded a number of Justice Department questions to al-Baz. In January 1983, when Mubarak and al-Baz visited Washington, the State Department saw al-Baz. On a separate subject, Lloyd said that one reason that EATSCO may have charged high prices is because when the USG [U.S. Government] first began shipping military equipment to Egypt, the DOD charged a 16 percent fee as a 'dis-incentive' in order to try and get itself out of the shipping business.

17. Lloyd said if Abu Ghazala is involved, President Mubarak will be greatly embarrassed. The Egyptian Government knew that today's meeting about EATSCO would take place this morning and the Egyptian Chargé was in Lloyd's office at 0900 hours to try to find out what was going on. The Justice Department has publicly told the Egyptians that we are not investigating Egypt in regard to this case.

18. ***
