

Espionage, Profit Meet in the Shadows

Fourth of a six-part series

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By Jim Hoagland

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BEIRUT—Farouk Jaber counts among his friends a former American secretary of the treasury, a shadowy but rich Libyan sales tycoon who was spirited out of Libya on a U. S. Air Force plane during the 1969 coup, and the former head of Central Intelligence Agency operations in Saudi Arabia.

But Jaber, who acknowledges that personal relations are a key to doing business in the Arab world, stresses that he has done business with none of the above. He denies that he knew that the CIA man was anything other than the diplomat he posed as.

"As a businessman, you meet many

diplomats and other kinds of people," said Jaber, a diminutive Lebanese consultant and sales representative who likes to wear American-style short-sleeve shirts to combat Beirut's oppressive summer heat. "This man was a

the Arab Money Men

good friend; that's all," he said, adding emphasis on the last two words.

Knowingly and not, Arab businessmen are increasingly meeting intelligence-gatherers. The emerging economic power of the Arab world and the new importance of oil and other raw materials is causing a basic change of emphasis in intelligence operations

here, according to well-informed sources.

The CIA and other intelligence agencies have long used commercial covers and relationships with local businesses, largely as a matter of convenience. Small travel agencies, management consultant firms and import-export businesses are among many shelters that have been developed in Beirut. Now intelligence penetration into the Middle East business world is becoming a necessity.

Growing national and private fortunes in the Middle East are financing ventures with long-term political impact that these agencies must assess. The specter of economic "strangulation" by oil embargos and further

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price increases as described by U.S. Secretary of State Henry A. Kissinger, is a high-priority concern.

In the shadows that envelop both espionage and Middle East deal-making, each of which involves the expenditure of vast sums of money for purposes that often remain hidden, the point at which simple intelligence-gathering ends and deep penetration of policy making begins is deliberately left fuzzy.

Where the cash ends up in these unique "joint ventures" is also carefully cloaked. But it is clear that some Arab officials and businessmen who have dealt with the CIA or have gathered around themselves the reputation for doing so have been the recipients of a number of financial windfalls in the soaring purchases of arms, sensitive communication equipment and even military personnel by the oil producers.

Suspicious of CIA connections to the frenetic wheeling and dealing of the newly rich Middle East add an explosive element to rising public concern about business practices and corruption.

The agency is the favorite target of Arab leftists, who would like to discredit and eventually bring down pro-Western Arab governments. Exposure of firm espionage-business connections would have an even greater impact in this region than did the disclosures of the political role of ITT in Chile in 1970. Despite this risk, the gathering of economic intelligence is a growth industry in this region. It is "the big new field," says Miles Copeland, a London based author of books on the CIA.

Copeland admits to having been a consultant for the CIA in the Middle

East and has been identified by many Arab newspapers as an agency operative.

The U.S. government departments responsible for this work are being squeezed by the enormous demand for information and judgments and cannot keep up," Copeland said in a telephone interview.

Copeland began a management consulting firm in Beirut in 1957. "We just started early in the field." He said he left the firm after it was absorbed into

a new company called Interser to do similar work for Kermit (Kim) Roosevelt, a former CIA agent who mounted the coup that brought the shah of Iran back to his throne and who has in recent years been deeply involved in the sale of weapons to Middle East countries.

Copeland reported in detail a conversation he said he had with Robert B. Anderson on the setting up of Interser, and American businessmen in Beirut who dealt with the company say



By Jim Hoagland—The Washington Post

A 'Huey' helicopter in Oman, which earns about \$600 million a year from oil and spends 40 per cent of it on arms.

they had the impression Anderson was associated with it.

Anderson was secretary of the treasury in the first Eisenhower administration. Entrusted with delicate political missions in the Middle East by Eisenhower and later by Lyndon B. Johnson, he has returned to the region frequently as a representative of American companies seeking business here. He has denied that he owned Interter.

By chance, Farouk Jaber says, he and Anderson are friends. Moreover,

Jaber and his business partner, an influential Saudi Arabia-born banker and sales representative named Ghasan Shaker, were clients of Interser, which was run by John M. McCrane, who now works for Anderson's New York company.

In what Jaber said was another extraordinary bit of coincidence, Shaker and McCrane recently were both listed as prospective shareholders in the Vinnel Corp. of California.

Vinnell broke into the headlines early this year after the company landed a \$77 million contract to send 1,000 former U.S. servicemen to train Saudi Arabia's national guard in infantry tactics, handling armored vehicles and firing missiles. One congressman, who asked not to be identified, immediately labeled the operation as "a CIA front," and controversy swirled briefly around Vinnell's "mercenaries."

The tangled chain of events that led a private American company into the most sensitive security unit in Saudi Arabia involves some of the key figures in the brokering of power in the Middle East.

How deeply it involves Shaker — a Cambridge University graduate in his early 40s, with a wide range of contacts at the highest levels in Saudi Arabia, Oman and Jordan—is in dispute.

The story begins in February 1972, when King Faisal prevailed upon his brother, Prince Abdullah, to bring American advisers in to reorganize, expand and train the 35,000-man Bedouin army that guards key government installations and Saudi Arabia's oil fields.

Faisal and his national security advisor, Kamal Adham, asked the American government to take direct control of the \$330 million project. But Wash-

ington replied through its ambassador in Jeddah that the United States was not geared to provide such support.

Four private American companies could probably do the job, the Saudis were told. But the U.S. government would offer a full guarantee for only one company, Raytheon.

Raytheon had already provided teams to install and handle Hawk surface-to-air missiles for the Saudis. The Hawk contract had been landed by Raytheon's energetic representative, Adnan Khashoggi, whose commissions on arms and civilian aviation sales to Saudi Arabia total more than \$150 million over the past 10 years.

Khashoggi's wide-ranging contacts with Western arms companies and the trust he has gained from the Saudi minister of defense, Prince Sultan, have made him a virtually unavoidable element in Saudi Arabia's major defense deals.

But he floated in and out of Faisal's favor for much of the late king's 10-year reign. He does not enjoy Prince Abdullah's confidence. Khashoggi did not appear as the agent on the national guard contract, which instead was to be handled by Prince Abdullah Faisal, the king's son.

Khashoggi's rivals say he used the king's son to mask his own participation. The Saudi financier denies this, contending that Raytheon approached the prince on its own to diversify its contacts in Saudi Arabia.

But word of a business arrangement between Khashoggi and Prince Abdullah Faisal reached the king, according to a well-informed source. Reacting in anger, the king and his brother rejected Raytheon.

This led the U.S. government to break the program up into five con-

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As Espionage, Profit



KERMIT ROOSEVELT
... the coup-maker



MILES COPELAND
... the CIA 'consultant'



ROBERT B. ANDERSON
... the Cabinet man

SHADOWS, From A8

tracts, and Vinnell, which had done \$200 million worth of military contracts in Vietnam, picked up the training segment.

Businessmen close to the national guard contract negotiations say that Ghassan Shaker played a key role in landing the contract for Vinnell. Shaker has denied any connection to the company, but American businessmen who sought other parts of the project say that Vinnell advised them to use only Shaker as an agent. Arab businessmen confirm this.

Shaker received a \$4.5 million fee from Vinnell for the contract, Rep. Les Aspin (D-Wis.) said Monday. Aspin said he obtained this information from the Pentagon after it tried to classify it secret.

Despite the large fees it received in Vietnam and the lucrative Saudi contract, Vinnell filed earlier this year for a corporate reorganization by selling two-thirds of the company's shares for \$500,000 to 10 prospective purchasers.

Shaker and McCrane were listed in court papers in Los Angeles as bidding separately for 16 per cent of the company at \$125,000 each.

Shaker could not be reached for comment. Jaber said that a Vinnell prospectus had been mailed to Shaker, but that he had never indicated any interest in buying the shares. John Hammill, Vinnell president, said after the disclosure of Shaker's name in February that the Arab businessman had been eliminated from the ownership "to avoid any further publicity and misunderstanding."

It is easy to see how misunderstandings could arise. Adham, Faisal's national security advisor, is a friend of Shaker and played a key role in the decisions to reject Raytheon and accept Vinnell, according to a well-informed Arab source.

Adham's role in national security has brought him into contact the CIA, many well-informed Saudis and Western diplomats report.

Jaber and Shaker work out of an office in Beirut's central banking district. There is no corporate name on the office door for the firm, which handles sales, representation, management consultancy and construction work.

Jaber says that it is yet another matter of coincidence that the "Jaber-Shaker group" began to do a large amount of business in Oman about the same time that Robert B. Anderson arrived in that strategically located Persian Gulf country to talk business and politics with Sultan Qaboos Bin said.

Their success in the sultanate, which is earning about \$600 million a year in oil revenue and spending more than 40 per cent of it on arms to put down a Communist-backed rebellion, has left competitors green with envy.

These businessmen — and more importantly, Western intelligence sources without a commercial axe to grind — credit that success largely to Shaker's close relationship to the young sultan and its political implications.

Shaker attended Victoria College in Alexandria with King Hussein of Jordan at the same time Khashoggi was there. (Adham is a graduate of Victoria's Cairo branch.) Shaker has told friends that Hussein introduced him to Qaboos.

Hussein has traditionally been one of America's strongest allies. He has sent Jordanian soldiers to help the sultan's forces in Dhofar. Hussein's survival is a key objective of the CIA in the Middle East.

Shaker has also indicated to friends that he was helpful in arranging a rapprochement between Qaboos and King Faisal through his excellent contacts in Saudi Arabia.

Such dealings have inevitably given Shaker an aura of political authority in Oman. "The United States must hope that Ghassan Shaker's image here is good, since he is so widely considered to be more than helpful to the Americans," an intelligence source in Muscat said spontaneously a few months ago when asked about reports of large commissions being secured in Oman by foreign Arabs.

Jaber declined to specify any projects or contracts his company has obtained in Oman and Saudi Arabia. He acknowledged that he was the diplomatic consul for Oman in Beirut until he resigned recently "to avoid any conflict of interest."

Jaber and Shaker are frequently linked in Oman to a mysterious middleman from Libya. He is Yahya Omar, who is estimated by one American diplomat who has watched his career, to have earned \$400 million in sales commission and service fees out of Oman in the past five years.

Jaber said that he happens to know Omar, but denied the reports that they did business together.

Omar is one of the Arab world's few Horatio Alger stories. From a humble family, he was a police officer in Libya in the days of King Idris. He founded a local conglomerate that included a catering service and a sales company that had a knack for picking up new surplus equipment from the U.S. Air Force base at Wheelus at 25 per cent

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of cost and reselling it locally at a handsome profit.

His friendship with the U.S. Air Force paid off big for Omar on Sept. 1, 1969, when a military coup toppled King Idris.

Evidently fearing that the revolutionary officers led by Muammar Qaddafi were looking for him, Omar arranged to be packed aboard an Air Force plane in a wooden box and smuggled out from Wheelus to Italy.

The pilot who flew him out was subsequently dropped from the Air Force and turned up on Omar's staff in Rome, an involved source said.

Any hard feelings between Omar and the military rulers seem to have vanished, however. He has been in Tripoli several times recently arranging new deals with his customary flair.

Ashland Oil has admitted paying Omar \$100,000 in 1970 as a "consultant" on oil. Ashland said Omar reported he passed the money on to two Libyans, but said the company is unable now to say what the payments covered.

"I am surprised Yahya Omar is representing the American government here," a Libyan businessman recently told a startled American diplomat. "He made a great point of telling us that when talking business."

Omar has left the same impression of being a U.S. representative in Oman, where he has represented companies selling missiles, fighter-bombers, hotel construction material and a wide range of other goods.

The sultan is reported by intimates to believe that Omar has a direct channel to American policy-makers through intelligence connections. If such links exist, they would be valuable to a country currently negotiating with the United States over landing rights on Masirah Island and sophisticated military supplies.

In sum, the advantages that intelligence agencies enjoy from being close to well-connected businessmen and advantages the private businessmen receive are less clear, but are a matter of intense speculation.

"If I know from Washington before anybody else in the area that the United States will only approve plane X for country Y, I'm going to make sure that I represent the company that makes plane X," says one Arab business insider. "And if I have been friendly with people in Washington, I would hope they would be friendly with me. From their standpoint, having me handle the deal is a good way to insure that it goes well."

Next: "The Investors"