

20-Ton Explosives Shipment To Libya Linked to Ex-Agent

The following article is based on reporting by Philip Taubman and Jeff Gerth and was written by Mr. Taubman

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WASHINGTON, Aug. 29 — Twenty tons of plastic explosives were secretly and illegally shipped from the United States to Libya in 1977 for use in the manufacture of bombs for terrorism, in a deal organized by a former agent for the Central Intelligence Agency, according to Federal investigators and participants in the transaction.

These sources said that the deal, which involved financial transactions on three continents and the manufacture of the explosives in Canada and in four states, was consummated when 40,000 pounds of C-4 explosive compound were flown from Houston Intercontinental Airport to Libya in October 1977.

The Federal sources described the shipment as one of the largest illegal movements of explosives ever investigated by the Government. C-4 is a

powerful plastic explosive frequently used by the military for demolition work.

The former intelligence agent who made the arrangement, Federal investigators and participants said, was Edwin P. Wilson. In 1976, according to Federal authorities, Mr. Wilson closed a deal with the Libyan leader, Col. Muammar el-Qaddafi, to use his expertise in intelligence, arms and explosives to train terrorists in Libya.

Explosives Made Into Ashtrays

Mr. Wilson was indicted in 1980 by a Federal grand jury on charges of illegally exporting explosives to Libya in connection with earlier, smaller shipments separate from the 20-ton transaction. Mr. Wilson is now a fugitive, believed to be living in Tripoli, the Libyan capital.

The 20-ton shipment has been under investigation by the Justice and Treasury Departments for more than a year, and officials said that indictments are expected to be handed up by a grand jury here in September.

Arrangements for the shipment, Federal investigators said, began in the summer of 1977. By that time, in-

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tors said, Mr. Wilson had established facilities outside Tripoli and in Benghazi and Tobruk for the manufacture of bombs for terrorist acts. These devices, made out of the plastic explosive compound, were shaped as ashtrays, attaché cases, coat hangers, rocks and other ostensibly harmless items.

To create the devices and to instruct Libyans in their use, Mr. Wilson hired and brought to Libya a small group of American explosives experts, including several former Army ordnance officers, investigators said. The group also included one former Government ordnance expert who had worked at the White House, on detail to the Secret Service, to handle bomb threats against President Carter. He later became a Government witness.

A partial description of this operation

was included in the 1980 indictment of Mr. Wilson and Frank E. Terpil, another former C.I.A. operative who was also charged with illegally shipping explosives to Libya.

Company on Coast Involved

In July 1977, shortly after the accidental detonation of one device killed three Libyans and wounded two Americans, one seriously, Mr. Wilson initiated discussions with a California explosives manufacturer about obtaining "a shipload" of the C-4 compound, Federal investigators said.

The manufacturer, Jerome S. Brower, was indicted along with Mr. Wilson and Mr. Terpil last year for his involvement in earlier, smaller shipments of explosives to Libya. Mr. Brower, president of J. S. Brower and Associates, an explosives manufacturing and distribution firm in Pomona, Calif., pleaded guilty earlier this year to one count of illegally shipping explosives.

To finance purchase of the C-4 explosives, Mr. Wilson arranged for the transfer of about \$250,000 from the United Bank of Switzerland to an associate of Mr. Brower's, according to Federal investigators.

Inspectors of the United States Customs Service subsequently found the associate entering the United States from Canada with \$55,000 in cash that he had not declared. The money, which was contained in his shaving kit, Federal investigators said, was taxed but not confiscated, and, participants in the deal said, the arrangements for manufacture of the C-4 proceeded in secret.

Order Reportedly Spread Out

Because of the large quantity of C-4 needed by Mr. Wilson for the mass production of explosive devices in Libya, his associates in the United States had to parcel out orders to manufacturers in California, Louisiana, New York, Texas and Canada, Federal investigators said.

The C-4 manufactured in Canada, New York and California was transported by truck to J. S. Brower and Associates in Pomona, where it was repacked and sent by truck as a single shipment to Houston for final handling and forwarding to Libya, Federal investigators said. They said that the C-4 made in Texas and Louisiana was shipped directly to Houston.

According to two participants in the operation, who asked not to be named, Mr. Wilson turned to a Houston ocean and air freight shipping company he had helped establish for the operation's final and most sensitive stages: the consolidation and packing of the C-4 and shipment of the explosives to Libya.

At the time the company, Around-world Shipping and Chartering Inc., had offices in Washington and Houston. The Washington office was at 1425 K Street N.W. in the same suite that housed several other companies operated by Mr. Wilson, according to District of Columbia records.

Mr. Wilson, the two former associates said, did not want to use the company @-

rectly. They said he feared that it would be shut down by Federal agencies and possibly charged with criminal activity if the operation was discovered and that he would lose a key link in the chain of American corporations he had helped establish to handle both legitimate and illegitimate business.

Cargo Company 'Didn't Know'

Instead, the former associates said, Mr. Wilson turned to officers and employees of Aroundworld and instructed them to store, pack and ship the C-4 using outside facilities and cargo handlers. Aroundworld itself was not be involved, he reportedly said.

These employees turned to an air freight forwarder in Houston to make specific arrangements, the participants said. The air freight forwarder, in turn, contracted with WITS Air Freight company for storage space near Houston Intercontinental Airport. "WITS didn't know what they were storing," said one man involved in the shipment.

For transportation of the explosives to Libya, Mr. Wilson's men contracted with a small air charter company based in Miami known by the initials JFC, according to the two participants and the Federal investigators. They said the company operated a DC-8 that it used

for the shipment of beef from South America to the United States.

On Oct. 1, 1977, four of the men coordinating the shipment flew from Houston to Miami aboard a Continental Airlines flight to sign a contract with JFC. The contract called for payment of half a total cost of \$70,000 to \$80,000 before the DC-8 left Miami and payment of the remainder before it took off from Houston, the participants said.

Containers Were Mislabeled

Meanwhile, in Houston, the C-4, which was contained in five-gallon barrels, was loaded into cargo pallets for placement in the DC-8, the participants said. To deceive Customs Service inspectors, they said, the containers were labeled to indicate they held oil well drilling fluid.

The containers passed through customs as a routine shipment of oilfield equipment and were never examined firsthand by customs inspectors, the participants said.

To disguise the final destination of the shipment, Federal investigators and participants said, the plane's pilots filed an incomplete flight plan with the Federal Aviation Administration, showing their route only as far as the Azores. Participants said the plane refueled in Portugal and continued on to Tripoli.

On the day the shipment was scheduled to leave Houston, later in October, the operation was jeopardized when the shipment pallets would not fit through the cargo door of the DC-8. Short of manpower and time to unload the barrels of explosives and place them aboard the DC-8, one of Mr. Wilson's men recruited a group of commercial airline cargo handlers by handing them \$50 bills, one of the men involved recalled.

The Federal Government first learned about the illegal shipment more than two years later while questioning participants involved in the smaller shipments, investigators said.

In the ensuing investigation, prosecutors granted immunity to two key participants in the shipment, according to a source familiar with the case. Mr. Brower was one, given immunity after agreeing to plead guilty to the earlier charges. The other person, a former official of Aroundworld, has provided the Government with details about the operation, investigators said.

Shipper Has New Owner

Aroundworld Shipping and Chartering remains in operation today, with its only office located in Houston. The company is now owned and operated by Douglas M. Schlacter, according to Mr. Schlacter's attorney, Alvin C. Askew.

Mr. Schlacter, who is believed to be living in Africa, was a business associate of Mr. Wilson's in Washington. The 1980 indictment of Messrs. Wilson, Terpil and Brower stated, "To oversee and manage the terrorist training project and to represent their interests in Libya, the conspirators sent Douglas M. Schlacter to Libya for periods of time between August of 1976 and January of 1978."

Since last February the company has also been the target of an unrelated investigation by the Federal Maritime Commission, which licenses ocean freight forwarders. According to public documents on file at the commission, company officers were charged with failing to report changes in management, permitting its license to be used by an unauthorized individual and incorrect invoicing of shippers for insurance and other costs. Company officials have denied the charges, which are pending before an administrative law judge.

Stuart James, a trial attorney at the commission who is handling the case, said in a telephone interview that he was not aware that the Justice Department was investigating former Aroundworld officers. Mr. James said he was not aware that Edwin P. Wilson had anything to do with the company.