

ARTICLE APPEARED
ON PAGE 193

THE NATION
20 February 1982

THE C.I.A. AND PAGE AIRWAYS

THE CASE OF THE FLYING SPIES

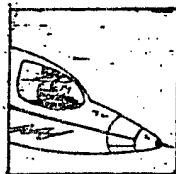
MURRAY WAAS

Two weeks ago, the House Select Committee on Intelligence held hearings on the gunrunning operations of two former Central Intelligence Agency employees, Edwin Wilson and Frank Terpil. Although the case has raised questions about the C.I.A.'s complicity with the pair [see Waas, "The Terpil Transcripts," and editorial, "The C.I.A. and the Rogue Agents," *The Nation*, November 28, 1981], the committee focused on the agency's internal investigations of the high-ranking intelligence officials who had business dealings with the two former agents. Now, previously undisclosed records in a legal action involving an aircraft company with suspected connections to the C.I.A. and Israeli intelligence throw new light on the Wilson-Terpil affair and the C.I.A.'s knowledge of it.

On April 8, 1980, the Securities and Exchange Commission quietly settled a two-year-old lawsuit against Page Airways, a Rochester, New York, firm. The commission had charged Page and its top executives with making more than \$2.5 million in bribe payments and illegal currency transactions to officials of foreign governments in connection with overseas aircraft sales. In its announcement of the settlement, the S.E.C. said, "Nothing in the settlement constitutes evidence of or any admission with respect to the allegations of the commission's complaint."

Spokesmen for both the commission and Page Airways declined to comment at the time about why the lawsuit had been settled so suddenly. In its statement, however, the S.E.C. made a cryptic allusion to "concerns raised by another

agency of the United States government regarding matters of national interest."



Information to which I recently gained access points to the identity of that "concerned" government agency. It was the Central Intelligence Agency. The evidence suggests that the C.I.A. feared that if the case went to trial, a highly sensitive intelligence operation would be compromised. The court records do not specify the particular operation that had the agency worried, but they do show that Page had dealings with an Israeli intelligence agent. This agent has been identified as the mastermind of an operation directed against Libya's Col. Muammar el-Qaddafi by the Mossad, an Israeli intelligence agency.

A few years ago, the Mossad pulled off a characteristically bold coup. Through *Zimex Aviation*, an aircraft firm it secretly owned in Zurich, it had sold the Libyan dictator an executive jet for his personal use. Under the sales agreement, Zimex provided flight crews and pilots, several of whom were Israeli agents, for the Grumman Gulfstream II. Eavesdropping devices were also planted aboard the plane, and these subsequently recorded Qaddafi's conversations with his advisers and Arab leaders. From these conversations the Israelis learned of Qaddafi's efforts to purchase atomic weapons and his fruitless attempts to gain possession of the eight C-130 transport planes that Libya had purchased from Lockheed and that the State Department had impounded.

These revelations about the Israelis' spying mission and the settlement of the Page Airways lawsuit raise questions for the Congressional investigators in the Wilson-Terpil case. The C.I.A.'s review of its own handling of the affair concluded that there had been no misconduct by two high-level agency officials who had cooperated with Wilson and Terpil. But as I shall show, Terpil's involvement with another Zimex-Mossad operation should have tipped off the C.I.A. to his arms transactions. Yet the agency took no action.

This brings up the question of whether Wilson and Terpil were acting in a secret capacity for the C.I.A. The agency has denied any ties with the pair, terming them "rogue agents." It has said that it could not have been involved because the arms sales to Qaddafi were illegal. Yet Page Airways' overseas bribery policies were also illegal, and the agency did not expose them, even though it was aware of them, and it did not hesitate to ask the Securities and Exchange Commission to quash its investigation.

Page Airways has admitted engaging in illegal operations

CONTINUED

overseas in the past. On June 4, 1979, it pleaded guilty to six violations of U.S. currency laws. The transactions involved the transfer of \$46,647 to Uganda. Although the violations were technical and bribery was not charged, Page won the right to operate and service aircraft owned or leased by Idi Amin's regime. Following Page's guilty plea, the Justice Department terminated a Federal grand jury investigation of the firm's overseas marketing and outfitting of Gulfstream II aircraft and its bribery of foreign government officials in regard to those sales.

Page Airways was founded in 1939 by James P. Wilmot and Elmer Page, a pilot. Born in Boston to a family of poor Irish immigrants, Wilmot became involved in Democratic Party politics and held a succession of government jobs before starting Page Airways. The fledgling corporation was awarded a Federal contract to train pilots for the Civilian Pilot Training Program, and in the years that followed, Wilmot continued to exhibit a knack for snaring government contracts. Page Airways and the Wilmorite Company, a Rochester, New York, construction firm started by Wilmot and now owned by his son, Thomas, have done more than \$100 million in business with the Federal government. The two companies' benefactors have included the Air Force, the Army Corps of Engineers, the General Services Administration and the Defense Department.

In its April 1978 suit, the Securities and Exchange Commission charged that Page Airways and its top officers had made more than \$2.5 million in bribes and illegal currency transactions to foreign governments to promote its overseas aircraft sales and that Page had sold more than \$15 million in goods and services to Idi Amin's regime in Uganda without disclosing to its stockholders that it was doing so, as required by law. Considered an improper payment was a new Cadillac Eldorado that was presented to Amin. In depositions to the S.E.C., Page officials maintained that the Cadillac was unrelated to their business dealings with Uganda. In an interview with an investigator, a spokesman for Page denied that the automobile was intended as a gift. "Amin asked us to obtain a Cadillac for him," he said. "We thought we were going to be reimbursed for it by him. . . . But we never got anything. We determined that it would not be in our best interests of the safety of our workers over there if we forced the issue" by demanding repayment.

Not long after Amin received the Cadillac, however, Wilmorite was awarded a \$6 million contract to build a mansion in New York City that would be used as the Ugandan mission to the United Nations. According to a Page Airways internal memorandum dated April 5, 1976, a copy of which I obtained, Wilmorite also submitted proposals to Amin for building houses and high-rise apartments, rehabilitating a sugar plantation, a refinery and a steel mill, and developing Uganda's oil reserves. Throughout its dealings with Amin, Page maintained a \$600,000 reserve fund, which was not entered in its books, "due to the uncertainty of doing business in Uganda." Page's accountants called the fund the "Big Daddy reserve."

Charles Hanner, a former Page vice president, was the

company official closest to Amin. At one point, Amin named Hanner "honorary counsel to Uganda." But Hanner's relationship with Amin might have gone beyond business and friendship. Asked under oath if he had ever provided information to the C.I.A., Hanner declined to answer, the court records show.

In all, Page and Wilmorite sold more than \$22 million in goods and services to the Ugandan dictator, including two aircraft, a Gulfstream II and a Lockheed L-100-30. Page also provided flight crews and pilots for the planes and sold Amin \$1.5 million in medical supplies in 1975.

In late 1979, Judah Best, a Washington, D.C., lawyer representing Page Airways, issued subpoenas to the C.I.A. and the State Department demanding all government records relating to Page Airways and its overseas bribery operations. Shortly after the subpoenas were issued, according to court records, S.E.C. officials initiated discussions with Best to settle the suit against Page. Court records also show that Hans Ziegler, the president of Zimex Aviation, was paid a commission by Page Airways on the sale of the first Gulfstream II to Amin. In 1978 Israeli sources identified Ziegler as a fifteen-year veteran of the Mossad. Zimex also sold and leased airplanes to a number of Arab leaders who were unaware of the ties between the company and Israeli intelligence.

Amin developed a yen for a private jet after flying in Qaddafi's Gulfstream II. Ziegler learned of Amin's interest from a member of the crew and passed on the information to Page, which immediately dispatched a team of executives to Kampala, Uganda's capital. But they were unable to arrange a meeting with Amin. "They just sat around the swimming pool at the hotel for several days," said one source familiar with the trip. "Amin didn't meet with them for a while and when he finally did he told them it was because Ziegler had called him."

After Ziegler had put in a good word for Page, the Ugandan dictator placed an order for a Gulfstream II. Thus the profitable relationship between Page Airways and Amin was begun. Ziegler received a sizable commission from Page for providing an introduction to Amin, according to records in the S.E.C. suit. Zimex had previously sold Amin a Boeing 707 and had leased him another in 1976. As it did with Qaddafi, Zimex provided flight crews which spied on Amin and gathered intelligence during stopovers in Libya. According to Civil Aeronautics Board records, Zimex purchased the Boeing 707 from the Aircraft Trading and Services Company (ATASCO), headquartered in Tel Aviv. ATASCO's president is Shaul Eisenberg, an Israeli mining and shipping magnate who has made millions of dollars setting up industrial consortiums in the Third World. Eisenberg has close ties with a number of high-level Israeli officials. When his daughter Elise was married in 1969, *The Jerusalem Post* reported that among the guests were Golda Meir, Shimon Peres, Chaim Herzog, Yitzhak Rabin and two Cabinet ministers. ATASCO was formed in 1971 by executives of Israeli Aircraft Industries, which is owned by the Defense Ministry. The company was subsequently sold to Eisenberg.

In 1977, Zimex leased a second Boeing 707 to Amin in a

CONTINUED

complicated transaction in which ATASCO first sold the airplane to a New York City-based firm, Ronair. According to Federal Aviation Administration records, Ronair then leased the 707 to Zimex Aviation, which in turn leased it to Uganda Airways. An F.A.A. memorandum dated May 23, 1977, noted: "During the lease period the maintenance will be conducted by Pan American which has signed a maintenance agreement with Zimex. Under this maintenance agreement, Pan American will supply manpower and spares. . . . The air crews were supplied under separate contract between Zimex and Avtec, Inc. of Burlingame, California." (Spokesmen for both Avtec and Pan American said they were unaware that any espionage operations had been conducted by the crews they supplied.)

The 707s often picked up military supplies and luxury goods for Uganda at Stanstead Airport in Essex, England. Frequently to be seen supervising the loading of the airplanes was Frank Terpil, who, in August 1977, had signed a contract to supply the Amin regime with \$3.2 million worth of arms, explosives and electronic surveillance equipment.

Although there is still no hard evidence that Terpil was involved in a covert C.I.A. operation directed at either Qaddafi or Amin, the members of the flight crews of the 707s Terpil helped load were Israeli intelligence agents. Thus, both the C.I.A. and the Mossad must have known about Terpil's dealings with Amin and Qaddafi more than five years ago. But they did nothing to stop them or to inform U.S. law enforcement officials. It was only when Kevin Mulcahy, a former C.I.A. analyst who went to work for Wilson and Terpil, blew the whistle on Terpil's activities that the Justice Department began its investigation of the pair. And, I have learned, a deep-cover C.I.A. agent was a member of Amin's inner circle and lived at the Presidential Palace in Kampala. The C.I.A. could also have learned about Terpil's relationship with Amin from this source.

Page Airways had other intelligence connections besides those with Ziegler and Zimex Aviation. In 1975, Page subcontracted with Southern Air Transport, an American firm that was secretly owned by the C.I.A. until 1973, to provide flight crews and engineers for Page's aircraft in Uganda. Although Southern's link to the C.I.A. had been broken, former C.I.A. proprietaries often continue to perform services for the agency after their formal ties are discontinued. According to a report of the Senate Intelligence Committee: "In a very real sense, it is nearly impossible to evaluate whether a link still exists between the agency and a former asset related to a proprietary."

According to records of the Civil Aeronautics Board, Southern Air Transport was sold by the C.I.A. in 1973 to Stanley G. Williams, a Florida businessman who was president and chief executive officer of the company while it was secretly owned by the agency. Sources familiar with the deal say that Southern was sold to Williams even though another buyer offered \$2 million more than he did.

The deal was consummated after three airlines had filed complaints with the C.A.B. charging unfair competition by Southern. The C.I.A. withdrew the company's C.A.B. certification and the complaints were dropped. With the C.A.B. no longer involved, the agency was free to sell Southern with no oversight. Williams was presumably grateful to the agency, since he had acquired the firm for far less than it was worth.

Although the possible intelligence roles played by Page Airways and Southern Air Transport in Uganda still remain unclear, the C.I.A. was active in that country while both companies were doing business there. At first, the C.I.A. maintained "a friendly liaison with Amin," according to one agency official: "He allowed us to use his good offices to conduct our activities and to a small extent we helped him set up his own intelligence service." The relationship later deteriorated, however, though not because the agency was offended by Amin's murderous behavior. That had become apparent long before the C.I.A. terminated its arrangement with Amin in April or May 1972. From then on, according to intelligence sources, the C.I.A.'s mission in Uganda generally involved spying on Amin and his henchmen. The first sale that Page Airways made to Amin was in early 1975, long after the C.I.A. and the Mossad had begun spying on him.

While we cannot be certain that Page Airways engaged in intelligence operations for the Israelis or the C.I.A., the new evidence in the S.E.C. suit suggests that it did. There is always the possibility that Page and Ziegler and Eisenberg were solely after profits in their convoluted dealings with Qaddafi and Amin—certainly they made millions off them. But the C.I.A.'s intervention in the S.E.C. suit, coupled with the other pieces of evidence I have presented, strongly indicates that profit was not their only motive.

The participation of Frank Terpil—and presumably his partner, Edwin Wilson—in Page's operations is also a possibility. The new evidence offered in this article gives further confirmation that the C.I.A. was aware of Terpil's illicit operations not long after Kevin Mulcahy blew the whistle. Certainly, this is one more lead the House Select Committee on Intelligence should follow up. □

Murray Waas is an investigative reporter who writes frequently on intelligence matters.