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SATELLITES

MIDDLE EAST

Contraband In Strategic Materials.

SOURCE ATHENS: Greek-Rumanian exile in BEIRUT.

DATE OF OBSERVATION: current

EVAL. COMMENT: A most interesting, instructive report which sheds light not only about illegal transshipments to the Soviets but explains also some of the underlying reasons for the current attempts for a Soviet Arab rapprochement. Recommended information for all economic exeditors.

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The "free zone" of the port of BEIRUT is the center of a thriving clandestine trade in strategic materials for the benefit of the Iron Curtain countries, according to a well-informed Greek-Rumanian exile who is now living in the Lebanese capital. Great quantities of aluminium, copper and other metals from the western countries, the export of which to the Soviet orbit is illegal, are shipped into the BEIRUT "free zone" and subsequently take the seaborne route to CONSTANTA, GALATI, BRAILA, BURGAS and VALONA. This information comes from a Lebanese customs official who is a close friend of our source. Some of the details were corroborated by crewmembers of the Rumanian vessel "Sulina" to whom our source talked when the ship touched at BEIRUT.

The network which arranges these clandestine transactions ramifies throughout the Middle East and is directed by "specialists" working in the guise of functionaries in the Soviet and satellite legations in the Arab states. BEIRUT is the center of the web because of the facilities furnished by its "free zone." The Soviet and satellite agents deal with Lebanese, Syrian and Iraqi brokers and businessmen who are indifferent to politics and actuated solely by the rich profits involved in the contraband trade. Some of the commercial firms with whom the Soviet agents deal have powerful connections with Arab politicians and government officials, many of whom are in their pay, and thus obtain the necessary export permits without difficulty.

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In recent months, our source reported, the illegal commerce has been particularly brisk in bronze, lead, scrap iron, zinc and aluminum. Also, the Soviet agents have been buying up at any price great quantities of "ergani blister" copper of Turkish origin, electrolytic copper in ingots from Chile and electrolytic copper were six millimeters in diameter.

Typical of the Mideast business firms through which the Soviet agents work is the big Lebanese firm "Maison Chahine Chakthoura," whose offices are on the Rue Saifi, in BEIRUT. Actually, the "Maison Chahine" is the secret representative in the Middle East of the Hungarian state enterprise "Metalimpex" (Address: BUDAPEST V., Dorattya 46; Phone number: 183-870,) which is charged with the purchase of strategic materials abroad. Agents of the "Maison Chahine" buy up scrap iron, copper, aluminum, etc., throughout the Middle East and ship those products to BEIRUT, ostensibly for the account of "Maison Chahine." Once in the BEIRUT "free zone," these metals are loaded surreptitiously on ships for CONSTANTIA, whence they are ultimately shipped to Hungary. The "Maison Chahine" also exports from ANTWERP and Turkey cast-iron and other metals which it then re-exports to Hungary and Rumania at high prices. For the past two years most of these re-exported metals have been shipped from BEIRUT to CONSTANTIA aboard the Turkish vessel "Arslan," as well as on smaller ships flying the flags of various countries.

Some idea of the great profits accruing from this contraband may be gained from the fact that in recent months the Soviet agents have been paying as high as \$ 1200 per ton for copper scrap.

Another Lebanese firm which acts for "Metalimpex" is the "Raja Yousof Boury," which is well-known for its "hunger" for metals in the Mideast markets. Our source was informed that the "Raja Yousof Boury" house has done a "colossal business" recently in shipping scrap iron and copper to "Metalimpex" in exchange for textiles, mosaics, and other Hungarian non-strategic exports. Several months ago a single consignment of 200 tons of copper and 150 tons of zinc and lead was shipped by the Lebanese firm from BEIRUT to CONSTANTIA aboard the Hungarian vessel "Szejed." Aboard the same ship was a consignment of 60 tons of copper which another Lebanese firm, "Naim Shcahadeh," imported from ALEXANDRETTA, Turkey, for the account of "Metalimpex."

A little later the "Schhadeh" firm shipped to CONSTANTIA an unknown quantity of copper which it had imported from MERSINA, Turkey. Another transaction in which this same firm engaged was described to our source as follows: Brokers for "Naim Schahadeh" bought 5,000 tons of scrap iron at ADEN and loaded it aboard a ship of unknown nationality, ostensibly for shipment to Italy through the port of TRIESTE. Instead of proceeding to TRIESTE, the ship delivered the scrap iron to CONSTANTIA. When the "Schahadeh" firm received its money from the shipment - through a bank in BEIRUT where the credit had been opened - it presented falsified bills of lading in which it was stated that the scrap iron had been shipped to Italy. A Swiss firm whose name is unknown insured the illegal cargo, according to the information received by our source from the Lebanese customs official.

In addition to purchasing strategic metals, brokers acting for Rumanian principals buy up quantities of drugs and medicines, coffee and tea in the BEIRUT "free zone" for which Rumania exchanges timber, glassware, asphalt and kitchen utensils manufactured by the state enterprise "Ferometal." Our source was informed by a crewmember of the "Sulina" that en route to CONSTANTIA these drugs and medicines of Western origin are wrapped in Soviet packages, so as to give the impression to the Rumanian people that they were manufactured in the USSR.

Overland shipping routes from BAGDAD and AMMAN are also used by Soviet agents and their brokers who purchase contraband goods in Iraq and Jordan for the Iron Curtain countries. The goods are shipped in auto trucks to the "BEIRUT free zone;" from there transportation to Rumania is easy, since no permits are required to export merchandise from the "free zone." In recent months some of the illegal shipments have been diverted from BEIRUT to LATTAKIA and TRIPOLIS, where the metals and other goods are put secretly aboard vessels of small tonnage and transported to the Albanian port of VALONA as well as to satellite Black Sea ports.

Bribery and corruption of Arab state officials are used unsparingly by Soviet and satellite agents in order to carry on the lucrative contraband trade without interference, but occasionally one of the illegal transactions comes to light and causes a scandal. Our source sent a clipping of a story published by the BEIRUT newspaper "Orient" early in November, in which such a transaction was recounted.

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According to the newspaper, a cargo of 1,000 tons of aluminum and 500 tons of copper arrived in the BEIRUT "free zone" recently - ostensibly consigned to a big Lebanese commercial firm. A few days later the metals were re-exported from the "free zone" on a vessel assertedly bound for ANTWERP. Observers of the western powers in BEIRUT, however, learned that the cargo never arrived at ANTWERP and was diverted instead to a Soviet Black Sea port. When the western observers requested an explanation from the Lebanese firm, they were told that the firm had never exported or imported copper and aluminum in its history. The newspaper said that an investigation disclosed that a Lebanese former diplomat (unnamed) had in his possession business letterheads of the firm and had used them to put through the illegal transaction. The ex-diplomat was said to be the key figure in a contraband network which netted some two millions of Lebanese pounds from this single deal.

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