

## ARTICLES.

## APPOINTMENT WITH CONTRERAS

## The Chilean Connection

SAUL LANDAU AND JOHN DINGES

In the early summer of 1976, Col. Manuel Contreras, head of DINA, Chile's secret police, launched an operation to assassinate exiled Chilean leader Orlando Letelier. It has now been learned that within a few days of setting that plot in motion, Contreras made a secret visit to Washington, D.C., where he met with officials of the Central Intelligence Agency and also negotiated the purchase of illegal weapons and electronic spying equipment with a firm run by former C.I.A. officers Edwin Wilson and Frank Terpil.

Wilson and Terpil gained notoriety after a Federal grand jury accused them of exporting terrorist goods and services to Col. Muammar el-Qaddafi of Libya, whose regime is high on the Reagan Administration's enemies list [see Murray Waas's article on page 568]. By 1978, the Federal Bureau of Investigation had established that DINA agents killed Letelier on U.S. territory. That evidence, combined with the newly revealed materials showing that former C.I.A. officials cooperated with other DINA covert operations in the United States, would seem to compromise the Administration's efforts to rehabilitate Chile's military dictatorship as an anti-Communist ally.

The information about DINA's dealings with the Wilson-Terpil firm is based on the accounts of one of those present at the meeting with Contreras in early July 1976, and on sales documents obtained by Federal investigators. This report will examine DINA's purchase of weapons and sophisticated electronic equipment at that meeting in violation of a Congressional ban on such sales to Chile.

The new information can be placed with startling results into the complex framework of evidence already compiled by the F.B.I. in the five-year-old Letelier case, and it helps explain many previously unresolved questions, especially those regarding the C.I.A.'s behavior. Earlier evidence of DINA's operations, supplemented by this new information about the three months preceding Letelier's murder on September 21, 1976, amounts to a compelling case that the C.I.A. was involved in arranging Wilson and Terpil's arms and equipment sales to DINA. Furthermore, involving the agency in the violation of U.S. laws may have made it possible for DINA to "graymail" the C.I.A. into withholding

*Saul Landau, a Fellow at the Institute for Policy Studies, and John Dinges, a Washington, D.C., writer, conducted a lengthy investigation of the Letelier-Moffitt murders, the results of which appear in their book, Assassination on Embassy Row (Pantheon).*

incriminating information that could have helped solve the crime. The evidence leading to a breakthrough in the Letelier case will be the subject of a future *Nation* article.

Colonel Contreras's meeting with Terpil was described to us by Kevin Mulcahy, a former C.I.A. employee who was working for Wilson and Terpil and who was in attendance. Mulcahy's account of the arms transactions was confirmed by documents drawn up for the sale and later obtained by the Treasury Department's Bureau of Alcohol, Tobacco and Firearms. We were shown invoices and bills of sale drawn up by one of Wilson and Terpil's companies. The purchaser was identified as a DINA front organization based in Santiago, Chile.

At the time of the Contreras-Terpil meeting in Washington, Mulcahy was president of Inter-Technology Inc., an arms trading firm established by Wilson and Terpil. "It was Frank's meeting," Mulcahy recalled, and it took place on a rainy Friday afternoon in early July. Terpil directed Mulcahy and another American, a former Navy intelligence officer who was in charge of Latin American operations for Wilson, to a nondescript two-story residence on the 1700 block of R Street in northwest Washington. "It looked like a typical C.I.A. safe house," Mulcahy said.

There, in a second-floor office, Terpil introduced Mulcahy to two Chileans. One of them was a "heavy-set man in his mid-40s with drooping eyelids and a kind of benevolent look on his face" known as "Manny" Contreras, Mulcahy recalled. Although he was wearing civilian clothes, the DINA chief nevertheless exuded a "clearly military aura." The other Chilean, whose name Mulcahy has forgotten, served as an interpreter. Mulcahy said that Terpil was "deferential" toward Contreras: "I had seen Frank slap heads of state on the back, but with this guy he was downright respectful, and kept his voice down."

Contreras's reputation had obviously preceded him. To both his enemies and fellow intelligence officers Contreras was known as the most efficient and ruthless secret police chief in the Americas. He had, within the space of two years, virtually eliminated political opposition to Chile's military dictator, Gen. Augusto Pinochet.

Mulcahy recalled that after Terpil opened the meeting, "we talked with Contreras about the details of an integrated security system." (Mulcahy described this to us as a variety of devices that might be used to secure an embassy or a like facility.) The system included card readers, pinhole cameras, telephone tapping equipment, digital scanners to monitor telex traffic and other sophisticated electronic gear. Contreras purchased some of this equipment. The purchase orders shown to us by investigators list "transceivers," "wireless inductor earphones" and "micro-mini microphones."

The next item on the agenda was a large quantity of Colt Cobras, which Contreras had expressed interest in buying. The Cobra, a .38-caliber handgun, is used by many police agencies because it is a standardized weapon with interchangeable parts that is durable and efficient.

November 28, 1981

The Nation

567

A document dated July 8, 1976, names the parties to the sale as International Representatives Inc. and Renato Sepulveda R. of the Universal Export Company in Santiago. The document names Mulcahy as president of Inter-Technology, and it calls for the delivery of 1,059 Colt Cobras and 1 million rounds of ammunition within thirty to sixty days. The invoice also gives the terms of payment, specifying that the letters of credit should be issued to Inter-Technology by a Washington, D.C., bank. The price of the Colt revolvers was \$366,646.50; the bill for the electronics equipment came to \$66,089.

Justice Department officials have confirmed that the invoices are genuine and that a Chilean known as Renato Sepulveda R. told an American businessman acting as an intermediary between Terpil and the Chileans that he was with the Chilean National Police. The same officials told us that Sepulveda worked for DINA and that Universal Export is believed to be a front operation run by the Chilean intelligence agency.

Another topic at Contreras's meeting with Terpil was an item known in the clandestine arms trade as a "Parker." This is a device disguised as a ball-point pen that fires a single .22-caliber bullet. The projectile can be made more lethal by filling it with a cyanide compound or a material that explodes after piercing the skin. The Parker's innocuous appearance, of course, makes it an obvious assassination device.

Mulcahy recalled that when the meeting ended, he shared a cab with Terpil and the former Navy intelligence officer to Wilson's K Street office. During the ride they commented on Contreras's having interrupted the discussion to ask questions in fluent English, even though he had

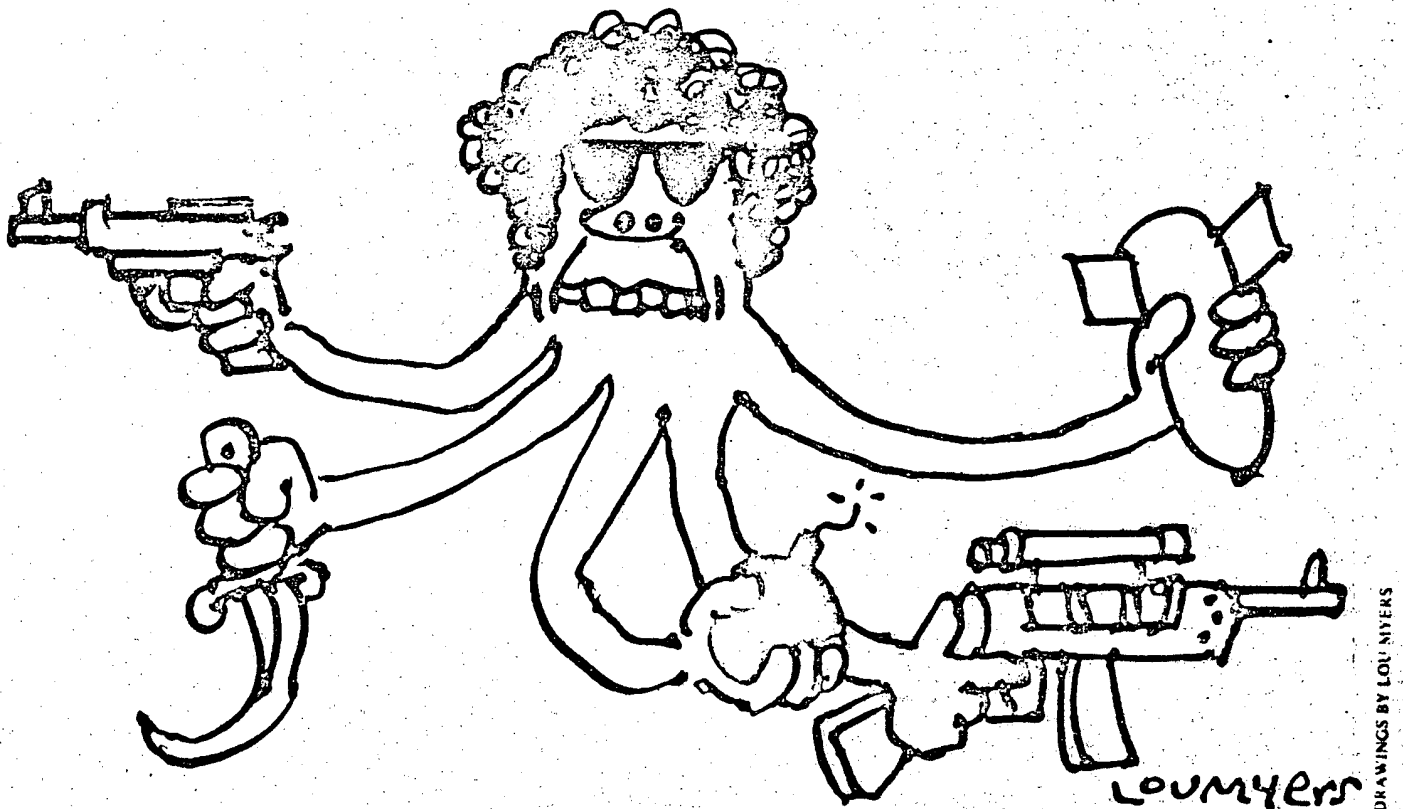
relied on a translator much of the time.

After they arrived at Wilson's office, Mulcahy and Terpil were debriefed by Wilson, who mentioned that Contreras would also be attending a "casual social occasion" in honor of Gen. Vernon Walters, Deputy Director of Central Intelligence, who was retiring.

In September 1976, Mulcahy, who had developed pangs of conscience, informed a C.I.A. official of Wilson and Terpil's illicit activities. Mulcahy will be a principal government witness against the pair, who were indicted last year by a Federal grand jury for sales of arms and explosives to Libya, but he contends that in July 1976, when the meeting with Terpil and Contreras occurred, he believed that the C.I.A. was involved as a silent partner. Although he knew the arms transactions he was arranging for Wilson and Terpil were illegal, Mulcahy says he thought that the agency had approved them. If Mulcahy thought this, it seems likely that DINA's chief, Colonel Contreras, would have assumed the same thing.

Certainly an enterprise such as the one Wilson and Terpil were engaged in might have been useful to the C.I.A. Wilson and Terpil (and others like them) could supply goods and services that pariah countries could not legally acquire because of the ban on U.S. arms sales to nations with a record of serious human-rights violations.

That high-level C.I.A. officials were kept abreast of Wilson's transactions with Libya has been established in other published accounts of the Wilson-Terpil case, notably by Seymour Hersh in *The New York Times Magazine*. So it is a fair assumption that Wilson also informed the C.I.A. of his dealings with Chile's DINA. The case for direct C.I.A. complicity in this illegal transaction, however, emerges from F.B.I. evidence about events the same month leading up to



DRAWINGS BY LOU MYERS

Letelier's assassination. The new information about Contreras's visit to Washington puts that earlier, still unrevealed evidence in a new light. The earlier evidence indicates that a close working relationship existed between the C.I.A. and DINA during this period, and there are explicit references to the C.I.A. helping the Chilean intelligence agency arrange illegal arms sales—the details of which coincide remarkably with the transaction we have documented above.

Its primary significance, however, is in breaking new ground in the Letelier case, and it will be the subject of a subsequent article in *The Nation*.

The Wilson-Terpil affair is growing into a scandal that involves intelligence abuses of the same magnitude as those unearthed during the Senate hearings presided over by Frank Church in 1975. The House Intelligence Committee is looking into Wilson and Terpil's activities, although only as they pertain to their Libyan operations. Obviously, the investigation must broaden and probe Wilson and Terpil's connection to the United States' new "authoritarian" friends in Latin America. □

## THE TERPIL TRANSCRIPTS

# Dinner With Idi, And Other Tales

MURRAY WAAS

**T**he close and profitable relationship that Edwin Wilson and Frank Terpil, two former employees of the Central Intelligence Agency, enjoyed with Col. Muammar el-Qaddafi of Libya is now well known. The pair was indicted last year by a Federal grand jury in Washington, D.C., for exporting arms and explosives to the Libyan government.

That grand jury uncovered evidence that Wilson and Terpil had recruited a dozen former Green Berets and U.S. intelligence agents to train Libyans in the techniques of terrorism and political assassination. According to the grand jury, Wilson and Terpil had also procured more than 20 tons of plastic explosives and 183 pounds of time-control devices for detonating bombs disguised as ashtrays, lamps, alarm clocks and vases. The bombs were to be used against exiled Libyan opponents of Qaddafi's regime.

In secret testimony, three Cuban former operatives of the C.I.A. told the grand jury that Wilson and Terpil had hired them to carry out an assassination for Qaddafi. The three were given \$30,000 in expenses and instructed to fly to Geneva. They initially believed their assassination target was "Carlos" (Illyich Ramirez Sanches), the world's most wanted terrorist. But upon their arrival in Geneva, they were met by Wilson and told that their target was Umar Abdullah Muhayshi, a former member of the Libyan Revolutionary

Council who had become a political opponent of Qaddafi and was living in exile in Egypt. The three Cubans refused to return to the United States and reported the plot to the C.I.A. case officers.

Federal investigators subsequently discovered that Qaddafi had agreed to pay Wilson and Terpil \$1 million for the assassination of Muhayshi. As for wanting to kill Carlos, the two former C.I.A. officers were actually on good terms with him, the investigators discovered. According to a report: "By his own admission, Mr. Terpil trained Illyich Ramirez Sanches, who is known as 'Carlos,' an internationally wanted terrorist who is believed to have led a raid on the Israeli Olympic team in Munich in 1972."

The investigators also discovered that Libyan hit men trained by Green Berets who had been recruited by Wilson and Terpil, had murdered and maimed a dozen exiled opponents of the Qaddafi regime in London, Rome, Bonn, Malta and even the United States. A former Green Beret Eugene Tafoya, was charged with the attempted murder of Faisal Zagallai, a Libyan student at Colorado State University. Tafoya allegedly fired two shots at close range that struck the Libyan exile in the head. Federal authorities believe that Wilson hired Tafoya to kill the Libyan student on Qaddafi's orders. Tafoya had trained Libyan terrorists while he was employed by Wilson, and telephone records reveal that the two men talked shortly before the murder attempt. In addition, Terpil's travel records show that he was in Malta at roughly the same time a Libyan exile there was murdered.

Although *The Nation* reported details of Wilson and Terpil's indictment more than a year ago [see "Item. Item. Item.," September 20, 1980], the story received little attention until two lengthy articles by investigative reporter Seymour Hersh appeared in *The New York Times Magazine*. Hersh presented new and disturbing evidence that although several current and retired C.I.A. officials had known about Wilson and Terpil's business dealings with Qaddafi, they did nothing to stop them and indeed went out of their way to assist them. At one point, according to Hersh, two officials then on active duty with the C.I.A. Patry Loomis and William Weisenburger, helped Wilson and Terpil with their Libyan operations. More intriguing is the fact that Wilson, during his relationship with Qaddafi, met with Theodore Shackley, one of the most powerful men at the agency, who at the time was serving as assistant to the deputy director of clandestine operations.

Kevin Mulcahy, a former C.I.A. analyst who had gone to work for Wilson and Terpil, became disillusioned, called Theodore Shackley and told him about the two former agents' service to Qaddafi. Shackley, however, neglected to write a formal report on the conversation and later, after being ordered to do so, characterized Mulcahy as "irrational, paranoid, and alcoholic." The charges were untrue, but Shackley's credibility within the agency was such that he was able to delay a Federal investigation into the activities of Wilson and Terpil for several months. Perhaps Shackley's strange behavior can be attributed to the fact that after he left the agency, he went to work for A.P.I. Distributors Inc.

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