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Former CIA agents

Supplying tools of terror

By John Dinges and Saul Landau

WASHINGTON—The key government witness in the criminal case against two former CIA agents accused of providing terrorist training and equipment to Libya has alleged in an interview that the same agents sold banned weapons and electronic devices to the Chilean secret police in 1976 with the knowledge of senior CIA officials.

The witness, Kevin P. Mulcahy, is a former CIA employee himself and former business associate of the two fugitive ex-agents, who have been under indictment since April 1980. Mulcahy said that he attended a July 1976 meeting in a Washington townhouse in which Col. Manuel Contreras, head of Chile's intelligence service, DINA, discussed his need for handguns, sophisticated electronic security equipment and a small ball-point pen-like device capable of firing a single .22-caliber round or a pellet of poison.

The meeting was organized, Mulcahy said, by Frank E. Terpil, who along with Edwin P. Wilson has been the focus of a Justice Department investigation into the transfer of explosives, timers, night-vision equipment and commando training to Libyan leader Muammar Khadafy. Wilson and Terpil, who left the CIA in 1971, were indicted in April 1980 by a Washington, D.C., federal grand jury for their alleged illegal supply operation to Libya.

In addition Terpil has been convicted in absentia in New York for selling machine guns to undercover police detectives. He was indicted again this month for alleged illegal supply operations beginning in 1977 to Uganda's deposed strongman, Idi Amin.

Mulcahy's account of the supply contract to Chile for the first time broadens the scope of Wilson and Terpil's alleged terrorist supply activities beyond the two radical African nations to include the anticommunist police agency in Chile.

The timing of Contreras' meeting in Washington, which Mulcahy recalls took place in early July, also is significant for another crime, the assassination in Washington Sept. 21, 1976, of exiled Chilean opposition leader Orlando Letelier. According to extensive evidence uncovered in the federal investigation, Contreras had set that assassination plot in motion in Chile in the last week of June, just prior to his alleged trip to Washington.

A federal grand jury indicted Contreras for allegedly ordering the car bombing that killed Letelier and an American woman, Ronni Moffitt, on Washington's Massachusetts Avenue, but the government of Chile has rejected U.S. requests for his extradition.

The Mulcahy cause he said were working at the CIA. Mulcahy has said that Wilson's close associate, Shackleley, the service at the CIA's training

have been named by another government witness, Douglas M. Schlachter, as having endorsed Wilson and Terpil's alleged involvement in terrorism training in Libya.

The CIA has consistently denied any institutional recognition of Wilson and Terpil's operations and has produced evidence that it notified Justice Department and FBI officials immediately upon learning of their allegedly illegal activities overseas.

But top CIA officials who have investigated the Wilson-Terpil case have conceded that the so-called "rogue" operation was able to flourish because of close relationships that continued between the former agents and active-duty CIA officials.

Mulcahy's account of the Chilean arms transaction was confirmed by documents drawn up for the sale and obtained by the Treasury Department's Bureau of Alcohol, Tobacco and Firearms. These documents included invoices and bills of sale drawn up by one of Wilson and Terpil's companies, Inter-Technology, Inc. The purchaser, listed on the document as Renato Sepulveda R. of Universal Export Co. in Santiago, was identified by federal investigators as a suspected DINA front organization in Chile.

The sale to Chile of arms and intelligence equipment, such as that listed on the invoices and described by Mulcahy, was prohibited by legislation passed earlier in 1976 in response to denunciations of rampant human rights violations by Chile's military government.

Mulcahy said Terpil brought him and another business associate, a former naval intelligence officer, to the meeting on a rainy Friday afternoon in a northwest Washington House on R Street that he said looked like "a typical CIA safehouse." He was introduced to a heavysset man identified as "Manny" Contreras Sepulveda and a second Chilean who acted as interpreter and whose name he does not recall.

Terpil was "deferential" to Contreras, Mulcahy said. "I had seen Frank slap heads of state on the back, but with this guy he was downright respectful, and kept his voice down."

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