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THE QADDAFI CONNECTION

By Seymour M. Hersh

Five years ago, two former operatives of the United States Central Intelligence Agency — Edwin P. Wilson and Frank E. Terpil — made a business deal with Col. Muammar el-Qaddafi, the ruler of Libya. In essence, the former C.I.A. men, who had become partners in an export-import business, agreed to sell Colonel Qaddafi their accumulated years of American intelligence-agency contacts, experience and expertise. Theirs was a product that could not be purchased on the open market. The colonel, who boasts of supporting terrorism in the Middle East, Europe and Africa and who has been attempting to set up his own new federation of Arab and Moslem states, was willing — and able, because of his vast oil wealth — to pay dearly.

As a result, the two Americans, according to Federal investigators, have made millions of dollars aiding Qaddafi in his drive to export terrorism and build his own Middle Eastern power. Under cover of their export-import business, Wilson and Terpil are said to have helped Libya set up a manufacturing plant for the production of assassination weapons; to have themselves helped Qaddafi plan political assassinations; to have recruited dozens of former Green Berets to teach Libyan soldiers and Arab terrorists how to handle volatile explosives — how, for example, to turn ashtrays into weapons of terror; to have illegally shipped arms explosives to Libya with the aid of forged and fraudulent State Department export

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certificates, and to have involved other former C.I.A. employees in their projects.

Information about the Qaddafi connection has been known by the Government since the fall of 1976. It was then that Kevin P. Mulcahy, at the time a partner of Wilson and Terpil, approached the C.I.A. and the Federal Bureau of Investigation with grave doubts about the legality and ethics of his company's business dealings with Libya. Mulcahy, a former C.I.A. employee who had spent six months inside the Wilson-Terpil operation, would spend hundreds of hours, over the next few years, providing the Government with firsthand knowledge.

Kevin Mulcahy has now decided to tell his story publicly for the first time. He's tired of waiting for this segment of his life to end. He wants to be listed again in the telephone directory, to hold a driver's license in his own name, to vote, to own property, to stop living as if he — and not Wilson and Terpil — had been indicted for wrongdoing. He feels he is forced now, in effect, to give his testimony in the pages of *The New York Times*. The essentials of his account have been verified where possible through secret documents and in interviews with key members of the State Department, the Justice Department, the F.B.I., the United States Attorney's office in Washington, as well as with Stansfield Turner, the former head of Central Intelligence, and other high C.I.A. officials.

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The Wilson-Terpil case is a story of Americans who meet secretly in bars and board rooms to arrange the illegal sale of electronic-spying equipment and terrorist weapons, and of Americans who train assassins abroad. It is a story of an old-boy network of former C.I.A. operatives and military men, and a story of present and

past C.I.A. leaders who seem unable to face fully the implications of the case. It tells of a basic inability of the Government's investigative and law-enforcement agencies, disrupted by internal jealousies and feuding, to perform effectively. It suggests that a moral climate exists inside and on the edges of the intelligence community which results in the subversion of national goals to personal gain.

Ed Wilson was running what amounted to an updated version of the military-industrial complex in which former C.I.A. and military employees have put their Government experience, contacts and knowledge to use for large personal monetary gain, regardless of the damage they will do to their own country. Such men have worked in league with a number of American manufacturers who have specialized in working for the C.I.A. and other intelligence agencies in supplying military goods and highly classified technical equipment. Questions that should normally be asked — Are the sales officially authorized? Are they legal? Do they jeopardize national security? — are not. Senior Government officials, in recent interviews, acknowledge that American expertise is being transferred abroad in unprecedented fashion. The phenomenon, known in the bureaucracy as "technology transfer," is one apparent result of the declining morale inside the intelligence community and the increasing profits available. These officials say that nations such as Chile, South Korea, Brazil, Argentina, Taiwan, South Africa, Iraq and Pakistan have been able to purchase the very latest American equipment and technology in communications, military arms, computer science and nuclear development — with or without authorization from the United States Government.

The matter was intensively reviewed, at high levels, inside the Carter

Administration, with little progress. As yet, the Reagan Administration has not addressed the issue. In early May, the Administration did order the Libyan Government to shut down its offices in Washington, as part of the campaign against international terrorism. But it has not faced the broader problem — the export of American weaponry and expertise to terrorists.

Before the Federal prosecutors brought their indictments in April 1980 in the Wilson-Terpil case, the file was presented to Philip B. Heymann, then Assistant Attorney General for the Criminal Division. Heymann, who is returning this summer to teach at Harvard Law School, recalls: "I was shocked by what I saw in the Wilson matter. The notion that there is no control over an American intelligence official taking his know-how and selling it to the highest bidder seems to be insane. If terrorism is to be taken as a major national problem," Heymann says, "we'll have to start at home and draft statutes that would bar the sale of fancy American equipment and fancy American expertise for terrorist purposes. It won't be an easy matter, because it's hard to put a lid on the dissemination of information. But this question is exactly what Congress ought to be holding hearings on."

Federal authorities, in accepting Kevin Mulcahy's story as accurate, acknowledge that its implications are deeply disturbing: Qaddafi obviously has utilized the materials and expertise of Wilson and Terpil in his support of such terrorist groups as the Palestine Liberation Organization, the Red Brigades of Italy, the Red Army of Japan, the Baader-Meinhof gang in Germany and the Irish Republican Army. He is suspected of having ordered the murder of at least 10 political enemies in Europe and the Middle East; two months ago, the F.B.I. arrested Eugene A. Tafoya of New Mexico, a former Green Beret, and accused him of an attempted assassination of a Libyan student at Colorado State University. The Libyan is one of a growing number outside the country who oppose Qaddafi's rule. When arrested, Tafoya, who traveled to Libya three times last year, had Ed Wilson's business card in his possession with telephone and telex listings in Tripoli, London and Washington for one of Wilson's Swiss-based companies. Tafoya's links to Wilson are still being investigated.

Colonel Qaddafi is relentlessly anti-Israel, supports the most extreme factions in Syria and opposes the moderating influences of Jordan's King Hussein and Egypt's Anwar el-Sadat as part of his campaign of political expansion in North Africa. Qaddafi's ambitions were strengthened early this year when he successfully invaded Chad, seizing an area believed to be rich in uranium ore. The war also meant more profit for Wilson, who has established his own trading company in Tripoli, known as Meprico, to supply Qaddafi's army. Libya, relying on its estimated \$25 billion in annual oil revenues, is a major purchaser of Soviet arms, and more than 5,000 Warsaw Pact military advisers are believed to be on duty with Qaddafi's 60,000-man army.

A former high-speed-communications and computer-technology expert in the C.I.A., Kevin Mulcahy was no innocent when he came forward about the way the export-import business had worked. He had gone into business with Wilson and Terpil at a high guaranteed income. Within three months, Mulcahy realized that his partners were routinely selling restricted military and communications gear. He himself offered to sell such sophisticated equipment as second-generation computer systems and coded communications machinery. Mulcahy did not hesitate in his talks with the authorities to acknowledge his own role in questionable activities, which included the sale of embargoed ammunition to South Africa. In all of these dealings, he says, he believed or wanted to believe that Wilson and Terpil were somehow part of a covert C.I.A. operation.

Today, Mulcahy is an angry and frustrated man. He believes his life is in danger, a belief shared by Federal officials, and he is deeply disturbed by what he regards as a monumental lack of resolve, competence and communication within the Federal Government in handling the case. It took nearly four years to indict Wilson and Terpil in Washington, on charges that include illegal export of explosives, failing to register as a foreign agent, and conspiracy and solicitation to commit murder. Despite fugitive warrants, the Government has been unable to apprehend them at a time when their travels in and about Europe, the Middle East, Africa and the United States have been observed by many people. Last winter,

more than six months after his indictment, Wilson was seen by a business friend in Blackie's House of Beef, a Washington restaurant, with a group of his former employees; it is not known how he entered the country. Mulcahy, meanwhile, has been forced to lead a life of furtiveness. "I've had five years of indecision, contradiction and waiting for the day that this chapter of my life ends," he says. "The Government keeps telling me, 'We're on top of it; we're on top of it.'" Yet Wilson and Terpil remain at large, and many of their operations, which clearly seem to be working against the interests of their own country and, indeed, world peace, are believed to be continuing at this moment.

Kevin Mulcahy, now 38, grew up vintage Americana in suburban Washington: altar boy, Eagle Scout, varsity basketball, class vice president. He was a son of Donald V. Mulcahy, a 28-year-career senior official of the C.I.A., four of whose six children were also employed by the agency. Kevin, the oldest child, began working full-time for the C.I.A. in 1963, after serving as an airborne radio operator in the Navy. He became a communications and computer expert and worked on highly classified programs that he will not talk about today. In 1968, he resigned from the agency to take a position in the electronics industry. There followed a succession of increasingly responsible jobs in the computer industry, a serious drinking problem that drove him into Alcoholics Anonymous, and a painful divorce.

By the fall of 1974, Mulcahy had come to grips with his alcoholism and, having left the computer industry, began working in Virginia as a counselor in a drug- and alcohol-treatment center. By 1975, he was trying to set up a series of halfway houses and was scrambling for Federal grants. Mulcahy rented a house by chance from a Barbara Wilson — Edwin P. Wilson's wife. Mulcahy became friendly with her and eventually was invited to dinner at the Wilsons' newly purchased, luxurious 1,500-acre farm in Upperville, Va. Ed Wilson, now 52, was well known inside the C.I.A. as a skilled and trustworthy operative. Wilson, who began his export-import business in the early 1970's while working as a consultant for a top-secret Navy intelligence unit, had played a role in the Bay of Pigs and other undercover operations in his long C.I.A. career as a contract agent. Mulcahy was impressed.

Over dinner, Wilson made it clear that he knew pretty much all there was to know about Kevin Mulcahy, about his former employment with the C.I.A. and his current work with teen-agers. A few months later, Wilson made an offer Mulcahy would not refuse: If Mulcahy would join his arms-sales business in Washington and remain for one year, he could then have as a bonus a nine-bedroom farmhouse Wilson also owned and use it as a halfway house for troubled youths. Mulcahy's guaranteed \$50,000 annual income would be supplemented by commissions and expenses. "I had no suspicions at all about the job," Mulcahy recalls, and he began working hard. "I was putting in 18 hours a day at first, dealing with 10,000 suppliers and inquiries about canned food, parachutes — any kind of equipment, from machine guns to aircraft. There was no reason for suspicion in those weeks." Most of the business was aboveboard and involved the sale of highly technical equipment. Mulcahy was responsible for arranging export licenses, international letters of credit and shipping, and also for determining which manufacturers' equipment would meet the specifications of the order.

Mulcahy obviously passed muster. In the early spring of 1976, Wilson walked him to another office a few blocks away, in downtown Washington, and introduced him to Frank Terpil, now 41. Terpil had served about seven years as a communications technician for the C.I.A. but was forced to resign in 1971 after a series of embarrassing private escapades, including an attempt to smuggle contraband liquor into India. Unlike Wilson, who mingled easily and effortlessly with senior C.I.A. officials, corporate executives and important members of Congress, the Brooklyn-born Terpil was a street operator who had been arrested twice for illegal trafficking in arms. Mulcahy knew nothing about Terpil except that he had worked overseas for the C.I.A.

The three men agreed to set up a new company, to be known as Inter-Technology Inc., for the specific purpose of selling high-speed communications gear and computers to foreign countries. The equipment was legally purchased from American companies. Each man was to be a one-third partner of Inter-Technology, which, it turns out, was one of scores of Wilson-Terpil companies scattered in corporate records throughout the United States and Europe.

If Mulcahy had any doubts about his new job, he suppressed them by believing — or wanting to believe — that Ed Wilson was still linked to the C.I.A. "Ed would parade his contacts in the C.I.A.

with the people he was doing business with to impress them that he was still C.I.A.," Mulcahy says. "He would suggest he was still under deep cover." Often on Friday nights, Wilson made it a point to go drinking at bars in suburban Virginia known to be after-hours hangouts for C.I.A. officials on duty at the agency's headquarters in McLean. Mulcahy, the new partner, began going along. "I thought he was agency," Mulcahy says of Wilson. "I had no question in my mind."

A few days after the new partnership was formed, Mulcahy discovered sales orders showing that Wilson and Terpil were in the process of selling machine guns and silencers to an arms dealer in Zambia. He was bothered by the sale of the silencers for he knew they had only one purpose — killing without drawing attention to the killer. He telephoned the F.B.I. and later showed copies of the sales orders to agents in the Bureau of Alcohol, Tobacco and Firearms (B.A.T.F.), one of whose functions it is to monitor illegal arms deals and report on impending sales. He also asked about his new partners. The authorities said that the sale to Zambia was legal and that they had no derogatory information about Wilson and Terpil in their files. "I said to myself, 'Christ, this has got to be an agency operation,'" Mulcahy recalls. "These guys are buying and selling silencers, and the F.B.I. and B.A.T.F. give them the O.K. So I'm feeling pretty good: I'd gone to the Federal authorities, shown them documents and they said Wilson and Terpil were clean."

Wilson's contacts seemed inexhaustible. Ed Wilson was friendly, as Mulcahy and Federal investigators were later to learn, with many senior legislators, including Senators Strom Thurmond of South Carolina and the late John L. McClellan of Arkansas and Representative Silvio O. Conte of Massachusetts. He could telephone a contact in the Internal Revenue Service and within 15 minutes have intimate financial details on a potential customer. He was able, with a telephone call to Washington's police headquarters, to obtain registration information on a local automobile license plate. But sometime in late May of 1976, Wilson went a step further: He telephoned Theodore G. Shackley, a prominent C.I.A. official who was then serving as the assistant to the deputy director for clandestine operations — one of the most powerful posts in the agency. Shackley was renowned for his toughness and efficiency as a station chief in Laos and in South Vietnam during the height of the Vietnam War, when the

C.I.A. was deeply involved in its still controversial Phoenix assassination program. He later served in Chile, when the C.I.A. was assigned the task of interfering with the Government of Salvador Allende Gossens.

Wilson arranged a meeting at Shackley's home a few nights later after work, bringing along Mulcahy and an American, Harry Rastatter, one of Terpil's business associates who had just returned from a business trip to Egypt, Turkey and Iran. Rastatter had obtained some information from Savak, the Iranian internal police, and was willing to pass it along to the C.I.A. Shackley was introduced by Wilson to Mulcahy and recalled knowing his father, who earned the National Intelligence Medal, the agency's highest reward, before retirement. There was talk about military and intelligence needs in Iran, Turkey and Libya. Wilson told Shackley that he and Terpil were planning to travel to Tripoli and meet with Qaddafi. "By now I'm convinced that the whole thing is an agency front," Mulcahy recalls. "I thought Ed was in bed with the C.I.A." Some Federal officials say they are still investigating Shackley's personal and financial involvement with Wilson. Shackley has acknowledged to Federal authorities that the meeting described by Mulcahy as well as other meetings with Wilson did take place, but Shackley insisted that at no time did Wilson receive any authority or sanction from the C.I.A. for his work in Libya. He said his contacts with Wilson were solely for the purpose of obtaining any stray bits of intelligence Wilson might have picked up. Wilson and Shackley had worked to-

gether in 1960 on the Bay of Pigs operation. Shackley, in an interview, confirmed Mulcahy's account of the meeting and said that he, like Mulcahy, was unaware then of Wilson's plans for supporting Qaddafi's terrorist program. Shackley said his purpose in talking to Wilson and Rastatter was to collect information from non-C.I.A. sources. "I talked to them solely not to be a captive of the system," he said. "Wilson was a guy who knew about a lot of things. He was a good contact."

After the Shackley meeting, Mulcahy was brought into the Libyan operation. Muammar el-Qaddafi had placed a purchase order with Wilson and Terpil for hundreds of thousands of timers capable of detonating explosives at some specifically delayed time. Wilson and Terpil did not tell Mulcahy, however, the real purpose of the devices; instead he was led to believe that Qaddafi needed them to clear mines from harbors and battlefields by safely blowing them up. The mines, so Mulcahy was

told, had been left from the 1973 Arab-Israeli war. The timers were to be demonstrated to Qaddafi's senior military and intelligence aides that June in Libya, and Wilson and Terpil had to find an immediate manufacturer. They decided to exploit a long-time C.I.A. contractor, the American Electronic Laboratories of Colmar, Pa., and Falls Church, Va., which had routinely been providing the agency with some of its most highly classified electronics and communications gear.

American Electronic was a logical starting place. In May 1976, Wilson had visited the company's plant in Falls Church in an effort to persuade its officers to retain his firm to represent its products around the world. Wilson brought Mulcahy and Terpil to the meeting, as well as an active C.I.A. employee, Patry E. Loomis, an agent assigned to the Far East who was operating under cover for an aircraft company. One of Loomis's functions was to serve as a liaison officer between C.I.A. headquarters and its overseas stations; he was responsible for establishing personal relationships with senior military and Government officials in the Far East. Loomis added credibility to Wilson's pitch. "Terpil was there to impress them with his contacts in the Middle East," Mulcahy recalls. "Wilson was there for Europe and Loomis for the Far East. I was there because it was told to them that I was ex-C.I.A. and would remain on-site and accessible while the others traveled."

Loomis, who had been illegally moonlighting for Wilson for some time, was one of dozens of former Government employees who had been recruited by Wilson and Terpil. Government investigators have learned that Wilson's technique, as utilized in his approach to American Electronic, was to seek out intelligence and military officials with close relationships with both vital suppliers and foreign governments. These men would be retained to sell goods, ranging from canned foods to weapons, to those foreign countries. Income for his salesmen, as well as for Wilson, was extremely high, in part because the sales were often contingent on under-the-table kickbacks to Wilson's company and to foreign officials.

No agreement was reached between Wilson and senior officials of American Electronic at their meeting, but Wilson and his associates were able to leave the impression that their work was not only highly profitable but also had been officially sanctioned by the Government. In June, when the 10 prototype timers were needed, another series of meetings was set up in a Virginia bar involving three of Wilson's employees,

along with William Weisenburger, then an active-duty C.I.A. official, and two employees of American Electronic, one of whom was another C.I.A. official, then working under cover. Weisenburger and the American Electronic men agreed to work privately over the weekend to produce 10 prototype timing devices at the inflated cost of \$1,500 each (10 times the actual cost). Federal authorities later concluded that these men knew that there had been no official C.I.A. authorization for the job, and that senior officials of American Electronic had not known of the moonlighting. It was a project that in the months ahead struck Mulcahy as wildly ironic: He knew that many of the company's senior officials were Jewish and, he now says, "You can bet they wouldn't do anything for Libya."

Mulcahy was beginning to get a taste of life as an international salesman, and it was good. In June, he flew to England to set up an exhibition at a security show at Brighton. The rooms were first class. So was the food, and there seemed to be a constant series of parties, and party girls. One of Mulcahy's first customers at the security show was a Syrian company, Abdallah Engineering, which was interested in purchasing high-speed communications equipment — gear so sensitive, Mulcahy thought, that the State Department would never permit its export. "Frank told me, 'Don't worry about it. We don't need licenses. Just get the order,'" Mulcahy recalls. "By now it was obvious that Wilson and Terpil had a wide latitude for the agency."

The equipment included encoding devices and radio monitors capable of tracking, intercepting and interpreting encoded signals. There was a meeting with representatives of the Irish Republican Army, who wanted American-made M-16 rifles. Mulcahy learned that such weapons could be found in plentiful supply; North Vietnam had sold its surplus weapons — seized in huge quantities after its army overran South Vietnam in 1975 — to Samuel Cummings of Interarmco, the European-based arms dealer. It was in England also, Mulcahy says, that Terpil asked him if he wanted to earn \$5,000 on his return flight to Washington by detouring to Cairo to deliver a "cold gun," one with no identifying serial number. Mulcahy refused to deliver the weapon, but did

learn months later that Qaddafi had provided Terpil and Wilson with a \$1 million contract to assassinate Umar Abdullah Muhayshi, a Libyan defector who had plotted to overthrow Qaddafi's regime. The assassination assignment had been subcontracted by Wilson to three anti-Castro Cubans in Miami with whom he had once worked in the C.I.A. "Frank was playing both ends against the middle," Mulcahy recalls. "He was setting up an elaborate security system for the guy in Egypt to protect him while at the same time trying to bump him off."

Mulcahy and Terpil got along well and the two men exchanged many confidences during their trips together. "Frank tends to talk a lot; he likes to name-drop," Mulcahy says. "What charges Frank's batteries is the thrill of the chase, the excitement, being on the periphery of power. He thrives on it." In time, Mulcahy said, he came to realize that there was more truth in Terpil's seemingly wild stories than he had thought.

Wilson is more discreet and far more dangerous, Mulcahy said. "Ed is devious and cunning and he's living a lie — that he is the most important human being alive. He'll use anything to manipulate people or events to get them to come out in his favor. He's absolutely brilliant in the way he sets a deal up, puts people together and parcels out information. Ed compartmentalizes his own operation the same way the agency does. It allows him to play both ends against the middle and come out the winner. If Ed comes back and goes on trial, he's going to use every bit of information he's stored up for years to get the C.I.A. in court and put the agency on trial instead of Ed Wilson." In fact, Wilson's attorney in Washington, Seymour Glanzer, has repeatedly told Federal prosecutors that the whole story of his client's involvement in Libya.

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has not been aired. Glanzer, in a telephone interview, refused to comment. But the prosecutors have inferred from conversations with him that his defense will be: Wilson is still at work for the C.I.A. There is no known evidence that this is the case, however.

Mulcahy immediately sensed Wilson's essential toughness, but there was nothing unusual about such men inside the C.I.A. and it was a characteristic that could be admired. Mid-1976 was a period of travail for the C.I.A., which was under attack in the press for its illegal domestic spying activities and under investigation by the Senate Intelligence Committee for its foreign assassination efforts. Mulcahy learned, shortly after joining Wilson and Terpil, that President Ford had placed severe new restrictions on clandestine C.I.A. activities. Wilson and Terpil suddenly became more legitimate in his eyes: "I thought it was logical that the agency would set it up this way and have their people on the street freelancing."

During that summer, Mulcahy edged closer to the line of illegality and, in at least one case, crossed it. He recalls that Wilson and Terpil were selling munitions, communications equipment and highly restricted night-vision devices without preliminary clearance from the Office of Munitions Control in the State Department and the export control division in the Commerce Department. In one case, Wilson and Terpil purchased a United States Army vehicle equipped with night-surveillance equipment for shipment to Libya, in direct violation of all regulations. To avoid any possible problem, the vehicle was first sent to Canada and transhipped from there to Tripoli. The risks of such flagrant activity were high, but so were the rewards. The vehicle cost about \$60,000 to purchase in the United States and was sold to the Libyan Government by Wilson and Terpil for \$990,000. Federal prosecutors later learned. Similarly, Terpil and Wilson provided Qaddafi with

hundreds of closely controlled and sophisticated infrared night-vision devices for M-16 rifles, which were primarily designed for use by snipers in warfare. Not all such sales went to Libya. Mulcahy says he was directly involved in the illegal sale of 2,000 rounds of ammunition to the South African Government, and he used falsified documents to label the ammunition as "plumbing fixtures." This and other sales, he says, were arranged through Sven K. H. Hoffelner, an Austrian arms dealer who also owns a successful group of restaurants in London. Hoffelner had established a close working relationship with Terpil by the time Mulcahy joined the operation.

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In July 1976, after his return from England, Mulcahy learned that only six of the 10 timing devices sent to Libya had worked. The demonstration of the devices was made in Libya by John Henry Harper, who had spent more than 20 years as a bomb and ordnance technician for the C.I.A. and who had joined American Electronic after he retired. Two of the timers had failed, Mulcahy was told, because Harper had miswired them. Libya's reaction to the demonstration was puzzling to Mulcahy: Although nearly half the devices had failed to work, the Libyans were still willing to order 100,000 for immediate delivery. A few weeks later, Terpil returned from a visit to Libya with an increase in the order to 300,000 timers. "I didn't get suspicious," Mulcahy recalls, "until Frank came in with the order for 300,000. I knew damn good and well that there was no way there was a need for 300,000 timers — there weren't 300,000 mines in the harbors and deserts from the Six-Day War as well as World War II."

At this point, Mulcahy understood that Wilson's story about mine-clearing in Libya was false, but he thought it was shielding a C.I.A. opera-

tion, and not serving as a cover for a terrorist support program. The cover story was beginning to erode. Whatever concerned Mulcahy was quietly suppressed over the next few weeks, however: "I was impressed by the money and the possibility of making a fortune."

By this time, it was clear that the senior officers of American Electronic could not be persuaded to build 300,000 timers without verifying the order with the C.I.A. There was yet another scramble: This time to find a manufacturer who could begin delivering the timers within 45 days. Another Friday night meeting in a Virginia bar was arranged with Mulcahy and representatives of another long-time C.I.A. supplier, Scientific Communications Inc. of Dallas. Terpil had found the company, whose president, Joe L. Halpain, later agreed to manufacture 500 prototype timers within 30 days. At the Friday night meeting was William Weisenburger, then a branch chief in the C.I.A.'s Technical Services Division — the group responsible for producing the special weapons and safety devices that have been popularized by the James Bond movies. Thomas G. Clines, then a senior official in the C.I.A.'s Office of Training, also was in the bar that night, sitting with Ed Wilson. Mulcahy spent the night table-hopping as the manufacturing plans were worked out. Clines was well known inside the agency for his closeness to Ted Shackley. Like the others, Clines had played a role in the Bay of Pigs. After Shackley's retirement from the C.I.A. in 1979, he and Clines would set up a consulting firm.

Everybody smelled the big money that night in the bar. Mulcahy later learned that the final contract with Qaddafi called for a total payment of \$35 million for 500,000 timers whose cost to supply, he knew, would be somewhere around \$2.5 million. Even in the inter-

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national-arms business, profits like that are not easy to come by.

Wilson's major concern was time; he had promised the Libyans that he would set up a manufacturing laboratory near Tripoli for the production of assassination weapons in August. Qaddafi, in turn, promised to pay him \$1 million in cash immediately upon arrival of the first batch of timers, explosives and other equipment that would be needed. Manufacturing the weapons themselves in Libya would be no problem; men such as John Harper, who was paid more than \$2,000 a week by Wilson and Terpil, agreed to go to Libya and begin training Libyans in the art of disguising explosives in ashtrays, flowerpots, lamps and other household goods that could be triggered by delayed timing devices. Scientific Communications came through on its promise to deliver the proto-

type timers within 30 days. The Texas company had handled legitimate and sensitive contracts for the C.I.A., but this one was different and the firm's president, Joe Halpain, knew it. He personally delivered the timers, hidden in plastic-prescription bottles for export to Libya, to a motel near C.I.A. headquarters, where they were picked up by Wilson and Mulcahy. Far more difficult were the issues of where to purchase the volatile chemical explosives needed for the production of the assassination weapons and how to slip them into Libya. The necessary explosives included TNT and a variety of lethal plastics — among them RDX, formally known as cyclotrimethylene trinitramine — which were designated as Class A explosives by the Department of Transportation and could not be shipped on passenger and cargo aircraft. Wilson and Terpil again reached into the ranks of C.I.A. contractors and

found a California firm, J.S. Brower and Associates of Pomona, which agreed to supply the chemicals, all of which were considered defense articles that could not be exported without Federal licensing.

One problem remained: how to get the timers and explosives into Libya. In early August, 1976, Mulcahy attended a meeting at the offices of Inter-Technology in Washington with a cargo sales manager of Lufthansa German Airlines, which has passenger service from Germany to Tripoli. The sales manager, Walter Doerr, categorically refused to ship the explosives, legally or otherwise, on a passenger craft. And he refused to charter a special cargo plane because of the high risk of explosion. Later that day, Terpil arranged a meeting with Jerome S. Brower, the 61-year-old president of Brower and Associates, who was a highly respected figure in his industry (and later was asked to advise Congress's Office of Technology Assessment on a proposed method of marking and tracing explosives used in international terrorism). Brower was shown a list of all the chemicals that Inter-Technology wanted to purchase for the Libyan operation. Mulcahy recalled that Brower immediately exclaimed: "Hey, you don't need all this stuff for mine clearance."

Wilson explained that the company was setting up a laboratory in Tripoli and doing some demonstrations work. "He didn't say precisely what we were doing," Mulcahy recalls, "but it was obvious. Wilson went further than I'd ever heard in explaining the scope of the entire project. There was an enormous potential for follow-up business, which removed any inhibitions Brower had." Mulcahy marveled at Wilson's ability to handle Brower: "Brower had never done any business with either of these guys before and here he is agreeing to sell and ship explosives to Libya." Brower immediately raised his price and demanded partial payment in advance. Wilson and Terpil agreed to pay nearly \$38,000 on account, Mulcahy says, and the California businessman "called his plant, talked to his wife, Peggy, and his plant manager and told them how to pack the chemicals."

RDX, the most lethal and unstable material, was to be placed inside 55-gallon drums in webbing and the drums then were to be filled with a gel substance. The explosives were to be shipped East, to Dulles Airport,

marked as "industrial solvent," on the first available passenger flights, Mulcahy recalls. Once at Dulles, they were consolidated into one shipping container, along with the timers and the industrial tools and workbenches needed to set up the explosives laboratory in Libya. Then they were forwarded to Europe for transshipment by Lufthansa passenger planes to Tripoli without knowledge of the airline. All of the men involved in the meeting in Washington understood the implications of what they were doing, Mulcahy says: "The nitro could have blown if the plane hit an air pocket."

Brower was indicted in April 1980, along with Wilson and Terpil, for his role in illegally conspiring to ship the explosives with knowledge that they would be used to "kill, injure and intimidate individuals." After pleading guilty and agreeing to cooperate with Federal investigators, he was fined \$5,000 last December and sentenced to a five-year prison term, with all but four months suspended.

The meeting with Brower had resolved the final stumbling block and Wilson flew to Libya, where he was to conclude the arrangements for establishing the weapons laboratory and to be on hand to insure the careful handling of the shipment of "industrial solvent" from the United States. He also would receive the promised million-dollar payoff from Qaddafi.

Kevin Mulcahy, meanwhile, flew to Europe for a meeting in London with Terpil and a group of British arms dealers. There was the inevitable party early one balmy Sunday afternoon, thrown by Sven Hoffelner, the trade link to South Africa. Hoffelner had rented a barge and as it was being poled along a canal near Oxford in the bright sun, Mulcahy began taking casual snapshots of the revelry. Terpil saw his camera, Mulcahy recalled, and "went berserk. He got all red in the face; he was really, really nervous and told me to put the camera away before you end up dead."

Later that evening, Terpil explained that one of the guests on the barge was Carlos Ramirez, known to police throughout the world as "the Jackal" — the international terrorist believed to be responsible for planning the 1972 Olympics massacre in Munich, a deadly raid on the Fiumicino Airport in Rome and numerous aircraft hijackings. There was no photograph of Ramirez in existence, Terpil told Mulcahy; the "Wanted" posters on display

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at airports throughout the world contained only a composite drawing. Terpil also told Mulcahy that Ramirez was living in barracks No. 3 at the former Wheelus United States Air Force base in Libya. Terpil seemed awed by Ramirez, who was accompanied at the party by Sayad Qaddafi, chief of Libyan intelligence, identified by Terpil as Qaddafi's cousin and the second most powerful man in Libya.

Mulcahy was now in far too deep and he knew it.

It was late August and John Harper and other Wilson-Terpil employees were at work in Tripoli setting up the munitions laboratory for terrorist bombs and a training program for their effective use. Wilson and Terpil made it clear to Mulcahy that they did not want him to go to Libya. Mulcahy kept his now grave doubts to himself and continued on his business trip, moving on to Copenhagen and another series of meetings. Terpil returned to Libya, and he and Wilson suddenly dispatched an urgent cable to Copenhagen: Mulcahy was to break off his trip and return to Washington to open negotiations there with the General Dynamics Corporation for the purchase of one of its Redeye ground-to-air missiles. General Dynamics had advertised in trade journals that it had 18 Redeyes for sale to legally acceptable buyers. The missile, which could not be exported to Libya under the law, is shoulder-launched and has a heat-seeking component that enables it to track and destroy aircraft in flight. It had been used extensively and successfully by the Israelis during the 1973 war. "My problem was not to worry about the paperwork," Mulcahy says. "Terpil and Wilson had a pilot in Pennsylvania who would fly anywhere. Once he got over the water" — and away from American legal jurisdiction — "he would change the paper." If the Redeye had been purchased, the pilot would simply change the intended recipient listed on the export license, from an approved ally, such as those in NATO, for example, to Libya.

Altering the State Department's export license, known officially as the end-user certificate, was considered so much a normal part of the arms business by Wilson and Terpil that Mulcahy had been authorized to quote prices 8 percent to 12 percent higher if the sale also required supply of the certificate.

Mulcahy was unnerved by his sudden assignment and discussed it with an associate in Copenhagen — a foreign military attaché stationed in Denmark who had a reputation for legitimate operations. "My friend told me that the only reason Libya would want one Redeye was for use in a terrorist attack," Mulcahy says. "We speculated that Qaddafi probably wanted to be the first to shoot down a 747. To hit a fully loaded passenger plane in flight would be bigger than the destruction of planes at Dawson Air Field in Jordan," when P.L.O. terrorists in 1970 blew up three international airliners and held scores of passengers hostage.

Mulcahy had a leisurely dinner and began walking the streets of Copenhagen. He couldn't sleep. He recalled a trip he and Terpil had taken to a firm called Defense Apparel in Hartford, Conn., where Terpil discussed the possible purchase of up to 100,000 suits that would protect humans exposed to radioactivity. Could the Redeye carry a nuclear warhead? He knew now he would never place the Redeye order.

"I watched the sunrise come in Copenhagen," Mulcahy recalls, "and knew what I had to do — get back to Washington fast. I had to find out what paperwork existed" in the Inter-Technology offices he shared with Wilson and Terpil. "I felt that Frank and Ed were giving Qaddafi any goddamn thing he asked for." ■

NEXT WEEK

Kevin Mulcahy goes underground to save his life. The Government drags its feet in the arms-export investigation, while some former American C.I.A. and military men continue exporting the hardware of terrorism — timers and explosives, for example — and train Libyans for assassination.

THE MAN WITH THE CONTACTS

Edwin P. Wilson is invariably depicted by former associates as a charming, charismatic, effective, rough-and-ready, 6-foot-4 swashbuckler who excelled in his military and intelligence career. But the real reasons for his success as an international weapons dealer are the contacts he has built up during more than 20 years of work with United States Government intelligence services.

Wilson went to work for the C.I.A.'s Office of Security in 1951 and, after serving in the Marines, became a full-time C.I.A. contract employee in 1955. In the late 60's, he helped organize a Washington firm called Consultants International Inc. for the C.I.A. and the Navy. The firm's ostensible purpose was to conduct export-import operations, but that function was a cover for classified intelligence operations.

Over the next few years, his intelligence activities were combined and mingled with his private operations. He hired a number of associates, many of them with military or intelligence backgrounds, and, according to Federal officials, was routinely receiving huge kickbacks from American manufacturers and foreign governments on his procurement contracts.

The men working for him were convinced that he was still active in C.I.A. intelligence operations. "I thought he was reporting directly to the President," one former associate recalls. "Ed still must be sanctioned by the U.S. Government. The people I met were impressive. All of a sudden I'm on a first-name basis with big names in Congress and the Senate. It was always like the Government was supporting us." Robert Keith Gray, an influential public-relations man known for his close ties to the Eisenhower, Nixon and Reagan Administrations, was among those listed as a member of the board of Consultants International for five years, beginning in 1970. However, Gray, who served as co-chairman of Reagan's Inaugural Committee, expressed sur-

prise in an interview upon being told of his official listing. "I never knew I was on the board," Gray said. "I never was invited to a board meeting." He acknowledged that he has had a social and business relationship with Wilson, whom he described as "charming and very much a red-blooded American."

In 1971, Wilson dropped his C.I.A. connection and was a part of Task Force 157, a secret Navy intelligence unit that employed 50 to 75 agents to monitor and collect information on Soviet shipping. It reported not only on routine cargo items but also watched for the covert shipment of military goods and nuclear weapons. The unit also was charged with the responsibility of picking up intelligence operatives from Taiwan and secretly ferrying them inside mainland China, where they would implant sensitive seismic monitors and radio equipment. Those operations were stopped after President Richard M. Nixon's visit to Peking in 1972, and C.I.A. officials were astonished to learn later that some of the sensitive equipment, designed solely for use inside China, was appearing for sale in the international arms market.

Wilson's first C.I.A. assignment, in the 50's, was to infiltrate the Seafarers International Union, in which he was eventually appointed to a number of official positions. He also was involved in Congressional lobbying on behalf of the union and apparently began then forming his close relationship with a number of influential members of Congress. Wilson became a C.I.A. specialist on maritime issues and was involved in the procurement of equipment for clandestine Navy operations. During the Bay of Pigs, he was assigned as a paymaster and handled procurement as well. He later served in Southeast Asia and Latin America.

A full accounting of Wilson's connections and business activities may never be known. He has boasted of having a controlling interest in more than 100 corporations in the United States and Europe. — S.M.H.

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EXPOSING THE LIBYAN LINK

The Qaddafi Connection / Part 2 In 1976, a former Central Intelligence Agency analyst revealed to Federal authorities the link between two former C.I.A. men and Libyan terrorism — only to face four years of delays in the investigation before indictments were brought against those men, who remain at large to this day.

Five years ago, two former operatives of the Central Intelligence Agency made a deal with Col. Muammar el-Qaddafi to supply the Libyan strongman with explosives for huge sums of cash. They also hired former Green Berets to set up a secret training school to teach the Libyans the latest techniques in assassination and international terrorism. As a cover for these

operations, the two men, Edwin P. Wilson and Frank E. Terpil, operated several seemingly legitimate export companies. To head one such company, they hired another former C.I.A. employee, Kevin P. Mulcahy. For a long time, Mulcahy let himself believe that the entire operation was really part of an unofficial but approved American intelligence operation being carried out

by an "old-boy" network of former Government workers, intelligence agents and Green Berets with strong and lasting connections to Washington officialdom. In this, the second of a two-part series, Mulcahy discovers that the Qaddafi connection is illegal and not an intelligence operation, and, at considerable personal risk, goes first to the C.I.A. and then to the F.B.I.

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By Seymour M. Hersh

Shortly before midnight on a muggy Washington Sunday in September 1976, Kevin P. Mulcahy, a former C.I.A. analyst who was then in the export business, telephoned the duty officer at agency headquarters in McLean, Va. "There are problems overseas," Mulcahy said without elaboration, and he had to talk immediately to the agency's assistant to the deputy director of clandestine operations. Mulcahy would wait for a return call.

The call came within the hour. On the telephone was Theodore G. Shackley, one of the most influential men in the C.I.A. Mulcahy had a disturbing tale to tell. The firm of which he was president had agreed to sell the hardware of terrorism — explosives and delayed-action timers — to Libya's Col. Muammar el-Qaddafi. Moreover, the firm

Seymour M. Hersh, a former reporter for The New York Times, is at work on a book about Henry Kissinger to be published by Summit Books.

had also agreed to set up a training school to teach Libyans the latest in the techniques of terrorism and political assassination. Only days before, Mulcahy told Shackley, he had been ordered to purchase an American-made Redeye missile, a weapon capable of shooting down a commercial airliner, for delivery to the Libyan ruler. Mulcahy's two business partners, Edwin P. Wilson and Frank E. Terpil, who had brought Mulcahy into the firm, were themselves former C.I.A. operatives.

Now, on the telephone, Mulcahy asked Shackley: "Is this a C.I.A. operation or not?"

Shackley was noncommittal, and Mulcahy now knew that his worst suspicions were correct: The Wilson-Terpil operations did not have the sanction of the C.I.A. He knew that in the close-knit world of Government intelligence word would somehow get back within days to Mulcahy's partners that he had gone to the authorities. So he quickly went into hiding, disguising his appearance and using a false name. But he anticipated that his partners and their associates would be quickly seized, convicted and imprisoned. He expected this would happen not only for his own well-being, but also to stop an operation he believed

inimical to the national-security interests of his country and to world peace.

But things did not work out that way. The Federal law-enforcement agencies eventually became enmeshed in a long series of bureaucratic rivalries and intrigues that hampered and delayed the investigation. There was another complication: a lack of Federal statutes that expressly barred acts of terrorism by Americans abroad.

Mulcahy found himself in limbo, not a fugitive from justice but, in a sense, a captive of it. Over the coming months, there were no quick arrests. And while he was in hiding, Wilson and Terpil were steadily expanding the scope of their operations inside Libya. They arranged for illegal shipment of more than 40,000 pounds of explosives to Libya and continued to recruit former Green Berets and Government ordnance experts for their training school. Qaddafi is believed to have relied on the American-provided matériel and training in his efforts to expand his influence in the Middle East and North Africa, including the invasion earlier this year of neighboring Chad. The Libyan ruler is suspected, too, of having ordered the political assassination of 10 or more of his political enemies living in exile,

John Swain

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with the aid, in at least one case, of Wilson and Terpil. It would be four years before the two men would be indicted by the United States Attorney's office in Washington on charges that included illegal export of explosives as well as conspiracy and solicitation to commit murder. They are both at large to this day. As a result, Mulcahy has now, in frustration, decided to tell his story publicly for the first time.

Kevin Mulcahy's business partnership began to unravel in Europe in late August 1976 after he was ordered by his partners to purchase the Redeye missile for Qaddafi. He then left Wilson and Terpil and flew to Washington to find out all that his company, Inter-Technology, was doing in Libya. After he arrived, he went to the company offices and went through the files. It was what he found there — documents marked "secret" which he, the firm's president, had never seen — that led him to call the C.I.A. duty officer. There were contracts and correspondence which explicitly defined the corporation's ostensible business dealings with Libya as cover operations, and which contained forgeries of Mulcahy's signature.

The documents outlined a 26-week "training program for intelligence and security officers in the field of espionage, sabotage and general psychological warfare," and one page said the program's emphasis would be "placed on the design, manufacture, implementation and detonation of explosive devices." Mulcahy further learned that his partners had proposed to Qaddafi that the first graduates of the terrorist school demonstrate their skills by blowing up an Aramco pipeline in Saudi Arabia.

Mulcahy knew he was in trouble. Wilson and Terpil, he says, "had set me up beautifully. By then, I was in deep enough, and I knew they had me. I picked up an ashtray from Frank's desk, threw it across the room, and broke a lamp."

As president of the company, he knew he could be held criminally responsible for its activities, and, he says, "I had to think — what the hell do I do now? I had to find out. Was this a C.I.A. operation or not? Did it involve national security? I still wanted to think there was a possibility that Ed and Frank were acting on behalf of the C.I.A. If it was a C.I.A. operation, I had two options — continue to do it, or get out. If it wasn't C.I.A., then I could make up my mind: Do I want to make a lot of money or do I get out and take my chances?"

He knew only too well the dangers. A few months earlier, Terpil had passed a message to Wilson, through Mulcahy, reporting that "the hit's been taken care of." Mulcahy learned from the talkative Terpil that Wilson felt he had been cheated six or seven years earlier by a merchant in Paris on a transaction involving British woolen uniforms in storage in Nova Scotia. The "hit" referred to by Terpil apparently was a

bomb that went off under the merchant's auto, severely injuring his wife, who apparently was alone.

Kevin Mulcahy's initial belief was that Wilson and Terpil were operating with the full sanction of the C.I.A. He had been told the exported explosives and other materials were to be used to clear mines planted in Libya's harbors and battlefields during the 1973 Arab-Israeli war. Mulcahy clearly wanted to believe the cover story. His own allegiance to the C.I.A. was deep; he had worked for the agency as an intelligence analyst in the 1960's, and his father had begun working there in 1947, the year it was chartered. In 1968, Mulcahy resigned to take a job in the electronics industry, and in 1976 Ed Wilson offered him a high-paying position in his export company. Mulcahy knew Wilson had served with credit in the C.I.A.; knew he was widely respected by his former agency associates, and was led to believe that important ties still existed.

Indeed, one night, not long after Mulcahy joined the business, Wilson took him to Theodore Shackley's home. Shackley later said he welcomed such visits from Wilson because they produced useful intelligence. Among other things, Mulcahy recalls, Wilson and Shackley discussed Wilson's forthcoming visit to Libya for a meeting with Qaddafi. Wilson's main purpose for the meeting, however, Mulcahy says, was to seek Shackley's intervention in the granting of a Government export license for a pending sale of high-grade communications gear, whose export was about to be disapproved by the State Department. It is not clear what significance Shackley gave to the visit, but Mulcahy certainly thought he understood the point: that the export business was covertly approved by the C.I.A.

After Mulcahy's alarming discovery in his company's files, he knew he needed help, that he had to talk to someone. "My first instinct was not to hurt anybody," he says. "If it was a C.I.A. operation, I didn't want to blow it by exposing it to an outsider or to some underling at the agency. I felt there was no one I could safely talk to about what I had found." So he turned to Shackley. If the Wilson-Terpil operation was C.I.A., Mulcahy knew he could discuss it with Shackley without jeopardizing it.

But while waiting for Shackley to return his call, Mulcahy also telephoned an old family friend who worked in the C.I.A.'s Office of Security, and asked him to come over and review the Inter-Technology documents. "My thought was that no matter what Shackley decided to do, or not do, I wanted someone else in the agency to be aware of the Libyan operation," Mulcahy recalls. "I wanted a second reporting source."

Mulcahy's family friend was particularly concerned that there was evidence linking Patry E. Loomis and William Weisenburger with the Wilson operation; Loomis and Weisenburger still were on active duty with the C.I.A. The Office of Security official suggested that Mulcahy report his information to the F.B.I. He did so with a

sense of betrayal: Nothing in his life had prepared him to be disloyal to former colleagues and associates, particularly in an agency so closely tied to the life of his family. It was that loyalty, perhaps, so widespread throughout the C.I.A., that enabled Wilson and Terpil to operate so openly for so long.

On the very day that he began talking to the Government, Mulcahy received a message from Wilson, who was still overseas: "He told me to 'shut up, just knock it off.' He'll explain everything when he returns."

A secretary at Inter-Technology later passed an explicit warning to Mulcahy: "She knew it was not a C.I.A. operation and she said, 'Ed is going to kill you.'" Mulcahy decided to go underground. He armed himself with an M-16 rifle and spent three weeks camping, shifting campsites every evening. Presently, he moved to a small town in the Shenandoah Valley and established a new identity for himself, with a birth certificate, driver's license, passport and credit card, and took a job as a drug and alcoholism counselor. A few years earlier Mulcahy had successfully overcome a drinking problem with the aid of such counsel.

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He also began talking extensively to Federal agents from six investigatory agencies, traveling at his own expense to Washington as often as three days a week. The F.B.I. assigned a group of agents to the case, and Mulcahy was encouraged. "They said they needed more stuff and we started going through all the paperwork I had. I was drawing diagrams for them, giving them organizational charts, the details of possible political payoffs. I gave them a long statement, agreeing that I would continue to cooperate with them as long as I would never have to testify

publicly against Wilson and Terpil, and that my name would never be mentioned in the press. I knew these guys were looking for me. I was afraid of them. They had called members of my family and the woman I was seeing, trying to locate me." A constant fear was for the safety of his two sons, both of whom live in the Washington area with Mulcahy's former wife and had visited Wilson's farm.

Meanwhile, the Government received unsolicited first-hand corroboration of his allegations. In early October 1976, John Henry Harper, a former C.I.A. bomb technician who had been hired by Ed Wilson, returned from Libya and, after learning of Mulcahy's defection, went to the C.I.A. where he, too, described the program that Wilson and Terpil were setting up for Qaddafi. Harper said that he and his fellow Americans had constructed a laboratory and were manufacturing assassination bombs disguised as rock formations, ashtrays, lamps and tea kettles.

Wilson and Terpil also hired three Cubans who had worked for the C.I.A. to carry out an assassination on behalf of Qaddafi. Wilson paid the three men \$30,000 in expenses with a personal check drawn on his account in a Middleburg, Va., bank. Instead of carrying out their assignment, the Cubans returned from Europe and reported to the C.I.A.; they told the agency that they had initially believed that their assassination target would be the international terrorist Carlos Ramirez, known to police as the Jackal, the man who planned the 1972 Olympics massacre at Munich. However, after meeting in Geneva with Wilson, the Cubans said they learned that the target would be Umar Abdullah Muhayshi, a Libyan defector who had plotted to overthrow Qaddafi's regime. The Cubans refused the assignment and returned to the United States. All of this information was made known to the Federal investigators by the C.I.A.

At about this time, Shackley was ordered by a superior to draft a memorandum of his late-night telephone conversation with Mulcahy, about which he had never made a formal report, senior C.I.A. officials discovered. Now Shackley depicted Mulcahy as being irrational, paranoid, alcoholic and an unreliable informant. A copy of the Shackley memorandum eventually was provided to the United States Attorney's office in Washington and to Federal investigators. Shackley's suggestion — that Mulcahy was not in full control of his faculties — would be taken at face value by many over the next few months. Mulcahy remains hurt and bitter today about the memorandum. "It was a cheap shot to use my past illness, for which I'd long been treated, to discredit me."

Wilson and Terpil continued to expand their operations inside Libya. Those in their employ included Pat Loomis, who was still under assignment with the C.I.A. as a liaison officer between its headquarters and its overseas stations; Loomis and others began meeting with Green Berets near the John F. Kennedy Special Forces training center at Fort Bragg, N.C., and urg-

ing them to retire from the military and join the operations in Libya. In those contacts, the Green Berets later told a Federal grand jury, there once again was the suggestion that everything had been sanctioned by the agency.

Evidence in the Wilson-Terpil case had been forwarded by the F.B.I. to the Foreign Agents Registration sec-

tion of the Department of Justice. Complicating the F.B.I.'s investigation was the fact that there are no Federal laws prohibiting the aiding and abetting of terrorist or presumed terrorist activities outside the United States. There was yet another factor that obviously inhibited the initial investigation and made the Wilson-Terpil case seem less urgent; this was the

political assassination in September 1976 of Orlando Letelier, the former Chilean Ambassador to the United States. Solving Letelier's murder, which took place in downtown Washington, became a high priority of the United States Attorney's office in Washington, draining off manpower and the emotional energy of the staff.

The tension began to build for Mulcahy. He seemed to be unable to get anyone in the Federal Government to share his concern about the vital importance of rapidly stopping the flow of timers and explosives to Libya. Mulcahy knew that assassination weapons were being made in Libya by

— and America's — hands before long. Wilson and Terpil had responded to Mulcahy's accusations by hiring prominent defense attorneys and depicting Mulcahy as an alcoholic Vietnam veteran for whom they had showed compassion by giving him a job — only to learn that he was unstable and irrational.

In April 1977, a report in The Washington Post on the Justice Department's pending investigation of Wilson's ties to Libya brought the matter to the attention of Stansfield Turner, the newly appointed C.I.A. director. Turner moved to take personal charge of an inquiry into the Wilson operations and quickly learned of Mulcahy's charges. The C.I.A. director then called in Pat Loomis and Bill Weisenburger, questioned them and fired them. He also ordered a shake-up in the C.I.A.'s clandestine service, replacing Ted Shackley and his immediate superior, William Wells. "They were both nice guys," Turner says, "but not right for the job." He will not elaborate. The C.I.A. director further had a directive posted in the agency's headquarters and sent to every office abroad, warning that no employee was to associate with Ed Wilson.

What Turner did not do was call in Kevin Mulcahy. If he had, he might have learned the extent of Wilson's contacts in Libya and that Wilson's access inside the C.I.A. transcended Loomis and Weisenburger. Turner also might have learned that the clandestine-operations division had been warned that Wilson was attempting to arrange a political assassination on behalf of Qaddafi, as the Cubans had told the C.I.A. control officers. Moreover, no one in the agency seems to have bothered to inform Turner of John Harper's account of the weapons laboratory and training programs in Libya undertaken by Wilson and Terpil.

The failure of the lower-level officials of the C.I.A. to report fully to Stansfield Turner does not mean that Wilson's activities were approved of or endorsed in any way, but it does reveal an astonishing and not fully understood *modus vivendi* of the intelligence business: The primary loyalty of the men in the clandestine service was to Ed Wilson, their former colleague and associate and not to the new Director of Central Intelligence, who was viewed as an outsider who could not understand the mentality of an operative in the field. Kevin Mulcahy had violated the code.

Shipments of explosives for use in terror weapons continued to flow into Libya, and a second generation of timers — far more sophisticated than the first group shipped in 1976 —

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began arriving in Tripoli. Ed Wilson, with his charm and his C.I.A. expertise, had struck up a warm personal friendship with Qaddafi and he emerged by the end of 1977 as the man in charge. Frank Terpil became disenchanted with his reduced role — and the reduced personal profits — and began spending less time in Libya. Terpil eventually moved on to

Uganda, where he received a \$3.2 million contract to provide arms, explosives and torture devices, among other things, to the regime of Idi Amin.

Wilson's contacts with Jerome S. Brower, a California explosives manufacturer, intensified during this period and Brower — who had supplied the first shipment of explosives

to Libya in the summer of 1976 — began recruiting bomb experts for the Wilson operations. Federal authorities learned later that two of the experts recruited by Brower — Robert E. Swallow and Dennis J. Wilson (no relation to Ed Wilson) — were civilian Navy employees at the China Lake Naval Weapons Center in the Mojave Desert in California, where some of

the Navy's and C.I.A.'s most sensitive ordnance research is conducted. Swallow and Dennis Wilson, Federal authorities say, spent their annual leave in 1977 on site at Ed Wilson's training camp in Tripoli. Both men returned to their Government jobs without informing anyone about what was going on in Libya. The men are now under investigation by the United States Attorney's office.

Not everyone kept his peace. One of the Green Berets reported to military intelligence that he had been approached by Loomis. In another case, as later told to a Federal grand jury, a former Green Beret who had worked in the Wilson-Terpil operations in Libya was extensively debriefed by military intelligence upon his return and referred to the F.B.I. for further questioning. None of these reports seemed to make any difference: The F.B.I. investigation continued at a slow pace; Wilson and Terpil continued their terrorist-supply operations, and Mulcahy continued to hide and to worry every time he started his car.

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By mid-1977, Mulcahy had been hired to design and implement a residential treatment program for alcoholics and drug addicts in suburban Washington. But his past association with Wilson and Terpil continued to be a major part of his life, and he began to be annoyed with the F.B.I., not only by the slowness of its investigation, but also by the manner of some of the agents. "I was sick and tired of talking to the F.B.I. We had a falling out. They kept me totally in the dark about what they were doing, but began to accuse me of holding out on them." Mulcahy particularly was angered by the agents' insensitivity: "They would walk into our treatment center unannounced, right into the middle of the house, looking like Mutt and Jeff, with their trench coats on and their collars turned up." Such visits inevitably alarmed the patients in the center, many of whom had unresolved problems with the law, and some began to view Mulcahy as a Government informant or under investigation himself.

Mulcahy had no illusions about his status inside the C.I.A. that summer. He had telephoned the Office of Security to see if the agency would provide some protection in case Wilson and Terpil decided to move against him. "They flatly refused," Mulcahy recalls. "It was almost like I was a turncoat. I felt it was National Igloo Week."

In December 1977, after more than a year of inquiry, the Foreign Agents Registration Office of the Justice Department concluded that Wilson and Terpil, despite conducting "nefarious" business activities, had violated no American laws. They wrote *pro forma* notes, known as letters of declination, to the United States Attorney's offices in Alexandria, Va., and Washington, recommending that the case be dropped.

A copy of the letter was shown to Eugene M. Propper, an aggressive

assistant United States Attorney who was then directing the Letelier prosecution in Washington. Propper had interviewed Wilson briefly the previous April, and Wilson emphatically denied any involvement in the sale of the timers to Libya; it was a lie that Propper vividly recalled when the Justice Department sought to drop the case. Propper learned that the Justice Department attorneys had relied solely on F.B.I. interviews in their investigation and he thought he could ask better questions and get better answers if he could bring witnesses before a grand jury.

The key was Mulcahy, who reluctantly agreed now to testify — taking a step he had vowed he would never do. "I liked Gene," Mulcahy recalls. "He's an impressive guy, so I said, 'All right, I'll go before the grand jury, but I'm not going into court and testify publicly against these guys.' I gave the grand jury everything I had" — Propper was doing the questioning — "and I did it without immunity. What I was telling them was the truth. If I did something wrong I was willing to pay for it." Federal officials acknowledged in recent interviews that Mulcahy's grand-jury appearance provided the core of the subsequent indictments.

They also said that Mulcahy had little to fear in refusing immunity. "Kevin wasn't a criminal," one Federal official said. "He was just doing what his employer wanted." Mulcahy had committed technical violations of the Munitions Control Act, the official added, but the United States Attorney's office viewed them as not prosecutable. "What we had on Kevin showed that he had not done anything to bother anybody," one official said.

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NEW YORK TIMES

Mulcahy spent much of 1978 working intensely with lawyers in the United States Attorney's office. Still nothing happened, and by the end of year, he wanted out: "The whole thing was a farce as far as I was concerned; no one was telling me what was coming down and yet I know that Wilson and Terpil were still doing business in Libya." He was reassured somewhat, he says, when a Federal official told him that Government authorities had visited Wilson at his farm in Virginia and graphically warned Wilson of reprisal in case anything happened to Mulcahy or his children. "It made me feel better," Mulcahy says. "The

Feds paid a visit to Ed late in the night, and told him that if anything happened, they would come looking for him."

Federal officials subsequently explained that the delay in obtaining indictments did not reflect adversely on Mulcahy or his testimony, but resulted from a basic gap in the law, which does not specifically make it a crime to use American equipment and know-how to further terrorism overseas — as long as no overt acts are done in the United States. Wilson and Terpil were careful, as much as possible, to strike their business deals out of the country.

When Eugene Propper initially began his investigation, the jurisdiction of the United States Attorney's office was limited because of the lack of statutes. Though there was evidence through the Cubans that Wilson and Terpil had conspired with Qaddafi to assassinate one of his political enemies, solicitation to commit murder — that is, asking or hiring someone else to do the killing — is not a Federal crime, and there was no criminal statute in the District of Columbia barring such solicitation.

Propper got an inspiration. He had discovered in prosecuting an earlier case that any crime in the Maryland code not in conflict with the District of Columbia code could be charged in Washington, since the District of Columbia had adopted all of its criminal law from Maryland in 1801. Using that precedent, Propper was able to investigate Wilson and Terpil on solicitation charges in the District of Columbia. Another provision in the Washington code also enabled Propper to make the solicitation charge a Federal violation. So the United States Attorney's office had its jurisdiction after all, but, once again, there were problems. The Letellier case was going to trial and Propper and a chief aide, E. Lawrence Barcella Jr., were unable to handle both cases at the same time.

By this time, Mulcahy had become deeply embittered, especially toward the F.B.I., which, he said, "never assigned Special status to this case — which means that the agents assigned to it are working exclusively on it. At first, the F.B.I. didn't believe me," Mulcahy insists. "Every person they interviewed supported Wilson's and Terpil's cover story and made me look like a guy with a wild tale to tell. Then if I ever asked the F.B.I. anything, one agent would look at the other to de-

cide whether they could answer the question. It was a one-way street and I felt I couldn't help them anymore without some kind of dialogue, without their willingness to tell me what they wanted and what they didn't know."

Officially, the F.B.I. does not comment on pending investigations, but one agent who did spend much time on the case disputed Mulcahy's assessment in an interview. "Kevin is very impatient," the agent said. "He thinks he can give us some facts one day and we should begin making arrests on the next. He doesn't understand the complexity of the case and the fact that no one is exactly cooperating with us. It's been a long drawn-out affair, trying to get some of these witnesses to give us a straight line. This is not a very easy case to make. We had to start from the beginning, and I think it's very unfair to criticize us or the United States Attorney's office. We've been working hard on this for a long time."

Other Federal officials, however, echoed Mulcahy in raising questions about the Justice Department's decision not to give the case higher priority, which would have meant the authorization of more F.B.I. agents for field work. Even now, only one agent in Washington is assigned to monitor developments in the case, and he was pulled off that for months early this year to handle background investigations of pending Reagan Administration appointments.

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A major development, in Mulcahy's view, came in mid-1978, when the Bureau of Alcohol, Tobacco and Firearms assigned a new two-man team to the case. Richard Wadsworth and Richard Pedersen decided early in their investigation that Mulcahy was telling the truth. Now, for the first time, Mulcahy believed that he had someone inside the investigation with whom he could communicate. Mulcahy agreed to cooperate in an undercover investigation with Pedersen and Wadsworth, aimed at gathering first-hand evidence of Wilson's illegal weapons dealings in Washington — the kind of specific evidence that seemed essential to a prosecution. The operation failed after five months, but the B.A.T.F. agents developed a close relationship with Mulcahy and learned vast amounts about the way Wilson operated, information and insight that later helped them crack the case.

Mulcahy continued to live in low profile, routinely changing his appearance. His fears were compounded late one night when he saw a truck owned by one of Wilson's trusted associates parked across the street from his home. Mulcahy fled the scene and stayed away from the area for two days. "It was over three years and I wanted out again," he said, "and so I disappeared — just went to Arizona under another name and worked in the construction business."

Meanwhile, Wilson and Terpil began spending some of the money they were earning. By the end of 1978, they had purchased more than \$4 million of real estate in the United States and England, paying in cash. They spent another million dollars for a hotel in Crewe, England, and a town house in London's posh Lancaster Mews. Federal authorities believed the hotel was to serve as a stop on an underground railway for terrorists. By that time, Qaddafi had set up "hit teams" that began to terrorize the Libyan exile community in Europe. At least 10 of Qaddafi's political enemies were assassinated by the gunmen, who later would have access to the hotel to hide from authori-

Another factor in the investigation of Wilson was his continued high-level political lobbying in the United States, which revolved around the social use of his estate in Virginia. By the mid-1970's, Wilson was regularly throwing parties and offering hunting excursions at the estate, where senior members of the Carter Administration mingled with influential politicians and members of the intelligence community. Ted Shackley was also one of the guests. "The name of the game is legitimacy," one Federal official said. "Ed Wilson brings three guys from the C.I.A. and Carter's man brings two senators. Everybody's — legitimizing everybody else."

"Every place we went," the official added, "Ed Wilson popped up — not on the surface, but if you looked far enough, it led to Wilson."

In early June 1979, the United States Attorney's office told Wadsworth and Pedersen of the B.A.T.F. that there was not enough evidence to charge Wilson and Terpil with illegally exporting explosives to Libya. The Government had no evidence that any explosives had in fact been shipped to Libya without the proper licenses and without accurate labeling and bills of lading,

which are required to insure proper storage of the materials during shipment. All of the witnesses interviewed by the F.B.I. had stuck to the cover story in connection with the shipments to Libya; as far as they were concerned, all that Inter-Technology had undertaken was a contract with the Libyan Government to manufacture timers for use in mine-clearing operations. No explosives had been shipped, the witnesses claimed. Rick Wadsworth decided to make one final effort to find evidence of the shipment before bowing out of the case. He spent most of the Memorial Day weekend in the Federal courthouse in downtown Washington reviewing all of the documents and testimony. He found a work sheet buried in the files that had been turned over by Mulcahy to the F.B.I.

in 1978. The work sheet with Brower's handwriting on it stemmed from the meeting in August 1978 at which the California manufacturer agreed to ship RDX (cyclotrimethylene trinitramine) and the other explosives, suspended in 55-gallon drums, to Libya.

At this point, Eugene Propper was in the process of resigning from the United States Attorney's office to practice law in Washington and write a book on the Letelier case; Lawrence Barcella suddenly found himself in charge of the Wilson-Terpil case. Barcella agreed, after being shown the work sheet, to permit Wadsworth and Pedersen to fly to California and interview Brower once again. Wadsworth and Pedersen had discovered that the work sheet, on which Brower had listed the type and weights of the explosives ordered by Wilson and Terpil, precisely matched the bills of lading for a shipment of explosives that week from Brower's factory. The Government now had its evidence.

Over the next year, however, Brower stubbornly continued to insist that he knew nothing about illegal activity in the United States. In two appearances before the Federal grand jury in Washington, he denied that the conspiracy meeting in August 1978, as described by Mulcahy, ever took place. But the evidence, in his own handwriting, proved to be overwhelming and Brower eventually agreed to cooperate with the prosecutors in return for dismissal of all but one of the charges against him — conspiring to ship explosives with the intent to use unlawfully. When he did testify in late 1980, Brower acknowledged that Mulcahy was right;

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that there had been a key meeting in August which resulted in the initial shipment of the timers and explosives to Libya. He is now serving a four-month prison sentence.

Mulcahy describes Pedersen and Wadsworth as the heroes in the case that no one in the Federal Government seemed to want: "They worked on their own time, in their own cars,

because they knew there was truth in what I was telling them. What they didn't have was proof. . . . They were constantly being told to close the investigation, but they told their superiors that if they wanted it closed, they could sign the file shut themselves."

Mulcahy says now he believes that the laggard pace of the prosecution was due to a Government cover-up but rather — more frustrating — was the result of bureaucratic inefficiency, rivalries, petty jealousies and what he saw as "a simple lack of commitment" in the United States Attorney's office. He says, too, that the F.B.I., the Bureau of Alcohol, Tobacco and Firearms and the Customs Service were reluctant to share information with one another at a time

when Wilson and Terpil were continuing to expand their involvement in Libya: "My most vital concern was that Wilson's and Terpil's activities eventually would result in a lot of deaths in the United States. Only then would the full resources of the United States Attorney's office be committed."

The revolving door in the United States courthouse was still another complication. Carol Bruce was assigned to the case in 1979. It was her first assignment to a major crime, and she began, as her predecessors had, by reviewing the files and spending hours with Mulcahy. He was encouraged once again: "She was like a breath of fresh air. She understood the case and grasped its importance." Coming to it late had an advantage; Carol Bruce was able to add objectivity to what had evolved into an emotional dispute and series of competitions among the investigative agencies. "She came in with a chain saw," Mulcahy says, "and got things on track again." In late 1979, Carol Bruce and Mulcahy had lunch, and the young prosecutor explained to Mulcahy that he had to continue to cooperate, and that he had to testify publicly against Wilson and Terpil at a trial. If he continued to insist that he would not do so, she warned, he could be indicted himself for his technical violations of the law as president of Inter-Technology.

The grand jury was convened and witnesses again started to come in for questioning. Seymour Glanzer, Wilson's attorney, made clear that he would involve the C.I.A. as a major component in his client's defense if the Government chose to indict Wilson. At one point, Federal officials said, Glanzer seemed to suggest that he would offer the prosecutors valuable information about the Letelier case in return for the dropping of charges against Wilson. The prosecutors also were offered a chance to interrogate Wilson in Europe, but they refused to do so and insisted that any plea bargaining would have to include a jail term. Glanzer, asked for his view of the matter, said, "I can't comment on the Federal prosecutors' thought processes, and I'm not commenting on mine."

In late December 1979, Frank Terpil and an accomplice were arrested in New York in the culmination of a secret operation in which two New York City undercover detectives posed as Latin American revolutionaries anxious to purchase any kind of weapons. The investigation, led by the office of Robert M. Morgenthau, the Manhattan District Attorney, accumulated hours of taped conversations involving Terpil, who was trying to impress, as usual. In one tape, Terpil bragged of his ability to sell any weapons, including missiles, and told of his team of former Green Beret experts who were willing to travel anywhere to train terrorists. By then, Wilson's and Terpil's team had been at work for more than three years in Libya. The New York evidence was shared with Washington, and was considered es-

sential — although much of what Terpil revealed had already been provided to the Government by Mulcahy. "I heard Frank was singing like a bird," Mulcahy says.

Terpil was charged shortly after his arrest with illegal weapons possession. Some of the New York authorities who handled the Terpil investigation privately raised questions about the slow pace of the Federal inquiry in Washington.

"This is one time," said one senior official in New York, "that I'd want to be appointed as a special prosecutor [in Washington] or an assistant United States Attorney for about six months." His obvious point was that the Washington case against Wilson and Terpil should have been handled much more expeditiously. The New York official acknowledged, however, that the case in Washington had been severely hampered by a "lack of help from the investigative agencies."

In April 1980, four months after the arrests in New York, Wilson, Terpil and Brower finally were indicted by a Federal grand jury in Washington. Terpil, who had been released on bond after pleading not guilty in the New York case, was arrested a few days later by Wadsworth and Pedersen at the Secret Service training academy in suburban Maryland. At the time, characteristically, Terpil was attending an industrial-security show, looking for equipment that he could sell overseas. The Federal indictment centered around conspiracy charges stemming from the August 1976 meeting in the office of Inter-Technology, as depicted in Mulcahy's grand-jury testimony. The indictment also accused Wilson and Terpil of conspiring to assassinate the Libyan dissident. Mulcahy's

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relief over the indictments was short-lived, however, because a Federal magistrate subsequently reduced Terpil's bond from \$500,000 to \$75,000, of which only \$15,000 had to be put up in cash. "To me, it was the most absurd thing in the world," Mulcahy recalls. "I knew he was going to split — I knew him, his life style, the fact that he had at least six different passports." Mulcahy also knew that Wilson and Terpil had been quietly disguising their ownership of their business ventures and properties in the United States to avoid Federal seizure. "I took the reduced bond as a reflection of the importance the Government attached to this case — a \$15,000 cash bond when millions of dollars and the resources of the Libyan Government were at his disposal."

On Sept. 3, 1980, more than four months after his indictment in Washington and the day before he was to begin trial on the New York charges, Terpil fled to Europe.

With Terpil jumping bond, and Wilson choosing to remain abroad as a fugitive, Mulcahy concluded that it was time to get out. He had accomplished very little by his four years of cooperation. So he moved to the Middle West.

There were questions that still disturbed him. "Why didn't the C.I.A. cooperate fully and aggressively with the United States Attorney's office? Why didn't the Government ask the agency for its assistance in locating and apprehending Wilson and Terpil? Why wasn't a combined Federal task force set up to coordinate the investigation? Why wasn't a special prosecutor used? Why did the F.B.I. give this case such low priority? Where are we going to find Qaddafi's bombs in the future? What does it take — short of a

big body count — to get the attention of the Congress and the White House to a potentially lethal situation? What is the responsibility of the United States to the world in a case like this?"

Mulcahy returned to Washington late last year ready to end his own involvement with the prosecutors. "I had been forced to live a lie," he says. "I had often lived under an assumed name, with a car and a business registered in other people's names." By that time, Mulcahy had set up a successful construction business, specializing in historical restorations. He began research for a book on his experiences, but that did not solve what he viewed as his immediate problem: "How to exorcise my entire involvement with the case." What he learned in early 1981 convinced him that it was time to take a step he had not contemplated before — going to the news media. A former C.I.A. colleague — Mulcahy will not say who — told him that Wilson and Jerome Brower had conspired in late 1977 to ship 40,000 pounds of C4 plastique to Libya, the largest illegal shipment of ex-

plosives known to Federal investigators. Mulcahy later confirmed that what he had heard was true — the shipments had been made from a Texas airport in the fall of 1977, aboard a chartered DC-8 cargo jet. An employee of one of Wilson's firms, Around World Shipping and Chartering, of Houston, Tex., was known to have been involved.

Brower and his California company had made a profit of \$1 million on the C4 shipment alone, Mulcahy was told. "What I felt was absolute horror," Mulcahy recalls. "I was horrified that they could have shipped explosives in that quantity, involving as many people as they did — lawyers from two different states, commercial airlines, commercial freight forwarding companies — and not have been detected. There had to be a cast of characters of more than 10 people, including pilots and the companies that sold the C4. When I learned of it, the shipment was more than three years old and the F.B.I. and the United States Attorney's office were fully aware of it. Yet no one had been charged, or even called before a grand

jury. That was the final factor in my decision to go public. The only option left to me was the press."

In interviews a few weeks ago, prosecutors at the United States Attorney's office declared that the case still was open and that more indictments would be issued before the end of summer, expanding the ranks of those known to have been involved in the Wilson-Terpil operations. Some former C.I.A. officials, among them Ted Shackley, are known to have been talking with the prosecutors, and apparently have been shedding new light on Wilson's connection — or lack of connection — to the agency. Meanwhile, Frank Terpil was tried in absentia by New York City authorities on 10 conspiracy and weapons charges, found guilty and sentenced, June 8, to 17 2/3 to 53 years in prison, the maximum.

Mulcahy believes the Government is now focusing its attention on the lesser lights who flitted about the Wilson-Terpil operations. He knows that Wilson operated in Washington so freely because of his ability to reach into the top layer of Government and Congress; be-

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cause of his connections in a city where connections are so important. Mulcahy also knows that Wilson and Terpil are not the only former C.I.A. and military men selling information and matériel to the highest bidder. Most important, Mulcahy believes that the United States Attorney's office in Washington was guilty of what he calls "Government complicity by omission" by not demanding that Federal agencies, at the very least, cut off the flow of men and terrorist equipment to Libya.

Mulcahy remains a believer: He believes in the value and importance of the C.I.A. and the due process of the American judicial system. "The system can work," he says, "but it can't work unless the people who are the system put it to work." If he had it to do again, he says, "I know I wouldn't have approached any Government agencies. I would have taken every document I had to the White House or hand-delivered them to the most responsible journalist I could find. I'd never go to a Government agency again — because of the way I was treat-

ed, the lack of commitment and the half-truths that I've heard for the last five years."

Edwin Wilson could not be reached for comment. Someone who answered the telephone at his office in Tripoli declined to give his name and hung up when asked to take a message.

Despite the formal disavowal by the C.I.A., Wilson remains an outsider who knows a great deal about secret American intelligence activities. Last August, four months after his indictment, he was seized by officials in Malta and held in custody for more than three days. Somehow, before he could be turned over to American authorities for extradition to Washington, he managed to flee, flying from Malta to Heathrow Airport near London on his revoked passport. Federal officials now suspect a \$10,000 payoff through a laundered bank account was made in Malta on Wilson's behalf. There are those in Washington who believe that, even today, there are some elements in the C.I.A. who protected Wilson in Malta and will continue to shield him. ■