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## Security Loophole East Bloc Businessmen Freely Come and Go In U.S. Defense Areas Soviet Citizens Are Barred, But Polish Firm Worked For Military Contractors Case of Marion Zacharski

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The U.S. government sternly bars Soviet citizens living in the U.S. from going anywhere near its key defense areas, but it has turned a curiously blind eye toward such visits by businessmen from the Soviet Union's Eastern European satellites—even though some of them later turned out to be spies.

The Reagan administration, obviously concerned about the leakage of military technology to the Soviets, in November modified an already lengthy list of restricted areas like Las Vegas (because of its proximity to the top-secret Nevada nuclear test site) to include other places like the high-tech Silicon Valley, south of San Francisco. Yet, despite this tightening move, representatives from trading companies set up by Soviet satellites remain free to come and go in these areas as they please.

Moreover, trading companies owned by the satellite nations, unlike those owned by the Soviet Union, don't have to be registered with the federal government and have to comply only with local and state laws where they are based. Thus, Amtorg Trading Corp., the big Soviet trading firm, files lists of its employees with the Justice Department under the Foreign Agents Registration Act, but East Bloc nations are exempt from the act, a Justice Department lawyer says.

Controls over business enterprises set up in the U.S. by the satellite countries are so loose that the Commerce Department doesn't even have a very clear idea of how many such companies there really are. It estimates that there are a dozen trading companies in the U.S. owned by Poland alone, but it isn't certain.

### Seeming Inconsistency

A State Department spokesman refused to comment on the reasons for the seeming inconsistency in the government's security precautions against Soviet citizens and the lack of them against businessmen from the satellite countries. However, it's likely that international political considerations are a factor; President Reagan frequently has castigated the Soviet Union for its worldwide political ambitions, while the administration's public posture toward the satellites has been far more lenient.

Nevertheless, Rear Adm. E.A. Burkhalter Jr. of the Central Intelligence Agency believes that all of the East Bloc trading companies "provide cover for intelligence-collection operations." Since East European espionage is tightly controlled by the KGB, the Soviet Union's intelligence service, U.S. officials say, most of the material that is gathered by the satellites' spies ends up in Moscow.

Representatives from East Bloc trading companies, of course, are subject to the security provisions set up by U.S. defense contractors themselves, but, as another top CIA official warned recently, "the security provided by commercial firms is no match for foreign spies."

On the basis of debriefing interviews he has conducted with more than 200 defectors from Soviet Bloc nations, Miles Costick, formerly a Yugoslavian intelligence officer and currently a national-security consultant to the Reagan administration, singles out Polish trading companies particularly as "a ring of espionage to siphon out commercial and military secrets for the Soviets."

### The Zacharski Case

Just how extensively one Polish trading company was able to breach the security of the U.S. defense establishment is revealed in the investigatory files prepared for the trial of Marion W. Zacharski, a Polish spy, in 1981 in Los Angeles federal court. Mr. Zacharski was convicted and sentenced to life in federal prison, but hundreds of pages of grand-jury testimony and FBI reports concerning his activities were never used in his trial. This material, which recently became available, shows how Mr. Zacharski and his representatives routinely visited the plants of top U.S. defense contractors such as Rockwell International Corp., Lockheed Corp. and the Garrett Corp. unit of Signal Cos., as well as the atomic test center itself.

On the surface at least, the visits were legal. The Poles were working for Polish-American Machinery Corp., better known as Polamco, a Polish-government-owned trading company of which Mr. Zacharski was

president. It was set up in 1976 to import Polish machine tools and equipment into the U.S. Currently, the firm is based in Elk Grove Village, Ill., next to Chicago's O'Hare Airport, and has offices in seven U.S. cities. In 1982, according to Polamco, the company had a loss of \$5.1 million on sales of \$11.7 million.

Stanislaw Ziaja, Polamco's current president, says in a letter answering questions submitted by this newspaper that while Mr. Zacharski's conviction caused him "deep sorrow," he believes that "no employer is responsible for any wrongdoing of its employees." Further, say Mr. Ziaja, no other Polamco employees "are now or have ever been under investigation" as far as he knows. Any allegations that the company is a "front" for spying are "absurd," the letter says.

Nevertheless, as long ago as 1977 the FBI's counterintelligence unit in Chicago believed that Polamco was doing more than

selling machinery. In federal grand-jury testimony in 1981, an FBI agent with 16 years' experience chasing spies said that four years earlier the FBI had identified "some" Polamco employees as "intelligence officers."

In particular, the agent said, the bureau took notice when Mr. Zacharski, then 27 years old, left Chicago in 1977 to run the company's Los Angeles office. In February 1979, according to grand-jury testimony and FBI reports, the bureau was told by the CIA that Mr. Zacharski was receiving classified documents concerning U.S. weapons from an employee of Hughes Aircraft Co. in Los Angeles. The tip came from a CIA double agent who was a top officer in Warsaw of the Sluzba Bezpieczenstwa, the Polish intelligence service, according to government documents and law enforcement officials.

From then on, the FBI began 2½ years of virtual around-the-clock court-authorized electronic and physical surveillance of Mr. Zacharski, according to FBI reports. Despite this constant vigilance, the more than 200 pages of wiretap and surveillance logs show no evidence that Mr. Zacharski broke any law except a traffic law once in a while when he tried to evade the FBI agents who were tailing him.

The eavesdropping does show Mr. Zacharski as an engaging, polished individual, fluent in five languages and with a finely tuned sense of American ways. He was also more than a match for the dozens of FBI agents who tried to snare him. Echoing the professional admiration of FBI agents in the case, Robert Brewer, the former federal prosecutor who convicted Mr. Zacharski, describes him as "a very well-trained and highly motivated intelligence agent."



# Security Loophole: U.S. Defense Areas Are Visited Freely by Many Businessmen From the East Bloc

The Polish spy's downfall was caused by the testimony of William Holden Bell, 63, the Hughes Aircraft radar expert who was subverted by Mr. Zacharski. Over a three-year period, Mr. Bell passed about 20 "significant" classified reports on U.S. weapons systems to Polish contacts in Europe in return for about \$110,000. Though the FBI wasn't able to catch Mr. Bell in the act of passing the information, it was able to document his trips to Europe and his friendship with Mr. Zacharski. Confronted by the FBI, Mr. Bell confessed. He later pleaded guilty to espionage, and his testimony against Mr. Zacharski was largely responsible for the Polamco president's espionage conviction.

Mr. Bell is currently serving an eight-year prison term, and his lawyer says that he doesn't want his client to talk about the case. Mr. Zacharski, in federal prison in Memphis, Tenn., didn't respond to requests for an interview.

## Other Weapons Dealings

The FBI's long-running wiretaps of Mr. Zacharski and Polamco's Los Angeles office, which weren't used in the court trial, show that the Polish intelligence agent and his associates had numerous dealings with other U.S. weapons-systems makers.

In 1981, the wiretaps show, two Polamco employees, at Mr. Zacharski's direction, spent a day at the top-secret Nevada nuclear test site, installing a Polish-made machine bought from Polamco. The equipment, a spokesman for the test site says, is used to prepare the nuclear weapons for testing.

A spokesman for the Department of Energy, which is responsible for security at the test site, says that the two Poles were "escorted everywhere by armed guards. You can't go in the lobby here without an escort unless you have a top-secret clearance."

Another department spokesman won't disclose whether an investigation was conducted concerning the Polish visitors except to say that department headquarters in Washington was notified of the visit. "Nothing was compromised," the department spokesman says. "We got a machine for \$250,000 that would have cost us \$1 million (if bought from a U.S. firm). They got nothing."

## Incident at Boeing

Intelligence sources, however, say it's naive to think that a trained intelligence agent wouldn't profit from such a visit. George V. Keegan Jr., the retired chief of Air Force intelligence, recalls a Soviet spying incident under the guise of a business deal. In the early 1970s, he says, Soviet officials toured a Boeing Co. aircraft plant several times as prospective buyers of the company's 747 jetliners. Mr. Keegan says that one or more persons in each group wore shoes with a gummy substance under the

arch that picked up metallic filings so that the Soviets could learn what alloys were used in Boeing's planes. A Boeing spokesman says the Russians never bought any of the company's aircraft.

Besides the visit to the nuclear test site by his men, Mr. Zacharski tried to cultivate the manager at the site who was in charge of the electronic devices that monitor nuclear tests, according to the FBI wiretaps. During 1980, the wiretaps show, Mr. Zacharski persuaded the manager to visit Poland to inspect some machinery. When the employee requested permission, the Energy Department turned him down and he quit a short time later, an agency spokesman says. The manager had a "Q" clearance, equivalent to a "top secret" rating, and had access to "virtually all information dealing with nuclear weapons," a department spokesman confirms.

The former manager, in an interview, says that he wasn't told the reason for the trip denial, "but I sensed it was because of my security clearance." He adds that one thing that struck him as "odd" about the installation of the machine was a conversation he had with one of the Poles. "He said he was in charge of the whole manufacturing process in Poland and had designed the whole thing," the former manager says, "but here he was in coveralls working on this machine."

## A Tip on the B1 Bomber

Mr. Zacharski also had advance word on the development of the B1 bomber from the plane's prime contractor, the aircraft division of Rockwell International Corp., the FBI wiretaps show. In 1980 and 1981, the FBI recorded numerous conversations between Mr. Zacharski and Rockwell officials at the company's aircraft headquarters in El Segundo, Calif., discussing Polamco's providing "support equipment" for production of the B1. One Rockwell official said, according to a 1981 wiretap transcript, that he "has always been impressed" by Polamco.

The B1 program had been scrapped in 1977, but in 1981 the Reagan administration was mulling over whether to revive it. Eight months before President Reagan decided to build the aircraft and award the prime contract to Rockwell, Polamco was asked to submit bids on the project. According to a February 1981 wiretap transcript, a Rockwell official told Mr. Zacharski that his company was "tooling up for the B1 bomber again" and expected to "receive a \$100 million expenditure budget." Following that call, Mr. Zacharski made a two-day sales pitch to Rockwell officials, the same as the "last time" in 1980, the transcript shows.

A Rockwell spokesman confirms that there were such presentations made but says he doesn't know what kind of equipment was discussed or the amount of money involved. But he says that "no sensitive matters were mentioned. He says that the deal didn't go through but that he doesn't know why.

## Lockheed a Customer

Other companies did buy machinery from Polamco, according to the wiretaps. Lockheed Corp.'s Ocean Systems unit in Sunnyvale, Calif., bought \$70,000 of machinery in 1980, a spokesman confirms. The wiretaps also show that the Phoenix, Ariz., plant of Garrett Corp. bought about \$300,000 of machinery used in aircraft-engine production. A spokesman for this unit of Signal Cos., which makes jet engines for military and commercial use, says Polamco's "price was right." However, he says that the machines "didn't prove very satisfactory" because four of the five broke down.

A former Polamco representative says the company's prices were about "20% below anyone else" but its equipment was "not the most modern." One American businessman who had dealings with the firm says that after an inspection of its products, he concluded that the company "lacked the capabilities" to maintain "momentum in the evolution of technology."

## A Quest for 'Contacts'

Besides Mr. Zacharski's dealings with defense contractors, the spy tried to obtain information about other companies through Mr. Bell, the Hughes Aircraft engineer. According to FBI reports, Mr. Bell told the agents that Mr. Zacharski wanted him to make "contacts" at Northrop, Lockheed and Rockwell, among others, and attempt to have those people obtain "anything interesting." In return, Mr. Zacharski said Mr. Bell could receive "commissions" for the data.

Mr. Zacharski may have recruited someone other than Mr. Bell to steal defense information. According to an FBI report, Mr. Bell said that the Polish spy sometimes asked for specific Hughes material by the company document number. Only an insider would have that information, Mr. Bell told the FBI, adding that "I presume he has gotten those from someone in Chicago" the report said. "We don't rule that out," an FBI agent told the grand jury in the Bell case, "but we haven't found another person."

Miles Costick, the Soviet-trained former intelligence agent, says it is likely that Mr. Zacharski had another spy. "In the intelligence business," he says, "an agent doesn't set up one ring. He sets up several to run parallel. He divides up the labor so they don't bump into each other."



"SECURITY LOOPHOLE"  
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A second Polish spy in the Bell case also was allegedly involved in another espionage case that came to light recently. Last month, James Durward Harper Jr., an American electronics consultant, was indicted by a federal grand jury in San Francisco on charges of passing classified U.S. defense secrets to Polish spies. Mr. Harper has pleaded innocent to the charges.

**A Rendezvous in Austria**

Mr. Harper is said to have met with Polish spy Anatoliusz L. Inowolski, 52, in Poland, less than a month after Mr. Inowolski met with Mr. Bell in Austria in 1979. On two occasions, according to FBI reports filed in the case, Mr. Bell handed over stolen military data to Mr. Inowolski in Europe. But some investigators in the Harper case dispute the identification of Mr. Inowolski as one of Mr. Harper's alleged contacts.

According to FBI reports and State Department visa documents, Mr. Inowolski has been an employee of Metalexport, the Polish-government-owned firm that controls Polamco. Since at least 1969, the documents say, he has been a Polish intelligence agent and between 1974 and 1979 was involved in unspecified "intelligence-gathering operations in the U.S."

In another puzzling sidelight to the Harper case, Mr. Inowolski signed a claim filed in bankruptcy court in 1975 declaring that an associate of Mr. Harper was paid about \$650,000 cash by a Polish trade official. That official was later identified in an FBI document as the main Polish intelligence officer who allegedly dealt with Mr. Harper.

Polamco isn't the only Polish trade outfit to receive attention from federal investigators. William J. Linklater, a Chicago lawyer, says that his clients—Unitronex Corp. and one of its officials—were targets of a federal grand-jury investigation looking into alleged espionage activities. Unitronex, a Polish-owned electronics import-export firm based in the same Chicago suburb as Polamco, was cleared by the U.S. attorney's office, Mr. Linklater says. A Justice Department spokesman confirmed that the grand jury found no evidence of wrongdoing.

The FBI says it has visited about 8,500 of the 13,000 defense contractors that perform sensitive work to warn them about spying. However, a 1980 report by the Library of Congress Research Service concluded that "there doesn't appear to be a high level of concern about foreign espionage" among defense companies. "In many instances," the report says, "the victimized company chooses not to report it."

A Justice Department official adds that "it's difficult to put cases together if espionage is committed properly: It's done in secret and there's no evidence except in the mind of the person and in the KGB center in Moscow."