

U.S. Ex-Envoy Indicted In Kuwaiti 'Fronts'

Secret Payments for Propaganda Effort Alleged

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Sam H. Zakhem, a former U.S. ambassador to Bahrain, and two associates were indicted yesterday on charges of secretly taking \$7.7 million from Kuwait to win public support for American military intervention in the Persian Gulf following Iraq's 1990 invasion of Kuwait.

Zakhem, who was appointed ambassador by President Ronald Reagan in 1986 and served until 1989, was charged in an indictment issued by a federal grand jury in Denver. He has long been prominent in the conservative wing of the Colorado Republican Party and also has been active in Arab-American affairs.

The indictment also charged that William R. Kennedy Jr., a former owner of the now-defunct Conservative Digest, and Scott Stanley Jr., a one-time Conservative Digest editor, conspired with Zakhem. "Under the guise of patriotism, not profit," the indictment said, the three defendants sought to conceal the fact that they were acting as agents of a foreign government and jointly diverted \$5.7 million of the payments from Kuwait for their own use.

According to the indictment, the

three men operated two "front" businesses between Aug. 1, 1990, and June 30, 1991, in an effort to generate support for Kuwait. The indictment said the men used these "fronts" and multiple bank accounts to conceal the fact that the Kuwaiti government was the source of their funds and to hide the money to avoid paying income taxes on the diverted amounts.

The State Department said yesterday that it had "no special knowledge" of Zakhem's alleged actions and noted that the activities cited in the indictment "occurred after he ended government service." Efforts to reach Zakhem were unsuccessful.

Raed Rifai, a spokesman for the Kuwaiti Embassy here, said his government had not seen the indictment and could not comment until it had more information.

However, a report earlier this year by a Denver newspaper, The Rocky Mountain News, identified Zakhem and Kennedy as key players in an advertising campaign financed by Kuwait to win the support of American public opinion for military action to drive Iraqi troops out of Kuwait. The article said that virtually all of the money for the 1990-91 campaign was channeled

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through Kuwait's ambassador here, Sheik Saud Nasser Sabah.

There has been considerable controversy about how representatives of Kuwait's ruling family, working in exile, used sizable amounts of the sheikdom's oil revenues to drum up support for "Operation Desert Shield," the buildup of U.S.-led forces in the gulf, and "Operation Desert Storm," the air-and-ground military campaign that finally liberated Kuwait in February 1991.

The Kuwaiti campaign was handled principally by the international public relations firm of Hill & Knowlton, which according to some news accounts was given as much as \$12 million to spend on Kuwait's behalf. Critics have charged that the agency helped spread false or exaggerated tales of Iraqi atrocities. Hill & Knowlton has denied the charges.

One story that caused an international sensation involved charges that after Iraq's August 1990 invasion of Kuwait, Iraqi soldiers removed Kuwaiti babies from incubators and left them to die. The accuracy of the incubator story came under fire when it was revealed that one of the witnesses who had testified before Congress without being named was Ambassador Sabah's 15-year-old daughter, Nayirah Sabah.

Several human rights organizations, including Amnesty International, said they could find no reliable evidence to substantiate the charges. The Kuwaiti government then hired a private investigation firm, Kroll Associates Inc., to look into the matter. The firm produced a 93-page report contending that at least seven babies died as the result of removal from incubators and ventilators.

Referring to the "front" organizations set up by the defendants, the indictment said the first was called Coalition for America at Risk (COFAR) and was represented to the public as a group of patriotic volunteers marshaling support for President Bush's efforts to oust Iraqi troops from Kuwait.

The indictment said that after reports appeared in the media linking COFAR with the Kuwaiti government, the three defendants abandoned it and formed a second organization called the Freedom Task Force to continue their propaganda efforts. Of the funds received from Kuwait, the indictment said, the three defendants spent about \$2 million on newspaper, radio, television and direct-mail advertising efforts, but diverted the remaining \$5.7 million to their personal use.

The indictment further alleged that the defendants violated the Foreign Agents Registration Act by failing to disclose their connection

to Kuwait and "met with several members of Congress and with present and former administration officials to promote Kuwaiti interests and to urge use of force in the gulf. Those officials were led to believe that the defendants' efforts were voluntary acts of patriotism when in fact the defendants were undisclosed, paid agents of a foreign government."

Zakhem was an unsuccessful candidate for the Republican nomination for U.S. senator in this year's election. He also made earlier unsuccessful bids for state and national offices and served in the Colorado legislature, where he was known for his conservative views.

Sources familiar with his career said that he parlayed his ties to the Republican Party's conservative wing and his activism in Arab-American circles into the ambassadorship to Bahrain, a tiny but important oil-producing gulf sheikdom. The sources said that Zakhem was regarded as an ineffective and erratic ambassador by professional diplomats and was dropped after Bush became president.

Zakhem's codefendant, Kennedy, was named in a second indictment yesterday as one of 19 defendants who conspired in an alleged "racketeering" scheme to divert money from a precious metals business. The second indictment said that some of the diverted funds were used to aid the contra guerrillas in Nicaragua and to purchase of the Conservative Digest, a magazine devoted to furthering conservative causes.