

The Arabs Carry

Also NYT 19 Jan 76, John Corry

By Jim Hoagland
Washington Post

Beirut

Adnan Khashoggi plans to stamp his imprint on more parts of the globe than any Arab entrepreneur in history.

"We have the same opportunity in our countries now" that "Rockefeller, Vanderbilt and J. P. Morgan had in putting America together," Khashoggi said of the new Arab money in a recent interview.

The 40-year-old Saudi financier has already assembled a \$400 million financial empire. It includes 50 companies and stretches from Singapore, where he owns a transport firm, to a Paris fashion-design house called Jungle Jap and a meat-packing plant in Brazil.

He runs a fleet of cargo ships out of Indonesia. In the United States he owns two California banks and a trailer-truck factory, and he once put up \$50,000 as a business investment to finance a promotional campaign phonograph record for Richard M. Nixon.

But Khashoggi has become the subject of intense controversy and even attacks on his business methods. A cloud has passed across the future of his empire-building. Charges by the Northrop Corp. that Khashoggi demanded \$450,000 to bribe two Saudi generals to influence defense contracts have substantially shaken his image, although he has denied the charges.

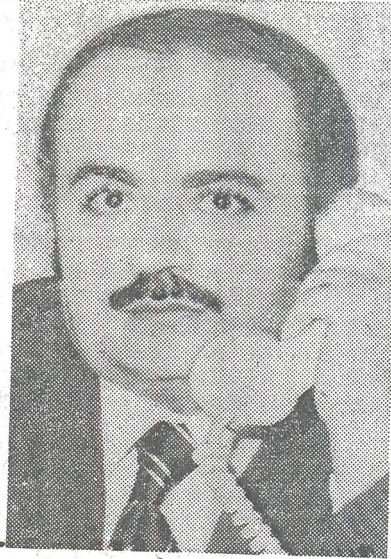
Khashoggi's dealings with Lockheed Aircraft came up in congressional hearings late last week. Lockheed documents made public by the Senate subcommittee on multinational corporations showed that the firm's top officials knew that, in at least one contract negotiation, payments to Khashoggi were intended expressly for "under the table" compensation to Saudi officials.

Lockheed board chairman Daniel J. Haughton testified under questioning that the firm had paid a total of \$106 million to Khashoggi in "agent's fees" over the past five years.

The Khashoggi case is sending ripples through the new Arab business world, where private fortunes even larger than his are being amassed by men whose careers have many of the same elements — education at exclusive schools where they came to know each other, membership in or proximity to the Arab royal

**'We have
the same
opportunities . . .
Rockefeller,
Vanderbilt and
Morgan had . . .'**

Adnan Khashoggi



families, and abilities to harvest generous commissions and fees on sales of arms and civilian goods to their governments and the Arab market at large.

With billions of dollars in oil revenues pouring each month into sparsely populated Arab countries that have little or no taxes, a new economic superelite is emerging. The oil billionaires of the American past and present — Rockefeller, Getty, Hunt — are being succeeded by actual or potential billionaires with Arab names that are still largely unknown in the West.

Their new power was starkly illustrated by a chart drawn up by The Economist, a prestigious London magazine, that related 1974's rate of surplus cash accumulation by the major oil exporters to other key financial indices.

The oil exporters then earning big surpluses — principally Saudi Arabia, Kuwait, Qatar, the United Arab Emirates and Libya — would accumulate enough spare change to buy, at current values, the entire New York Stock Exchange in 9.2 years, or all the gold held by central government banks in 3.2 years, or Exxon Corp. in 79 days.

Khashoggi and others like him have arrived at a moment in history which they feel they must seize. He has plowed through biographies of Rockefeller, Vanderbilt and Morgan, and he says: "These people were doing the same thing we are doing" but with stronger government structures today, "we don't have ten per cent of the corruption that went into America at that time."

The names that Western Arabists knew best in the past decade, like Gamal Abdel Nasser or

Egyptian writer Mohammed Hassanien Heikal, are largely irrelevant to these changes. Tomorrow the Arab names best known in the West are likely to be men like Mahdi Tajir, Kamal Adham, Yahya Omar, Abdel Latif Hamid, Sheikh Nasser Sabah Ahmed Sabah and, of course, Adnan Khashoggi.

Despite Khashoggi's optimism on the relative lack of corruption, that issue is becoming an explosive element in the Arab world as private fortunes pile higher. The major powers will unquestionably have to give increasing consideration to this factor in their assessments of their interests in the region.

"Oil is not the issue any more in the power game. Cash is," said an Arab source deeply involved in the fortune-building process.

"Iran produces almost as much oil as Saudi Arabia right now, but spends it all. Saudi Arabia can mobilize tremendous amounts of money overnight for national and personal purposes which don't have to coincide with American interests and which will usually run against American support for Israel.

"Two levers of control have already crumbled," the source continued. "American economic aid to any country that interests us can easily be topped by the Arabs, and our new companies can offer them more, faster investment. Second, the United States can no longer control what types of arms friendly Arab states get through extending or withholding arms credits, one of the key control measures of the past. We can pay cash to France or Britain and get what we want."

The source suggested that

ing Cash

San Francisco Chronicle 9

★ Thurs., Sept. 18, 1975

recent Pentagon attacks on large arms sales commissions that helped produce the Northrop-Khashoggi controversy reflect Washington's frustration over this change.

"Here there are five or six guys that the Pentagon hardly knows, much less controls, amassing fortunes as large as the annual profit of most American arms companies and channeling arms deals. This is a first but crucial stage of a power struggle over who controls the cash — America or us."

Khashoggi says that his companies spend "more than \$12 million a year on managerial overhead" in placing major sales for companies like Lockheed. That firm has received vitally needed cash from the sale of civilian airliners and C-130 military planes to Saudi Arabia.

Lockheed is also now embroiled with the Senate subcommittee over huge payoffs abroad, but has refused to name the recipients.

Khashoggi's group of companies also represented McDonnell Douglas, Fiat, British Aircraft Co., France's national arms-export agency and Rolls-Royce, among others, all on a commission basis.

Khashoggi has established a high-powered Paris office and

hired a French nobleman, Count Charles de Chambrun, to head it.

Reports of subterranean connections between the high-stepping Arab businessman and Richard M. Nixon have surfaced in recent years. This month Khashoggi disclosed for the first time that he had been questioned by Watergate prosecution staff members on this and told them there had indeed been a peripheral connection involving campaign finance. It is illegal for presidential candidates to accept campaign donations from foreigners.

"We met in 1967 in Paris and had dinner together at the Rasputin restaurant. We became friends the way you sometimes do when you have a drink with a man and there is perhaps a pretty girl between you. When I went to New York he gave a cocktail party for me. It was all social.

"But when he was running for president, this Arab businessman in Paris with big ideas came to me and said, 'Let's give him \$50,000,' I said that Nixon couldn't appoint any of my men as ambassador, so why should I give him money? Instead, I said, 'Let's make a deal with him.'"

Khashoggi said he proposed an advance of \$50,000 through his associate to finance a Nixon campaign booklet that would be sold for \$1. Profits would be split 50-50.

"My friend, who is dead now,

went and talked to the (presidential) campaign committee and they agreed, but it turned out they wanted a phonograph record promotion instead. So we did it. But they never paid back the money. My friend wanted to sue those guys for it," Khashoggi said, laughing.

Khashoggi added that the Watergate prosecutors, who had appeared to expect a confession of a multi-million-dollar payoff to the President, "nearly fell off the chair when they heard that's all there was."

Nowadays Khashoggi is funneling much of the money he has earned out of arms sales into more traditional business and investment. It is a trend other Arab money men are following.

He denied that the "merchant of death" stigma attached to the arms business was a factor in his thinking and said, "Where the money is, you go to it."

Thus far, the controversy about the Northrop and Lockheed disclosures and other matters have not produced a clear-cut effect on Khashoggi's operations and standing within the Saudi establishment. He was not present, as he has been in the past, when Crown Prince Fahd visited Paris last month. But expert observers in Saudi Arabia say there are no visible signs that he has fallen from favor.

Next: The rights of royalty.