

LUNCH WITH THE CHAIRMAN

Why was Richard Perle meeting with Adnan Khashoggi?

By Seymour M. Hersh

At the peak of his deal-making activities, in the nineteen-seventies, the Saudi-born businessman Adnan Khashoggi brokered billions of dollars in arms and aircraft sales for the Saudi royal family, earning hundreds of millions in commissions and fees. Though never convicted of wrongdoing, he was repeatedly involved in disputes with federal prosecutors and with the Securities and Exchange Commission, and in recent years he has been in litigation in Thailand and Los Angeles, among other places, concerning allegations of stock manipulation and fraud. During the Reagan Administration, Khashoggi was one of the middlemen between Oliver North, in the White House, and the mullahs in Iran in what became known as the Iran-Contra scandal. Khashoggi subsequently claimed that he lost ten million dollars that he had put up to obtain embargoed weapons for Iran which were to be bartered (with Presidential approval) for American hostages. The scandals of those times seemed to feed off each other: a congressional investigation revealed that Khashoggi had borrowed much of the money for the weapons from the Bank of Credit and Commerce International (B.C.C.I.), whose collapse, in 1991, defrauded thousands of depositors and led to years of inquiry and litigation.

Khashoggi is still brokering. In January of this year, he arranged a private lunch, in France, to bring together Harb Saleh al-Zuhair, a Saudi industrialist whose family fortune includes extensive holdings in

construction, electronics, and engineering companies throughout the Middle East, and Richard N. Perle, the chairman of the Defense Policy Board, who is one of the most outspoken and influential American advocates of war with Iraq.

The Defense Policy Board is a Defense Department advisory group composed primarily of highly respected former government officials, retired military officers, and academics. Its members, who serve without pay, include former national-security advisers, Secretaries of Defense, and heads of the C.I.A. The board meets several times a year at the Pentagon to review and assess the country's strategic defense policies.

Perle is also a managing partner in a venture-capital company called Trireme Partners L.P., which was registered in November, 2001, in Delaware. Trireme's main business, according to a two-page letter that one of its representatives sent to Khashoggi last November, is to invest in companies dealing in technology, goods, and services that are of value to homeland security and defense. The letter argued that the fear of terrorism would increase the demand for such products in Europe and in countries like Saudi Arabia and Singapore.

The letter mentioned the firm's government connections prominently: "Three of Trireme's Management Group members currently advise the U.S. Secretary of Defense by serving on the U.S. Defense Policy Board, and one of Trireme's principals, Richard Perle, is chairman of that Board." The two other policy-board members associated with Trireme are Henry Kissinger, the former Secretary of State (who is, in fact, only a member of Trireme's advisory group and is not involved in its management), and Gerald Hillman, an investor and a close business associate of Perle's who handles matters in Trireme's New York office. The letter said that forty-five million dollars had already been raised, including twenty million dollars from Boeing; the purpose, clearly, was to attract more investors, such as Khashoggi and Zuhair.

Perle served as a foreign-policy adviser in George W. Bush's Presidential campaign—he had been an Assistant Secretary of Defense under Ronald Reagan—but he chose not to take a senior position in the Administration. In mid-2001, however, he accepted an offer from Secretary of Defense Donald Rumsfeld to chair the Defense Policy Board, a then obscure group that had been created by the Defense Department in 1985. Its members (there are around thirty of them) may be outside the government, but they have access to classified information and to senior policymakers, and give advice not only on strategic policy but also on such matters as weapons procurement. Most of the board's proceedings are confidential.

As chairman of the board, Perle is considered to be a special government employee and therefore subject to a federal Code of Conduct. Those rules bar a special employee from participating in an official capacity in any matter in which he has a financial interest. “One of the general rules is that you don't take advantage of your federal position to help yourself financially in any way,” a former government attorney who helped formulate the Code of Conduct told me. The point, the attorney added, is to “protect government processes from actual or apparent conflicts.”

Advisory groups like the Defense Policy Board enable knowledgeable people outside government to bring their skills and expertise to bear, in confidence, on key policy issues. Because such experts are often tied to the defense industry, however, there are inevitable conflicts. One board member told me that most members are active in finance and business, and on at least one occasion a member has left a meeting when a military or an intelligence product in which he has an active interest has come under discussion.

Four members of the Defense Policy Board told me that the board, which met most recently on February 27th and 28th, had not been

informed of Perle's involvement in Trireme. One board member, upon being told of Trireme and Perle's meeting with Khashoggi, exclaimed, "Oh, get out of here. He's the chairman! If you had a story about me setting up a company for homeland security, and I've put people on the board with whom I'm doing that business, I'd be had"—a reference to Gerald Hillman, who had almost no senior policy or military experience in government before being offered a post on the policy board. "Seems to me this is at the edge of or off the ethical charts. I think it would stink to high heaven."

Hillman, a former McKinsey consultant, stunned at least one board member at the February meeting when he raised questions about the validity of Iraq's existing oil contracts. "Hillman said the old contracts are bad news; he said we should kick out the Russians and the French," the board member told me. "This was a serious conversation. We'd become the brokers. Then we'd be selling futures in the Iraqi oil company. I said to myself, 'Oh, man. Don't go down that road.'" Hillman denies making such statements at the meeting.

Larry Noble, the executive director of the Washington-based Center for Responsive Politics, a nonprofit research organization, said of Perle's Trireme involvement, "It's not illegal, but it presents an appearance of a conflict. It's enough to raise questions about the advice he's giving to the Pentagon and why people in business are dealing with him." Noble added, "The question is whether he's trading off his advisory-committee relationship. If it's a selling point for the firm he's involved with, that means he's a closer—the guy you bring in who doesn't have to talk about money, but he's the reason you're doing the deal."

Perle's association with Trireme was not his first exposure to the link between high finance and high-level politics. He was born in New York City, graduated from the University of Southern California in 1964, and spent a decade in Senate-staff jobs before leaving government in 1980,

to work for a military-consulting firm. The next year, he was back in government, as Assistant Secretary of Defense. In 1983, he was the subject of a *New York Times* investigation into an allegation that he recommended that the Army buy weapons from an Israeli company from whose owners he had, two years earlier, accepted a fifty-thousand-dollar fee. Perle later acknowledged that he had accepted the fee, but vigorously denied any wrongdoing. He had not recused himself in the matter, he explained, because the fee was for work he had done before he took the Defense Department job. He added, “The ultimate issue, of course, was a question of procurement, and I am not a procurement officer.” He was never officially accused of any ethical violations in the matter. Perle served in the Pentagon until 1987 and then became deeply involved in the lobbying and business worlds. Among other corporate commitments, he now serves as a director of a company doing business with the federal government: the Autonomy Corporation, a British firm that recently won a major federal contract in homeland security. When I asked him about that contract, Perle told me that there was no possible conflict, because the contract was obtained through competitive bidding, and “I never talked to anybody about it.”

Under Perle’s leadership, the policy board has become increasingly influential. He has used it as a bully pulpit, from which to advocate the overthrow of Saddam Hussein and the use of preëemptive military action to combat terrorism. Perle had many allies for this approach, such as Paul Wolfowitz, the Deputy Secretary of Defense, but there was intense resistance throughout the bureaucracy—most notably at the State Department. Preëmption has since emerged as the overriding idea behind the Administration’s foreign policy. One former high-level intelligence official spoke with awe of Perle’s ability to “radically change government policy” even though he is a private citizen. “It’s an impressive achievement that an outsider can have so much influence, and has even been given an institutional base for his influence.”

Perle's authority in the Bush Administration is buttressed by close association, politically and personally, with many important Administration figures, including Wolfowitz and Douglas Feith, the Under-Secretary of Defense for Policy, who is the Pentagon's third-ranking civilian official. In 1989, Feith created International Advisors Incorporated, a lobbying firm whose main client was the government of Turkey. The firm retained Perle as an adviser between 1989 and 1994. Feith got his current position, according to a former high-level Defense Department official, only after Perle personally intervened with Rumsfeld, who was skeptical about him. Feith was directly involved in the strategic planning and conduct of the military operations against the Taliban in Afghanistan; he now runs various aspects of the planning of the Iraqi war and its aftermath. He and Perle share the same views on many foreign-policy issues. Both have been calling for Saddam Hussein's removal for years, long before September 11th. They also worked together, in 1996, to prepare a list of policy initiatives for Benjamin Netanyahu, shortly after his election as the Israeli Prime Minister. The suggestions included working toward regime change in Iraq. Feith and Perle were energetic supporters of Ahmad Chalabi, the controversial leader of the anti-Saddam Iraqi National Congress, and have struggled with officials at the State Department and the C.I.A. about the future of Iraq.

Perle has also been an outspoken critic of the Saudi government, and Americans who are in its pay. He has often publicly rebuked former American government officials who are connected to research centers and foundations that are funded by the Saudis, and told the *National Review* last summer, "I think it's a disgrace. They're the people who appear on television, they write op-ed pieces. The Saudis are a major source of the problem we face with terrorism. That would be far more obvious to people if it weren't for this community of former diplomats effectively working for this foreign government." In August, the Saudi government was dismayed when the *Washington Post* revealed that the Defense Policy Board had received a briefing on July 10th from a Rand

Corporation analyst named Laurent Murawiec, who depicted Saudi Arabia as an enemy of the United States, and recommended that the Bush Administration give the Saudi government an ultimatum to stop backing terrorism or face seizure of its financial assets in the United States and its oil fields. Murawiec, it was later found, is a former editor of the *Executive Intelligence Review*, a magazine controlled by Lyndon H. LaRouche, Jr., the perennial Presidential candidate, conspiracy theorist, and felon. According to *Time*, it was Perle himself who had invited Murawiec to make his presentation.

Perle's hostility to the politics of the Saudi government did not stop him from meeting with potential Saudi investors for Trireme. Khashoggi and Zuhair told me that they understood that one of Trireme's objectives was to seek the help of influential Saudis to win homeland-security contracts with the Saudi royal family for the businesses it financed. The profits for such contracts could be substantial. Saudi Arabia has spent nearly a billion dollars to survey and demarcate its eight-hundred-and-fifty-mile border with Yemen, and the second stage of that process will require billions more. Trireme apparently turned to Adnan Khashoggi for help.

Last month, I spoke with Khashoggi, who is sixty-seven and is recovering from open-heart surgery, at his penthouse apartment, overlooking the Mediterranean in Cannes. "I was the intermediary," he said. According to Khashoggi, he was first approached by a Trireme official named Christopher Harriman. Khashoggi said that Harriman, an American businessman whom he knew from his jet-set days, when both men were fixtures on the European social scene, sent him the Trireme pitch letter. (Harriman has not answered my calls.) Khashoggi explained that before Christmas he and Harb Zuhair, the Saudi industrialist, had met with Harriman and Gerald Hillman in Paris and had discussed the possibility of a large investment in Trireme.

Zuhair was interested in more than the financial side; he also wanted to share his views on war and peace with someone who had influence with the Bush Administration. Though a Saudi, he had been born in Iraq, and he hoped that a negotiated, “step by step” solution could be found to avoid war. Zuhair recalls telling Harriman and Hillman, “If we have peace, it would be easy to raise a hundred million. We will bring development to the region.” Zuhair’s hope, Khashoggi told me, was to combine opportunities for peace with opportunities for investment. According to Khashoggi, Hillman and Harriman said that such a meeting could be arranged. Perle emerged, by virtue of his position on the policy board, as a natural catch; he was “the hook,” Khashoggi said, for obtaining the investment from Zuhair. Khashoggi said that he agreed to try to assemble potential investors for a private lunch with Perle.

The lunch took place on January 3rd at a seaside restaurant in Marseilles. (Perle has a vacation home in the South of France.) Those who attended the lunch differ about its purpose. According to both Khashoggi and Zuhair, there were two items on the agenda. The first was to give Zuhair a chance to propose a peaceful alternative to war with Iraq; Khashoggi said that he and Perle knew that such an alternative was far-fetched, but Zuhair had recently returned from a visit to Baghdad, and was eager to talk about it. The second, more important item, according to Khashoggi and Zuhair, was to pave the way for Zuhair to put together a group of ten Saudi businessmen who would invest ten million dollars each in Tireme.

“It was normal for us to see Perle,” Khashoggi told me. “We in the Middle East are accustomed to politicians who use their offices for whatever business they want. I organized the lunch for the purpose of Harb Zuhair to put his language to Perle. Perle politely listened, and the lunch was over.” Zuhair, in a telephone conversation with me, recalled that Perle had made it clear at the lunch that “he was above the money. He said he was more involved in politics, and the business is

through the company”—Trireme. Perle, throughout the lunch, “stuck to his idea that ‘we have to get rid of Saddam,’ “ Zuhair said. As of early March, to the knowledge of Zuhair, no Saudi money had yet been invested in Trireme.

In my first telephone conversation with Gerald Hillman, in mid-February, before I knew of the involvement of Khashoggi and Zuhair, he assured me that Trireme had “nothing to do” with the Saudis. “I don’t know what you can do with them,” he said. “What we saw on September 11th was a grotesque manifestation of their ideology. Americans believe that the Saudis are supporting terrorism. We have no investment from them, or with them.” (Last week, he acknowledged that he had met with Khashoggi and Zuhair, but said that the meeting had been arranged by Harriman and that he hadn’t known that Zuhair would be there.) Perle, he insisted in February, “is not a financial creature. He doesn’t have any desire for financial gain.”

Perle, in a series of telephone interviews, acknowledged that he had met with two Saudis at the lunch in Marseilles, but he did not divulge their identities. (At that time, I still didn’t know who they were.) “There were two Saudis there,” he said. “But there was no discussion of Trireme. It was never mentioned and never discussed.” He firmly stated, “The lunch was not about money. It just would never have occurred to me to discuss investments, given the circumstances.” Perle added that one of the Saudis had information that Saddam was ready to surrender. “His message was a plea to negotiate with Saddam.”

When I asked Perle whether the Saudi businessmen at the lunch were being considered as possible investors in Trireme, he replied, “I don’t want Saudis as such, but the fund is open to any investor, and our European partners said that, through investment banks, they had had Saudis as investors.” Both Perle and Hillman stated categorically that there were currently no Saudi investments.

Khashoggi professes to be amused by the activities of Perle and Hillman as members of the policy board. As Khashoggi saw it, Trireme's business potential depended on a war in Iraq taking place. "If there is no war," he told me, "why is there a need for security? If there is a war, of course, billions of dollars will have to be spent." He commented, "You Americans blind yourself with your high integrity and your democratic morality against peddling influence, but they *were* peddling influence."

When Perle's lunch with Khashoggi and Zuhair, and his connection to Trireme, became known to a few ranking members of the Saudi royal family, they reacted with anger and astonishment. The meeting in Marseilles left Perle, one of the kingdom's most vehement critics, exposed to a ferocious counterattack.

Prince Bandar bin Sultan, who has served as the Saudi Ambassador to the United States for twenty years, told me that he had got wind of Perle's involvement with Trireme and the lunch in Marseilles. Bandar, who is in his early fifties, is a prominent member of the royal family (his father is the defense minister). He said that he was told that the contacts between Perle and Trireme and the Saudis were purely business, on all sides. After the 1991 Gulf War, Bandar told me, Perle had been involved in an unsuccessful attempt to sell security systems to the Saudi government, "and this company does security systems." (Perle confirmed that he had been on the board of a company that attempted to make such a sale but said he was not directly involved in the project.)

"There is a split personality to Perle," Bandar said. "Here he is, on the one hand, trying to make a hundred-million-dollar deal, and, on the other hand, there were elements of the appearance of blackmail—'If we get in business, he'll back off on Saudi Arabia'—as I have been informed by participants in the meeting."

As for Perle's meeting with Khashoggi and Zuhair, and the assertion

that its purpose was to discuss politics, Bandar said, “There has to be deniability, and a cover story—a possible peace initiative in Iraq—is needed. I believe the Iraqi events are irrelevant. A business meeting took place.”

Zuhair, however, was apparently convinced that, thanks to his discussions with Trireme, he would have a chance to enter into a serious discussion with Perle about peace. A few days after the meeting in Paris, Hillman had sent Khashoggi a twelve-point memorandum, dated December 26, 2002, setting the conditions that Iraq would have to meet. “*It is my belief,*” the memorandum stated, “that if the United States obtained the following results it would not go to war against Iraq.” Saddam would have to admit that “Iraq has developed, and possesses, weapons of mass destruction.” He then would be allowed to resign and leave Iraq immediately, with his sons and some of his ministers.

Hillman sent Khashoggi a second memorandum a week later, the day before the lunch with Perle in Marseilles. “Following our recent discussions,” it said, “we have been thinking about an immediate test to ascertain that Iraq is sincere in its desire to surrender.” Five more steps were outlined, and an ambitious final request was made: that Khashoggi and Zuhair arrange a meeting with Prince Nawaf Abdul Aziz, the Saudi intelligence chief, “so that we can assist in Washington.”

Both Khashoggi and Zuhair were skeptical of the memorandums. Zuhair found them “absurd,” and Khashoggi told me that he thought they were amusing, and almost silly. “This was their thinking?” he recalled asking himself. “There was nothing to react to. While Harb was lobbying for Iraq, they were lobbying for Perle.”

In my initial conversation with Hillman, he said, “Richard had nothing to do with the writing of those letters. I informed him of it afterward,

and he never said one word, even after I sent them to him. I thought my ideas were pretty clear, but I didn't think Saddam would resign and I didn't think he'd go into exile. I'm positive Richard does not believe that any of those things would happen." Hillman said that he had drafted the memorandums with the help of his daughter, a college student. Perle, for his part, told me, "I didn't write them and didn't supply any content to them. I didn't know about them until after they were drafted."

The views set forth in the memorandums were, indeed, very different from those held by Perle, who has said publicly that Saddam will leave office only if he is forced out, and from those of his fellow hard-liners in the Bush Administration. Given Perle's importance in American decision-making, and the risks of relying on a deal-maker with Adnan Khashoggi's history, questions remain about Hillman's drafting of such an amateurish peace proposal for Zuhair. Prince Bandar's assertion—that the talk of peace was merely a pretext for some hard selling—is difficult to dismiss.

Hillman's proposals, meanwhile, took on an unlikely life of their own. A month after the lunch, the proposals made their way to *Al Hayat*, a Saudi-owned newspaper published in London. If Perle had ever intended to dissociate himself from them, he did not succeed. The newspaper, in a dispatch headlined "Washington offers to avert war in return for an international agreement to exile Saddam," characterized Hillman's memorandums as "American" documents and said that the new proposals bore Perle's imprimatur. The paper said that Perle and others had attended a series of "secret meetings" in an effort to avoid the pending war with Iraq, and "a scenario was discussed whereby Saddam Hussein would personally admit that his country was attempting to acquire weapons of mass destruction and he would agree to stop trying to acquire these weapons while he awaits exile."

A few days later, the Beirut daily *Al Safir* published Arabic translations of the memorandums themselves, attributing them to Richard Perle. The proposals were said to have been submitted by Perle, and to “outline Washington’s future visions of Iraq.” Perle’s lunch with two Saudi businessmen was now elevated by *Al Safir* to a series of “recent American-Saudi negotiations” in which “the American side was represented by Richard Perle.” The newspaper added, “Publishing these documents is important because they shed light on the story of how war could have been avoided.” The documents, of course, did nothing of the kind.

When Perle was asked whether his dealings with Trireme might present the appearance of a conflict of interest, he said that anyone who saw such a conflict would be thinking “maliciously.” But Perle, in crisscrossing between the public and the private sectors, has put himself in a difficult position—one not uncommon to public men. He is credited with being the intellectual force behind a war that not everyone wants and that many suspect, however unfairly, of being driven by American business interests. There is no question that Perle believes that removing Saddam from power is the right thing to do. At the same time, he has set up a company that may gain from a war. In doing so, he has given ammunition not only to the Saudis but to his other ideological opponents as well. ♦

Seymour M. Hersh wrote his first piece for The New Yorker in 1971 and has been a regular contributor to the magazine since 1993.

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