

**UPI, May 3, 1983**

**...In west Beirut, the second explosion in as many nights ripped through the Hamra district, injuring at least three people, officials said. An American University Hospital spokesman said they were injured apparently by smoke and flying glass. The explosion struck a shopping area about a block from the Commodore Hotel, where reporters traveling with Secretary of State George Shultz were lodged. The blast ripped through a building containing the Mebco Bank and several small shops including a Japanese airline office. Its cause was not immediately clear.**

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**The American Banker, October 23, 1985**

**A Current Listing of Edge Banks And the People Who Manage Them  
By Rita Kay Meyer**

**Name: Petra International Banking Corp.**

**Date established: October 19, 1983**

**Who runs Edge Bank: Mohamed R. Chalabi**

**Age: 30**

**Title: general manager**

**Number of employees: 26**

**Total Assets (\$000)**

**Dec. 31, 1984 59,717**

**Dec. 31, 1983 23,074**

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**Financial Times, October 23, 1986**

**Arab Banking 2; Finance Groups Penetrate Barrier  
By William Dullforce**

**The visible Arab banking presence in Switzerland is predominantly Lebanese, is heavily concentrated on Geneva and is concerned primarily with the managing of the wealth of private investors...**

**The crisis in Lebanon in the 1970s prompted local banks to look for safer havens in Paris, London and Switzerland. Two important arrivals in 1976 were Audi Bank and the Banque de Commerce and Placements, a subsidiary of BCCI, London, in which the principal shareholder is the Al-Nahayan family of Abu Dhabi...**

**From Switzerland Audi Bank has moved into the US, where it has established a NY affiliate, tapping a similar market for companies and individuals of Lebanese origin. In February a representative office was set up in Miami to cater for Lebanese and other customers in Latin America...**

**...Another relative newcomer, Mebco bank, is part of the Mebco-Petra group which includes the Middle East Banking Company, Beirut, the National Bank of Sudan and Petra Bank of Amman.**

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**Legal Times, February 1, 1988  
DIGESTS & DOCKETS; Federal Digests US Court Of Appeals For DC  
Circuit; Civil Procedure; Pg. 23**

**...Appellant First Chicago International Bank (FCI) brought a suit under the Racketeer-Influenced and Corrupt Organizations Act in the US District Court for the District of Columbia against United Exchange Company (UNEXCO), a currency trading company with its sole place of business in Jordan; Petra Bank, a Jordanian banking concern; and Petra International Banking Corp. (PIBC), a subsidiary of Petra with its sole place of business in DC.**

**The complaint alleged that the three defendants had defrauded FCI of \$23 million through a check-kiting scheme involving the transfer of large sums of money between certain accounts at FCI in NY and PIBC in the District. After FCI pursued preliminary discovery unre-lated to the merits, UNEXCO moved to dismiss the complaint for lack of personal jurisdiction. Petra and PIBC conceded personal jurisdiction.**

**Twelve days after oral argument on the jurisdictional motion, Petra and PIBC filed motions to dismiss on the merits under Rules 12(b)(6) and 12(h)(2); the court treated them as motions for summary judgment because of their reliance on matters outside the pleadings.**

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**The Washington Post, May 23, 1989  
MARKETS**

**...ODD LOTS 1989 Export Excellence Awards, given each year by the District to firms that make significant increases in export sales, will go to MVM Security Inc., specialists in security systems, Petra International Banking Co, the international law firm Mason, Fenwick and Lawrence...**

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**Newsday, June 22, 1989  
Guardian Bank Closed Amid Fraud Charges  
By Nicholas Goldberg**

**The Guardian Bank, a 17-year-old Long Island institution that for years has been teetering on the edge of bankruptcy, was closed down by federal**

agents yesterday morning, amid charges of gross mismanagement and fraud...At the same time, more than a dozen FBI agents raided the executive offices of its subsidiary, the NY Guardian Mortgagee Corp., seeking documents about allegations of misappropriated funds and personal loans to the bank's owner, Louis B. Bernstein...

Maloney said there also were allegations that Guardian Bank engaged in a "sham divestiture" of New York Guardian that involved misappropriating funds from the subsidiary and funneling them through a Swiss bank. According to the affidavit for the search war-rant, Bernstein improperly transferred \$5.4 million to Mebco Bank in Geneva, which in turn lent \$5 million back to a 3rd company owned entirely by Bernstein. That company then bought 2 Guardian Bank subsidiaries - including the mortgage company - for \$1million....Maloney said his office, the FBI and other federal agencies are continuing the investigation.

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AP, June 21, 1989

**Bank and Mortgage Investment Companies Taken Over by Government**

...US Attorney Andrew Maloney said investigators obtained search warrants based on allegations of self-dealing and misuse of bank resources. They cited transactions made by Louis B. Bernstein, president of New York Guardian and the largest shareholder of Guardian Bank.

Maloney said that among the allegations was that Bernstein was involved in a sham divestiture in which \$5.4 million was improperly transferred from New York Guardian to Mebco Bank of Geneva. The Swiss bank than lent \$5 million to LBB Co., a company owned by Bernstein, and LBB bought New York Guardian and another Guardian Bank subsidiary,Guardian Diversified Services Inc, for \$1million

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Financial Times, August 18, 1989

**The Battle For Lebanon**

**Central Banker Fighting To Keep A Devastated Economy Afloat**

By Lara Marlowe

...Since Bank Almashrek, Lebanon's second largest bank, collapsed last December in a welter of bad loans, five Lebanese banks in Europe have been shut by French and Swiss banking authorities. One of these, Banque de Participations et de Placements (BPP) in Lugano and Paris, was related to Almashrek. But the three banks which shut in April,May and July - Middle East Banking Company (Mebco) in Geneva, United Banking Corporation (UBC) in Paris and Lebanese-Arab Bank in Paris - had

unrelated liquidity problems. In Beirut, the news from Paris and Switzerland created panic among depositors of Mebco, Banque du Credit Populaire (the parent of UBC) and Lebanese Arab Bank, and added to growing distrust among small depositors who increasingly prefer to bank with French or other non-Lebanese banks in Beirut...

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**MidEast Markets, September 4, 1989**  
**Jordanian banks' crisis**

The management committee of the newly-merged Petra Bank and Jordan-Gulf Bank has called in the internationally renowned team of accountants, Arthur Anderson, to review the affairs of the new venture. The move marks the latest attempt to salvage confidence in the activities of the commercial banking sector in Jordan.

The brief of the consultants is initially being confined to the activities of Petra Bank. Arthur Anderson is being asked to look into the affairs of the bank both inside the kingdom and abroad. It will then advise the committee on the restructuring of the new outfit. In addition to its international reputation, it is believed that Arthur Anderson was selected for the task because it already had a local presence in Jordan. It is expected to report to the committee in stages in view of the complexity of the affairs of the new bank.

The two banks were merged at the beginning of August because of concern at the health of both institutions. It has long been government policy to encourage the merger of financial institutions in order to consolidate this sector where there is too little business for the commercial banks, finance houses and insurance companies in the market. Some voluntary mergers have already taken place amongst the latter 2 categories. This is the first merger between 2 commercial banks, and the first to be ordered, rather than encouraged, by the Central Bank of Jordan.

The Central Bank, which has emerged as newly interventionist and purposeful since the recall of a former governor, Mohammed Said Nabulsi, to head the institution, appointed the six-man management committee. It is led by Walid Asfour, a former industry and trade minister and a member of an old merchant family. His deputy, Jawad Anani, has also held the industry and trade portfolio and has been a labour minister. Most recently he was head of the Royal Scientific Society. The committee also includes the Central Bank's head of bank supervision department, Ahmed Abdul Fattah.

The committee was also to have included the former chairman and general manager of the Petra Bank, Ahmed Chalabi. He was the inspiration behind a bank which rapidly acquired a reputation for ambition and innovation

amidst a commercial banking sector in Jordan which is generally cautious and conservative. Despite only being formed in 1978 it quickly emerged as 1 of the most dynamic and important banks in the kingdom. For instance it was the first Jordanian bank to issue a credit card.

As well as being an innovative banker Ahmad Chalabi, an Iraqi by origin, had been integrated into Jordanian society. He is generally known as having close links with Crown Prince Hassan, and has bank lent to institutions identified with the royal family.

Whereas Petra Bank profited from the boom years, it was disproportionately affected by the recession in the kingdom. Its lending strategy resulted in a crop of bad debts, a problem which also afflicts the smaller Jordan-Gulf Bank. The combined bad debts of the new bank are believed to amount to \$81m.

Although he was given a place on the new committee, Mr Chalabi did not remain in Jordan to take up the position. He left the country sometime in the middle of August. His appointment to the committee would seem to have been a gesture of goodwill by the Central Bank to the end that it was not contemplating moves against him and would not do so, providing his co-operation was assured.

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Washington Post, September 14, 1989  
Hussein Needs All His Survivor Skills Now  
By Jim Hoagland

...Hussein had been off the screen for US and Israeli policy makers since August 1988, when he abandoned Jordan's sovereignty over the West Bank territory occupied by Israel in 1967. By taking Jordan out of any immediate Middle East peace efforts, Hussein complicated US diplomacy and exacerbated Israel's internal political struggle over Palestinian nationalism.

The Bush administration has seemed ambivalent in its dealings with Hussein. The decision to open a political dialogue with the PLO increased fears in Amman that Washington may come to support the dream of Israel's right wing: transforming Hussein's East Bank kingdom into a Palestinian-ruled state that will absorb Palestinian nationalism.

The concern about wavering US support may have helped trigger Hussein's still unexplained decision to turn to the Baathist regime in Iraq in search of security and cash. In recent months, Jordan has helped Iraq ship large quantities of artillery and ammunition into Lebanon for use against Syria. The result has been to break the political truce Hussein had labored so

hard to reach with Syria and to suck Jordan far more deeply into the Lebanese quagmire than Hussein has ever allowed before.

The switch of alliances has led to diminishing stability in Jordan, however. Syria is encouraging radical Palestinian guerrillas to launch attacks on Israel from Jordanian territory, a tactic that exposes Jordan to Israeli retaliation. At home, anonymous leaflets attacking the king for corruption were widely circulated in Amman in early June in what foreign observers found to be a surprising lapse by Jordan's normally omnipresent security services. This has strengthened the suspicion that these services have been penetrated by the Islamic extremists of the Moslem Brotherhood.

The pamphlets' accusations of profiteering leveled at Hussein stung the king, who insisted on appearing before the armed forces' senior officer corps this summer to protest his innocence. Some of the officers openly mocked the king during his talk; others greeted his assurances that Jordan would soon recover economic stability with stony silence.

These officers, and others in Jordan who live on fixed salaries, have been squeezed viciously by the plunge in the value of the Jordanian dinar (worth half as much today as it was 14 months ago on foreign-exchange markets) and by raging inflation. On top of this comes a new banking crisis provoked by the government's decision to expropriate Jordan's second-largest and most dynamic financial institution, the Petra Bank, a move that has further weakened international confidence in Jordan's economic management.

The Petra affair seems to have heavy political overtones involving the king's surprising new friendship for the Baathists in Baghdad, who were among the Arab revolutionaries who overthrew and killed Hussein's cousin, King Faisal of Iraq, in 1958. The president and founder of Petra bank is Ahmed Chalabi, whose family was prominent in politics and banking in Iraq under the monarchy and therefore also close to the Hashemites of Jordan.

But leaflets began to appear this summer in Amman alleging that Chalabi, a Moslem Shiite, was supporting Iran against Iraq. Reports circulated that Iraq was demanding that he be turned over to Iraqi security. Then came a Jordanian military decree ordering his bank merged with another outfit and placed under government control. Travel bans were issued against a dozen people working at the bank, a senior executive was arrested without being charged, and in August Chalabi left the country hurriedly for an unknown destination.

Petra Bank, which operates a Washington branch, had pioneered credit-card data processing in the Middle East and in some parts of Europe. Now

**that business is in ruins, and Petra's other operations teeter on the verge of collapse, threatening to bring down other sectors of the Jordanian business community.**

**It is hard to understand how Hussein thinks Iraq can help him out of this deepening financial hole. Baghdad went \$100 billion into debt to fight its war with Iran. Jordan will have to stand in a long line to get back any of the \$1 billion it lent Iraq, as the spreading banking scandal involving loans to Iraq by the Atlanta branch of Italy's BNL shows...**

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The Economist, September 30, 1989  
Iraq; Banking on credit

SEPTEMBER brought gloom to Iraq; its attempt to force Syria out of Lebanon by supporting General Michel Aoun collapsed, and the general was forced to accept a ceasefire on Syria's terms. But on September 18th Iraq's new pipeline across Saudi Arabia to the Red Sea quietly came on stream, boosting the country's export capacity by 50% to 3.35 mbd. The second event may prove the more significant.

The neighbours fear that, with more military muscle, Iraq will turn into a regional bully. Its meddling in Lebanon - intended to make Syria pay for having supported Iran during the Gulf war - was widely condemned by fellow-Arabs. The Iraqis feel, that they defined the Arab world from revolutionary Iran, and so earned the right to play a leading role in Arab affairs. Their former radicalism seems to have faded, for now. They have aligned themselves with the moderate Arabs of Egypt, Jordan and North Yemen in the Arab Co-operation Council, a would-be common market.

Iraq's smaller Gulf neighbours are edging away and cuddling up to Iran. Saudi Arabia cannot do that, since its fierce row with Iran over the annual Muslim pilgrimage, the Haj, has again turned bloody: on September 21st the Saudis beheaded 16 Kuwaiti Shias found guilty of planting bombs in Mecca this year. The Saudis have signed a non-aggression pact with Iraq...

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**Financial Times, September 26, 1989**  
**Jordan Reels From Another Banking Blow**  
**By Andrew Gowers**

**As if they did not already have enough economic problems to contend with, the Jordanian authorities have recently been struggling to defuse a home-grown financial crisis which has dealt yet another blow to fragile confidence on the country's banking system. In Amman and in Washington, officials of Jordan's Central Bank are picking over the affairs of Petra Bank, the kingdom's third-largest bank, and a smaller institution, Jordan Gulf Bank, both of which are now under government control following the discovery of financial irregularities. Mr Ahmad Chalabi, Petra's chairman, has left the country amid threats of legal action and its chief currency dealer is in jail.**

**The Government, which plans to merge the 2 banks, is worried about how much it will end up having to fork out - whether in local currency or precious foreign exchange - to support them. And foreign bankers are left wondering whether they are in for any more shocks from Jordan's notoriously overcrowded banking market.**

**The saga began on August 3, when the Government's Economic Security Committee used martial law regulations to announce it was taking over the two banks and merging them to "meet the requirements of international banking transactions." A new management committee, chaired by Mr Walid Asfour, a former trade and industry minister, was appointed to replace the bank boards and Petra executives were barred from leaving the country.**

**While the rest of Amman's financial community was not completely surprised to discover that Petra Bank had problems, it was stunned by the Government's move, for which no detailed explanation was given. Immediately after the announcement, there was a run on both Petra and Jordan Gulf and interbank lines were severed, prompting the Central Bank to pump in an estimated \$164m to keep the two institutions liquid.**

**Mr Ali Sarraf, Petra's chief dealer, was arrested trying to board a flight for London, apparently carrying bank documents. Mr Chalabi left the country last month - on holiday, as he later claimed, while protesting his innocence. "No one told me I was banned from leaving," he explained to international news agencies. The Economic Security Committee, insisting that Mr Chalabi had left the country by "illegitimate means," added: "We put Chalabi on the supervisory committee to give him a chance to cooperate with the new management and disclose the bank's troubles, but he chose to run away from his duties and leave the country illegally." The style of the chairman's exit was astonishing to ordinary Jordanians. In the 12 years since he founded the bank, Mr Chalabi, scion of a wealthy Iraqi Shia family, had developed a reputation not only for his commercial ambitions but also for his high-level political contacts.**



**Petra's expansion was aggressive: during Jordan's ill-fated economic boom in the early to mid-1980s, it lent widely to the private sector at uncomfortably competitive spreads, notably in connection with trade to Iraq, and launched a pioneering credit card operation. By 1987 - the last year for which a balance sheet has been published - its assets of JD291m ranked it third in the country, behind Arab Bank and the specialist Housing Bank.**

**The Chalabi family maintained a stake in two other banks - Jordan Gulf and Cairo-Amman, as well as in an investment company and many other businesses in Jordan. Abroad, they set up banks in Lebanon and Switzerland under the name of Mepco and a subsidiary, Petra International, in Washington.**

**Many bankers had harboured suspicions about Petra since a minor run on the bank two years ago. In particular, they worried about the solidity of its loan portfolio, some 30% of which was invested in companies where it had a stake of 10% or more, and its currency trading activities, in which it worked closely with an informal network of money changers now virtually closed down by the Government. Senior officials at the central bank were also undoubtedly aware that something was wrong.**

**One local banker says he repeatedly discussed the issue with the central bank in the first few months of this year and twice warned Mr Zaid Rifai, the former Prime Minister, that Jordanian banking regulations were being violated. A member of the new management committee adds: "Petra Bank survived for 4 years on the fringes of the law and through its loopholes. It committed many unorthodox banking transactions."**

**What seems to have brought the problems to a head is the foreign exchange crisis Jordan has suffered during the last year. When the free-market value of the dinar plunged last autumn, it was common knowledge in Amman that Petra Bank was among the most active purchasers of dollars. Yet when the central bank - now under firm new management - sought to enforce a requirement on banks to deposit 35% of their foreign exchange holdings with it as part of its efforts to prop up the currency, Petra was unable to comply. One of the authorities' aims in taking over the two banks was probably to assert their control over the currency.**

**However, examination of the books appears to have revealed a much more complex mess, stretching from Amman to Washington. The management committee, which has engaged accountants Arthur Andersen for the task, is not prepared to give details until efforts to verify the bank's assets and liabilities are complete. However, two central preoccupations have emerged:**

**The need for provisions against likely loan losses in Jordan. It remains unclear whether the central bank, which has promised to honour the**

**"legitimate commitments of the two banks," will be forced to inject capital and, if so, how much.**

**The international network, and in particular the Washington subsidiary, in which Mr Chalabi's brother Talal has a 30% stake. A senior central bank official is in Washington examining Petra International, which is reported to have been a principal outlet for the Amman parent's foreign currency holdings. Depending on the use to which that money was put, the central bank may find itself also faced with liabilities in foreign exchange, at a time when it can ill afford to spare any.**

**No one in Amman doubts that decisive action was needed to save Petra Bank from itself. As one foreign banker put it: "If Petra Bank had gone down, it would have added one hell of an economic shock on top of the foreign exchange disaster."**

**However, the almost universal question is why nothing was done to rein Petra in before - a question that many observers answer by pointing to Mr Chalabi's friends in high places, including within the central bank.**

**It is already abundantly clear that these friends did not include Dr Mohammad Said Nabulsi, the widely respected new central bank governor. Since being reappointed to the post in May, he has asserted his institution's independence and taken a firm grip on exchange rate policy. The Petra Bank issue may prove to be an equally important credibility test.**

**However, independent banking analysts believe that in acting swiftly last month, the central bank has contained the problem. "The banking system itself seems to be in reasonable shape," says Mr Ramin Habibi, chief economist at Capital Intelligence, the Cyprus-based bank rating agency. Jordanian banks generally "are pretty liquid and conservative - even dull."**

**Ultimately, assuming the immediate financial difficulties can be overcome, the effects could even turn out to be salutary. Dr Nabulsi wants to strengthen the Jordanian financial sector by encouraging some of the 13 local banks to merge. The Petra debacle might be just the sort of jolt the system needed.**

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**Financial Times, September 27, 1989  
Arab Banking 6; Long, Difficult Road Ahead  
By Andrew Gowers**

**In finance, as in politics, this has been a turbulent year for Jordan. Bankers in the kingdom have scarcely had time to catch their breath as the economy has shifted abruptly from faltering boom to outright recession,**

and they are now faced with early casualties in their own ranks - notably Petra Bank and Jordan Gulf Bank, which the Government has taken over and is merging. Moreover, the signs are that this is only the beginning of a long and difficult period of restructuring for the financial sector as much as for the economy as a whole.

The shock is all the more painful for having been long overdue. For years, the Jordanian economy had been a fool's paradise: living on unfulfilled promises of Arab aid; borrowing that Jordan with its meagre resources could not hope to sustain; and declining remittances from a diminishing army of Palestinian and Jordanian expatriates in the Arab oil states. Above all, it was living on confidence against the odds: once that vital but intangible commodity started to ebb, the crunch was only a matter of time.

Jordan's overblown banking industry, which enjoyed its share of this phony boom, began to see danger signals in the spring of 1988. Jitters were spreading from the Government to the business elite, and capital was starting to flee. The real turning point, though, came on July 31, when King Hussein announced that he was severing legal and administrative ties with the Israeli-occupied West Bank, and followed through with a series of measures that greatly increased feelings of insecurity among Jordan's Palestinian-origin majority.

All at once, the flow of remittances from the Gulf slowed to a trickle. Speculation against the dinar began and it soon emerged that the Government would have difficulties servicing what is now known to be a foreign debt of \$8.3 bn.

The suddenness of the change made it difficult to manage, even for the largest and most solid financial institution in Jordan, Arab Bank. Since last autumn, the banking system has had to contend with a sharp fall in the dinar, which has lost nearly half its value against the dollar since October; the Government's decision to admit its insolvency by seeking an IMF deal and debt rescheduling; and a shaky start to economic reform under a Prime Minister, Mr Zaid Rifai, who was forced to resign after price riots in April.

Only in the past few weeks have bankers begun to breathe more easily. They point to several signs that the situation is being brought under control by Mr Rifai's successor, Field Marshal Zaid bin Shaker and his cabinet. For example

During the summer, the Government has managed to obtain a fresh infusion of aid funds from Saudi Arabia and other Gulf states, bolstering central bank reserves to \$500 m or more from levels close to zero earlier in the year. Plans are also under discussion for several of the Gulf states to

make a large interest-free deposit with the central bank, which Jordan could use to generate interest earnings, perhaps by placing the money with the Arab Monetary Fund. Technical disagreements with the IMF over this issue, however, have yet to be ironed out.

The central bank - itself under new and more forceful management following the reappointment of the respected Dr Mohammad Said Nabulsi as governor - has asserted its control over the foreign exchange market, armed with a more credible threat to intervene in support of the dinar. Dr Nabulsi's approach has been shrewd and pragmatic, first setting up a 2-tier rate structure to draw funds from the free market back into the mainstream banking system, then announcing his intention to unify the two rates in line with IMF requirements. The result of these and other moves is that the dinar has stabilised at around \$1.20, up from July, when it briefly reached parity with the US currency.

The Paris Club of government creditors and the London Club of creditor banks have both agreed to reschedule Jordan's debts falling due this year and next. This, coupled with new loans from the IMF and the World Bank, will provide a two-year breathing space for economic reform. The IMF agreement is being adhered to. Although there is as yet little sign of the called-for structural reforms, the Government is maintaining strict control on its spending. Imports have also been tightly reined in.

Mr Abdulmajeed Shoman, the 77-year-old chairman of Arab Bank, sums up the current sentiment when he says: "Confidence is the most important thing. And people feel more secure now. They see that the central bank is serious."

The problem for the banking industry is that while its practitioners might perceive virtue in the Government's actions, they see precious little profit to be gained in the coming years out of the Jordanian market. Arab Bank, for example, which only a few years ago was talking about expansion in Jordan, is now busily playing down its involvement in the country.

Thanks to the depreciation of the dinar, Jordan now accounts for only 11% or 12% of its balance sheet, according to Mr Shoman. But it is still deeply embedded in the local economy, with around 50% of all banking activity in Jordan.

Among other banks, the chickens hatched during the boom years are already coming home to roost. The most obvious of these is Petra Bank. Founded in 1977 by Mr Ahmad Chalabi, an Iraqi Shia and former mathematics professor who had excellent connections among Jordan's ruling elite, Petra expanded aggressively in the past few years to become the kingdom's third largest bank.

**But on August 3 it and another smaller institution in which it has a stake, Jordan Gulf Bank, were suddenly taken over by the authorities amid allegations of serious financial irregularities. The move prompted a run on both banks, while Mr Chalabi left the country protesting his innocence and his chief foreign exchange dealer was arrested.**

**Officials are poring over the balance sheets both of the parent bank in Amman and of a Washington subsidiary, Petra International. It is possible that the central bank, which has promised to honour all "legitimate commitments" of the two banks, will end up footing the bill for what is believed to be a substantial portfolio of doubtful loans, including some in foreign currency.**

**Petra's case is, no doubt, unique in some ways. It is said, for example, to have been closely connected with an informal network of money-changers which has now virtually been closed down by the Government, and to have been involved in speculation against the dinar. This would have given the new central bank leadership another good reason to want to rein the bank in.**

**None the less, the planned merger between Petra and Jordan Gulf - to be effected once accountants from Arthur Andersen have completed a thorough evaluation of their assets and liabilities - does send an important message to the rest of the banking community. It says that Jordan, as a small country with very few natural resources, simply cannot sustain a total of 18 banks - 13 local and 5 foreign - at a time of economic retrenchment.**

**Many observers believe that such a large number of banks should never have been given the green light in the first place. But there is little doubt that as Jordan settles in for a long haul of rationalisation, more of the smaller banks whose weaknesses have been ex-posed by the fall in the dinar will be forced to merge.**

**The hope is that, with the Government promising greater emphasis on the private sector under its IMF programme, a leaner and fitter banking industry will be in a position to benefit from the lending opportunities this will create.**

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**Financial Times, September 27, 1989  
Mergers The Key To Survival  
By Andrew Gowers**

**...it is Jordan, in the throes of an economic crisis, that is now pointing the way forward. Last month, the Government used martial law regulations to take over two troubled local institutions, Petra Bank and Jordan Gulf Bank, and vowed to merge them. Since Petra was the country's third largest bank and its chairman, Mr Ahmad Chalabi, had excellent local political connections, such a step would have been unthinkable even a year ago. But the move, which is expected to be a prelude to other local bank mergers, shows what can be done given sufficient determination on the part of the authorities.**

**The unhealthy proliferation of institutions is only the most obvious structural difficulty in Arab banking to have been highlighted in the past year. Even the largest Arab banks have suffered well-publicised management problems: witness the controversy surrounding the second largest Arab commercial institution, Bank of Credit and Commerce International, largely owned by Abu Dhabi's ruling al-Nahyan family...**

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**Financial Post (Toronto, Canada), October 4, 1989  
Bank scandal**

**An official investigation into Petra Bank, Jordan's third-largest financial institution, has uncovered large-scale fraud, including embezzlement and violations of Jordanian foreign exchange laws, according to Mohammad Said Nabulsi, governor of the Central Bank of Jordan.**

**In his first detailed public comments on the affair since the authorities used martial law to take over Petra Bank and the smaller Jordan Gulf Bank on Aug. 3, Nabulsi said preliminary inquiries had exposed "a host" of illicit transactions in Jordan and abroad.**

**Well-informed bankers estimate that the group of banks and companies built up by Ahmad Chalabi, Petra's Iraqi owner, may have accumulated losses of more than \$250 million within and outside the country.**

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**Financial Times (London), October 4, 1989  
'Fraud and embezzlement' uncovered at Petra Bank  
By LAMIS ANDONI**

**AN OFFICIAL investigation into Petra Bank, Jordan's third largest financial institution, has uncovered large-scale fraud, including embezzlement and violations of Jordanian foreign exchange laws, according to Dr Mohammad Said Nabulsi, governor of the Central Bank of Jordan. In his first detailed public comments on the affair since the authorities used martial law to take**

over Petra Bank and the smaller Jordan Gulf Bank on August 3, Dr Nabulsi said in an interview that preliminary inquiries had exposed 'a host' of illicit transactions in Jordan and abroad.

Well-informed bankers estimate that the group of banks and companies built up by Mr Ahmad Chalabi, Petra's Iraqi owner, may have accumulated losses of more than \$250m within and outside Jordan. This reflects the liquidation of two banks owned by the Chalabi family in Switzerland (Mebco Geneva, a subsidiary of a related bank in Lebanon, and Socofi), as well as money required to cover foreign liabilities, missing accounts and fictitious assets owned by Petra Bank and its Washington subsidiary, Petra International. Dr Nabulsi, who has just returned from examining the Petra group's affairs in Washington, Zurich and Geneva, confirmed that the Jordanian Government will continue supporting the bank until the current audit is complete.

The authorities have placed the affairs of both banks in the hands of a new management committee and have said they are considering legal action against Mr Chalabi, who left Jordan soon after the bank was taken over and is now believed to be in the Far East. Dr Nabulsi said legal action would be vital to restore the integrity of Jordan's banking system.

Last week, in a telephone call to the Financial Times from Bangkok, Mr Chalabi defended himself at length against the Government's charges. He denied that his bank was in danger of insolvency at the time of the takeover. Mr Chalabi says the bank's current problems were triggered by the authorities' summary action in taking it over, followed by what he says was their disavowal of some of its foreign liabilities.

Mr Chalabi has engaged the legal services of Mr Caspar Weinberger, the former US Defence Secretary, to assist in sorting out the affairs of the Washington subsidiary. He alleges that the Jordanian authorities have already spent \$224m and \$50m on supporting the bank, and may have to pump in a further JD100m in the next six months.

Petra's owner has not been alone in criticising the authorities' invocation of martial law in the takeover of Petra Bank. But Dr Nabulsi defended the decision on the grounds that normal legal proceedings would have taken too much time in the midst of a financial crisis. The governor revealed that the takeover was based on a central bank report showing that Petra had exceeded legal lending ceilings, opened branches without official approval, failed to submit its accounts to the Central Bank within the statutory period of three months after the end of its financial year, and failed to comply with a request to deposit 35% of its foreign currency reserves in the Central Bank. 'We had to intervene to contain the problems and pre-empt the triggering of a chain reaction in the banking sector,' Dr Nabulsi said.

**The Central Bank is now trying to settle Petra's foreign liabilities, which stem from its Washington subsidiary and from its Visa card operation. Dr Nabulsi says about \$5m is owed to Visa International. There have also been disputes with Bank of Tokyo and with the US Federal Reserve about outstanding sums.**

**Locally, although the Central Bank believes it has been able to limit the damage by taking control of the bank, the full problem has yet to unfold. This involves loans extended beyond legal limits and shares that Mr Chalabi is said to have built up in around fifty Jordanian companies, either through Petra or other investment vehicles. Mr Chalabi is also accused of having bought property in Jordan and the US in the name of Petra Bank but to have registered it in the names of his relatives.**

**Mr Chalabi acknowledges that the authorities had been in touch with Petra earlier this year to express concern about its loan portfolio and its investments in Jordanian companies. But he says that the two sides had agreed on a two-year plan to resolve these problems prior to the takeover.**

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**Financial Times (London), October 5, 1989  
Socofi; Correction**

**SOCOFI, THE Geneva-based finance company mentioned in an article on Petra Bank in the Financial Times yesterday, is still in business and has not gone into liquidation as suggested. Mebco Geneva went into liquidation on April 27.**

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**The Washington Times, December 6, 1989  
Jordan bank starts repaying Visa**

**Jordan's Petra Bank owes Visa International, the credit card company, more than \$5 million, but began repayments after Visa agreed to resume honoring Petra-issued cards, the bank said yesterday. Petra Bank's government-appointed general manager Bassam Atari told Reuters news agency that the bank would repay \$50,000 each working day to cover the sum of \$1.7 million, and another \$3.8 million owed to Visa would be "considered for rescheduling" after its accountants' report is ready in early 1990. Jordanian officials have accused former bank head Ahmed Chalabi of large-scale fraud and embezzlement. He has denied the charges.**

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Xinhua News Agency, JUNE 17, 1990



jordan's second largest bank to be liquidated

petra bank, the second biggest in jordan after the central bank of jordan (cbj), will be liquidated and a new banking entity will be established in its place soon, jordan times reported today.

the proposal to liquidate the bank was presented to prime minister modar badran by the bank's management committee following consultation with officials from the cbj and the ministry of finance, the paper quoted management sources as saying. according to the source, who spoke on condition of anonymity, the main reason behind the proposed liquidation is the bank's financial situation.

petra bank was taken over by the government's economic security committee (esc) last august and ordered to be merged with the jordan gulf bank, another bank taken over by esc.

according to cbj governor mohammad saeed nabulsi, petra bank has been losing more money since its takeover. the government has pumped money into the bank and has settled part of its debts, but no precise figures are available. reports in jordan and outside have suggested that the bank had at least lost \$500 million prior to the takeover. petra sources said public deposits at the bank, estimated at around 130 million jordanian dinars (about \$200 million), will be guaranteed, and depositors will not lose anything under the envisaged change of status of the bank.

the present management committee will be dismantled and a new panel will be named. bank employees said their jobs were secured in the proposed new banking entity to be created simultaneously with the liquidation process.

as for the jordan gulf bank, the present management committee, appointed by the esc to supervise the affairs of the bank after its takeover, will also be replaced by a new panel. the liquidation pre-empts the proposed merger between petra bank and the gulf bank

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Financial Times, May 6, 1991

White House ignored Iraq arms network

By Alan Friedman, Lionel Barber and Eric Reguly

...Norm Bailey, a White House aide at the time who started a follow-the-money computer program that used NSA intercepts, says it is inconceivable that the BNL Atlanta-Baghdad telex traffic was not made available to the administration. ''The only explanation I can think of is that the authorities knew all about it and approved it,'' he claimed in an interview. ''They were using this as a channel for the financing of certain activities.''

This is a serious allegation that raises questions about whether the administration sanctioned the bank transfers in pursuit of a foreign policy goal. However, both federal regulatory authorities and US officials deny knowledge of what was going on in Atlanta. Whatever the case, the funds proved crucial to Saddam's war effort for a while.

'BNL,' says Achmed Chalabi, a prominent Jordanian banker and Iraqi opposition adviser, ''became Iraq's surrogate lender of last resort.''

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**New York Law Journal, October 31, 1991**  
**Quasi-in-Rem Jurisdiction Denied Where Actions Were Not Purposeful;**  
**Petra International Banking Corp. v. National Bank of Sudan, Supreme**  
**Court, IA Part 12, Justice E. Lehner.**  
**New York County**

**PLAINTIFF MOVED for an order of attachment for \$300,000 of defendant's funds on deposit in NY in payment of an agreement executed by the defendant. Plaintiff contended quasi-in-rem jurisdiction existed since three payments under the agreement passed through defendant's NY accounts. The court denied plaintiff's request, holding that the defendant's actions in NY were not sufficiently purposeful so as to render it amenable to suit.**

**IA PART 12 -- Justice Lehner**

**PETRA INTERNATIONAL BANKING CORP. v. NATIONAL BANK OF SUDAN -- Plaintiff seeks to recover \$1,697,933, being the alleged unpaid principal amount owing under an agreement (the "Agreement") executed by defendant, a bank chartered under the laws of Sudan. The Agreement is characterized by plaintiff as a letter of credit, and by defendant as a letter of guarantee.**

**Pursuant to a temporary restraining order issued by this court, the transfer of \$300,000 of defendant's funds on deposit in NY corresponding banks has been enjoined. This is an application for an order to attach these funds.**

**The Agreement was executed in connection with a business transaction between Sudanese and Jordanian companies for the purchase of equipment. Neither company nor either party hereto has done any business in New York, is licensed here, or has any employees here. The only basis for the claimed quasi-in-rem jurisdiction is that approximately 3 payments to the beneficiary of the Agreement passed through defendant's accounts in its corresponding banks in New York.**

**In arguing against attachment, defendant asserts lack of quasi-in-rem jurisdiction, lack of subject matter jurisdiction (Business Corporation Law §1314(b) and Banking Law §200-b), and forum non-conveniens. A defense of lack of standing was withdrawn at oral argument.**

**In Shaffer v. Heitner, 433 US186 (1977), the Supreme Court severely limited the viability of quasi-in-rem jurisdiction when it applied the minimum contacts approach laid down in International Shoe Co v. Washington, 326 US 310 (1945) to an application to attach assets of a non-domiciliary.**

**In summarizing the effect of that landmark decision, our Court of Appeals in Banco Ambrosiano, S.P.A. v. Artoc Bank & Trust Limited, 62 NY2d 65 (1984) stated (p 71):**

**"Thus, when the property serving as the jurisdictional basis has no relationship to the cause of action and there are no other ties among the defendant, the forum and the litigation, quasi-in-rem jurisdiction will be lacking."**

**Each party argues that the decision in that case is supportive of its position. There an Italian bank sought to attach an account which a Bahamian bank maintained with a New York corresponding bank, agreement between the parties provided that plaintiff was to deposit funds with the corresponding bank, and that repayment was to be made to plaintiff's New York corresponding bank.**

**The court observed that whether "quasi-in-rem jurisdiction exists in a given case involves in inquiry into the presence or absence of the constitutionally mandated minimum contracts" (p 72). It found that this was "not a case in which property is coincidentally located within the State's borders and forms the only relevant link to defendant . . . (but rather it) is the very account through which Artoc (defendant) effectuated and transaction at issue, directing Ambrosiano (plaintiff) to pay funds to the account and presumably directing Brown Brothers (the corresponding bank) to transfer the funds out of this account to the ultimate recipient." The court further determined that this account was used by defendant "regularly to accomplish its international banking business," and concluded that "the relationship between the cause of action and property**

the activities to be performed in New York under the parties' agreement, and Artoc's other ties with New York - combine to render the exercise of quasi-in-rem jurisdiction appropriate". (p 73).

Here plaintiff would have the court sustain jurisdiction merely because a New York corresponding bank was used to transfer a few payments to the beneficiary, it being conceded that the funds now in the accounts have no relationship to plaintiff's claim. The facts in this case at bar show far less contacts with NY than in the above discussed case. Here there was no agreement, contemplation, or request that a New York corresponding bank be employed to make payments. In fact, the vast majority of payment made to the beneficiary did not pass defendant's accounts in New York.

Moreover, there is no showing that defendant used these accounts regularly to accomplish its international banking business. The mere fortuitous transfer of some funds through NY does not meet the International Shoe requirement that there be certain minimum contacts with the state "such that the maintenance of the suit does not offend 'traditional notions of fair play and substantial justice'."

The facts here are also far different from those in *Majique Fashions, Ltd. v. Warwick & Company Limited*, 67 AD2d 321 (1st Dept 1979) as there, although defendant did not perform any acts within the state, its alleged failure to properly inspect goods being delivered into New York gave it reasonable expectation that its acts would have adverse consequences here with this State having "a demonstrable concern about the quality of goods imported into it." (p 325); See also, *Deutsche Anlagen-Leasing GMBH v. Kuehl*, 111 AD2d 69 (1st Sept. 1985).

Thus, defendant's activity in this state cannot be said to be so purposeful as to render it reasonable for it to expect that it would be amenable to suit here. Consequently, to require this Sudanese bank to defend in New York an action which relates to a transaction between two middle east business concerns, neither of whom has any relationship to New York, is violative of due process under the principles enunciated in *Schaffer v. Heitner*.

Finally, plaintiff has argued that, even if minimum contracts are found to be insufficient, there should be a finding of "jurisdiction by necessity" since no other forum is available to plaintiff. However, from the papers it cannot be determined whether the proffered rule should be adopted here. The opinion of plaintiff's legal adviser in Jordan as to his client's right to pursue its claim in the related liquidation proceeding of its parent corporation constitutes neither sufficient proof of the required facts, nor of the applicable foreign law, necessary for this court to reach the suggested determination.

**In light of the foregoing there is no need to discuss the claim each of subject matter jurisdiction.**

**In conclusion, plaintiff's motion for an order of attachment is denied, and the temporary restraining order contained in the order to show cause dated March 11, 1991 is vacated as of 5 pm on the third business day following the date hereof. This constitutes the decision and order of the court.**

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**New York Law Journal, April 10, 1992  
Hearing Ordered on Attaching Foreign Bank's Funds  
By CERISSE ANDERSON**

**DISCOVERY has been granted to a creditor seeking to attach corresponding accounts of a Sudanese bank in two New York banks. The creditor is entitled to tract the Sudanese bank's funds through its New York accounts for a determination of whether there is jurisdiction for the attachment proceeding, an appellate court has ruled. The decision will be published Monday.**

**A ruling yesterday in Petra International Banking Corp. v. National Bank of Sudan, the Appellate Division, First Department, unanimously reinstated a temporary restraining order that had enjoined the transfer of about \$745,000 in the Sudanese bank's accounts at the Bank of New York and Manufacturers Hanover Trust Co. An order releasing the funds had been stayed pending the determination of the appeal.**

**The four-judge panel remitted the jurisdictional question back to Acting Justice Edward Lehner in Supreme Court in Manhattan for a hearing on whether there were sufficient minimum contacts with New York to satisfy constitutional requirements.**

**Justice Lehner had agreed with the National Bank of Sudan in a ruling last October that since it did not maintain offices in New York, did not conduct business here and the funds in its New York bank accounts were not related to the underlying dispute over the financing of a 1988 sale of trucks and heavy equipment to a Jordanian company, there was no basis for quasi-in-rem jurisdiction.**

**But in an unsigned memorandum, the appellate court noted that payments on the letter of credit issued by the Sudanese bank that guaranteed Petra payment by Odeh Naber & Sons Transport Co. were made in New York and that there had been requests that the payments be made here.**

**Petra, a Washington DC-based subsidiary of a Jordanian bank, had financed a nearly \$6 million purchase of equipment for transporting oil by**

**Naber & Sons from Yugoslavian and Austrian manufacturers. The trucking company defaulted, and Petra turned to the Sudanese bank for payment of about \$1.7 million of the principal.**

**"Statements from the correspondent banks...indicate that the defendant effected numerous daily transactions through these accounts. While the funds attached were not related to the transaction in question, the relevant res is the bank account in New York, not the actual identifiable dollars in the account," the First Department panel said.**

**"Under the circumstances, the plaintiff should be permitted further discovery to trace the flow of the defendant's funds in its NY bank accounts to establish to the full extent the nature of its activities and to determine whether sufficient contacts exist to support a finding of quasi-in-rem jurisdiction," the court added.**

**Justices Ernst H. Rosenberger, Theodore R. Kupferman, Sidney H. Asch and Israel Rubin formed the appellate panel. Petra was represented by James J. Markowski and Timothy Burke of Shea & Gould. Thomas F. Clauss of Winthrop, Stimson, Putnam & Roberts was counsel for the National Bank of Sudan**

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**Mednews - Middle East Defense News, April 13, 1992  
Jordan reverses embargo policy**

**...Buying debt: The UN Sanctions Committee approved Jordanian oil purchases from Iraq, but specifically tied them to the repayment of Iraq's debt to Jordan. This debt stood at around \$400 million when the initial waiver was granted in August 1990. By all estimates, Jordan's consumption of approximately 70,000 b/d of Iraqi oil was scheduled to wipe out Iraq's debt by late December 1991 (cf MD 5,11/12). However, the oil purchases continue on the same scale as before.**

**According to Western diplomats in Amman, this is because the Central Bank of Jordan has been purchasing Iraqi debt from commercial banks, and reclassifying it as "official" debt. Debt officers at the Central Bank of Jordan confirmed that the Iraqi government debt to Jordan currently stands at around \$400 million but refused to comment on how this had come about. "This is a very sensitive matter," they said.**

**Wall Street investigator Jules Kroll, who is investigating Iraq's procurement effort in Jordan, says the Iraqi government transferred \$5.2 billion in government funds to the Arab Bank in Amman just as Operation Desert Storm was ending, to establish a new trading infrastructure for Iraq. In addition to this, he alleges that the Central Bank of Jordan is laundering**

secret Iraqi government funds in Switzerland through commercial banks such as Jordan's Housing Bank, the Jordan Gulf Bank, and the Arab Financial Corporation. Local bankers in Amman quietly confirmed that they were financing Iraqi imports through Jordan and trading in Iraqi commercial paper, but refused to provide details.

When confronted with allegations that an Iraqi diplomat in Amman, Khaled Marzoumi, was closely linked to Iraqi front companies known to have procured goods for Iraq's nuclear weapons program, Crown Prince Hassan responded unequivocally. "If a detailed presentation of these charges is made to us by a foreign embassy, we would consider closing down this office and expelling the individuals in question." Marzoumi runs Iraq's Trade delegation in Amman, and shares an office with Iraq's State Oil Marketing Organization. In 1988-89, he was instrumental in the operation of Babil International, an Iraqi front company registered in France that was controlled by Safa Habobi of TDG and was used for procurement and for financial trans-actions on behalf of the Iraqi government...

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Federal News Service, JUNE 29, 1993

JOINT HEARING OF THE EUROPE AND THE MIDDLE EAST SUB-COMMITTEE, ECONOMIC POLICY, TRADE AND ENVIRONMENT SUBCOMMITTEE, AND INTERNATIONAL SECURITY, INTERNATIONAL ORGANIZATIONS AND HUMAN RIGHTS SUBCOMMITTEE OF THE HOUSE FOREIGN AFFAIRS COMMITTEE

SUBJECT: IRAQ'S NUCLEAR WEAPONS CAPABILITY AND IAEA INSPECTIONS IN IRAQ

...REP. JAN MEYERS (R-KS): Mr. Chairman, I have in front of me a document that I presume is a public document that was prepared by Mr. Lantos' committee I believe, and I'd like to read a paragraph from that document and maybe ask some other questions and get you to respond to that if you would.

"Wall Street investigator Jules Kroll, who has been tracking Iraq's procurement effort in Jordan, alleges that the Iraqi government transferred \$5.2 billion in government funds to the Arab Bank in Amman just as Operation Desert Storm was ending to establish a new trading infrastructure for Iraq. In addition to this, he alleges that the central bank of Jordan is laundering secret Iraqi government funds in Switzerland through commercial banks, such as Jordan's Housing Bank, the Jordan Gulf Bank, and the Arab Financial Corporation."

He talks about how the German companies are breaking the sanctions and they are helping Iraq to develop upgraded Scud missiles. And then he says

that "unconfirmed reports from Kuwaiti sources warned that commercial contacts have intensified in recent months between major French defense exporters and Iraqi agents in Europe in view of renewing the supply of spare parts for Iraq's fleet of Mir-age F-1 fighter-bombers."

Now, can you comment on all of that? That doesn't sound to me like we're seeing any build-down of defense efforts, and it certainly sounds like we're seeing a buildup of nuclear capability.

**MR. ROBERT GALLUCCI (Assistant Secretary of State for Politico-Military Affairs):** Mrs. Meyers, first, let me try to speak to each one of these and then to the general point. I'm afraid I am unaware of the banking activity in Jordan just prior to the war, and I just cannot speak to that...

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**Voice of Palestine, August 2, 1994 (via BBC)**  
**Palestinian businessman to open first Palestinian bank in Gaza**

Palestinian businessman Sa'id Haddad has announced that he, in association with Palestinian and Arab businessmen, will set up the first bank in the Gaza Strip since the Palestinian authority took over in the strip following the withdrawal of the Israeli forces more than two months ago. Sa'id Haddad has said that he will set up the bank in association with Palestinian, Syrian, Jordanian and Saudi businessmen.

Attempts are being made to reopen banks which were closed during the Israeli occupation of the Gaza Strip in 1967. A decision has also been taken to reopen in Nablus in the West Bank a branch of the Jordan and Gulf bank. This will be the second Jordanian bank to resume activities in the West Bank since the conclusion of a banking agreement between Jordan and Israel last year.

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**Israel TV Channel 1, August 30, 1994**  
**Cooperation agreement with Egyptian bank**

A cooperation agreement was signed recently between Bank Hapoalim and the Arab Land Bank on the exchange of banking services and the training of the Egyptian bank's staff. Our correspondent Yehezqel Ya' aqobi adds that Bank Hapoalim has reached similar agreements with the Jordan-Gulf Bank and the Commercial Bank of Palestine.

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Mideast Mirror, July 6, 1995  
Syria proposes new Iraqi opposition umbrella as alternative to the INC



\* Defections continue from "useless" US-backed anti-Saddam coalition, but disillusioned members are in two minds about whether it needs reforming or replacing

\* PUK blamed for deadlock in Kurdish peace efforts, as KDP reports fresh Turkish incursion into Iraqi Kurdistan

Syria has suggested that Iraqi opposition groups form a new umbrella organization to replace the disintegrating and discredited Western-backed INC, Thursday's pan-Arab daily al-Hayat reports. It quotes Iraqi opposition sources as saying the Syrians made a proposal to this effect recently to Iran, but that the two big rival Iraqi Kurdish parties who are key components of the INC turned the idea down.

The paper portrays the proposal as one facet of a contest for influence over the Iraqi opposition between the US and Syria's ally Iran, and a consequence of the continuing stream of defections from the INC in protest at the autocratic ways of its founder and executive chairman Ahmad Chalabi.

Chalabi, a controversial banker indicted in connection with the 1989 collapse of Jordan's Petra Bank, launched the INC in Vienna in 1992 with US and British backing, and later persuaded many established and newly-formed opposition parties to affiliate to it. But several have since resigned or suspended their membership, as have key individual members. The latest to publicly attack Chalabi's leadership was Hassan al-Naqib, a former general and a member of the INC's three-man presidential council, who told al-Hayat that the mismanagement of the INC has rendered it incapable of fulfilling its role.

Another member of the presidential council, Shiite cleric Mohammad Bahr-al-Uloom, suspended his membership last year, as did Hani al-Fkeiki, the deputy chairman of the executive committee. Al-Hayat reports that a member of the INC's national assembly, Walid al-Tamimi, also resigned on Wednesday protesting that it had fallen under the unaccountable control of a "small clique."

Chalabi has been in London for the past month or so apparently trying to resolve the disputes within the INC, but has maintained a low profile and not spoken to the media.

Naqib blamed Chalabi's "individualistic" leadership for the INC's failure, but urged Iraqi opposition groups to adhere to the idea of uniting under a single coalition. Speaking to al-Hayat by telephone from Damascus, he said the INC had "witnessed a series of resignations and suspensions of membership, has failed to perform its role, and has become incapable of doing anything." Naqib said he had long objected to the way Chalabi and others had taken individual actions on the INC's behalf, and said this behavior had undermined the group and inflicted a "great setback" on it.

He said talk was rife at the INC's headquarters in Salaheddin, in the Western-protected Kurdish enclave in northern Iraq, about the millions of dinars worth of debts which Chalabi had run up for the INC. Naqib also complained that he knew nothing about the INC's sources of finance.

He appealed to "Iraqi patriotic forces to join together under whatever framework in order to rescue our people," but did not make clear if he was proposing reform of the INC or the formation of an entirely new body. "Names are not important, the important thing is to have a framework that joins all these forces," he said, while adding that the INC "continues to command international support."

Mohammad Bahr-al-Uloum confirmed that Syria had proposed the creation of a new unifying framework for the Iraqi opposition to replace the INC, but said he was unsure whether it would be viable. He largely confirmed a report in the opposition Islamic Daawa Party's newspaper Sawt al-Iraq that Syrian Vice-President Abdelhalim Khaddam had called for the creation of "an Iraqi political enterprise as an alternative to the failed one." Khaddam also reportedly hinted that some components of the INC were acting as agents of Western powers.

Bahr-al-Uloum said an unnamed Syrian official had told him and two other INC officials during a recent visit that "the INC's endeavor has reached a dead end." The official "proposed supporting us in finding effective work for the opposition, and suggested the idea of nominating people to establish a body as an alternative to the INC," he said. Bahr-al-Uloum said he conveyed this suggestion to the 2 senior Iraqi Kurdish rebel leaders, Masoud Barzani (the third member of the INC presidential council) and his rival Jalal Talabani, "but they rejected it."

He said the INC was in crisis both politically and financially. Chalabi had run up millions of dinars of debts, claiming that the INC had no sources of revenues and had had to spend heavily on separating Talabani's and Barzani's warring forces while trying to mediate between them, as well as financing recent skirmishes with the Iraqi army "as he pays his fighters salaries as though they were employees."

Bahr-al-Uloum said the fighting between Barzani's KDP and Talabani's PUK had greatly weakened the INC, as had the US policy toward Iraq, not least the way it "helped the regime destroy the south of the country and its infrastructure."

He added that he had turned down an invitation to visit Washington to discuss matters, and that he was not optimistic about the prospects for the Iraqi opposition. "Nothing is worthwhile any longer as far as the INC is concerned. It is no longer any good in its present condition, but I am not convinced that it is possible to create a new enterprise for the opposition," he noted.

Hani al-Fkeiki was also critical of the way the INC has been run to date, but said he thought it remained the right forum within which the Iraqi opposition should operate. He also played down suggestions that Syria was intent on scrapping the INC and encouraging the formation of an alternative body.

He said Khaddam had always adopted a "negative" attitude towards the INC and opposed proposals to develop or expand it from within, even though at one stage the pro-Syrian wing of the Iraqi Baath Party had participated in INC deliberations. "But the Syrian attitude in general has not been negative in recent years vis-a-vis the INC's political activities and its activities in the field. On the contrary, Syria continues to embrace and encourage all Iraqi opposition factions."

Fkeiki said, however, that he agreed in part with critics of US policy toward the Iraqi opposition. "The performance of the US administration has not matched its declared positions, either in terms of its support for the Iraqi opposition or its giving the interests of the Iraqi people precedence over the survival of the regime in Baghdad. Our Iraqi cause is still being harmed by the fact that the US administration, because of its internal contradictions and

disputes and its weak performance, has made mistakes that have compounded the suffering of the Iraqi people. For example, it has turned the economic embargo from a punishment against the regime to an open-ended policy with no time-limit or clear and specific conditions."

Fkeiki denied that the US had bankrolled the INC, saying that "as a political institution" the INC had received no outside funds, and urging Washington to say which Iraqi groups it had supported financially.

But he advocated reforming the INC rather than ditching it. "One should not ignore the achievements of the INC, though it would be unwise to overlook its negative aspects and mistakes or blame them on others. It is necessary to confront the crisis in the opposition's activity, and in the INC in particular, by means of additional adherence to this political framework."

Fkeiki said the Iraqi opposition had not since 1957 joined forces voluntarily "around a political program as advanced as that of the INC," but conceded that it was important "to sensibly recognize the mistakes" which the INC had made.

INC national assembly member Walid al-Tamimi meanwhile issued a statement Wednesday announcing his resignation and warning that "the Iraqi opposition in exile is heading toward disintegration." He said the INC had degenerated from being an umbrella group for opposition factions to just another of those factions following the series of defections which has beset its ranks. Tamimi also complained that decisions within the INC were not taken collectively, and protested that it had fallen under "the domination of a small clique."

With the KDP and PUK apparently unable to make progress toward a political settlement to their conflict, an Iraqi Kurdish writer Thursday places the blame for the deadlock squarely on the PUK. Writing in al-Hayat, Delshad Miran notes that while there were apparently many similarities in the rival peace plans put forward last month by Barzani and Talabani - both called for a cessation of armed hostilities and reactivation of the Kurdish regional parliament etc. - they differed crucially in terms of the order of procedures they envisaged.

The KDP plan insisted that as a first step the PUK should withdraw its forces from the regional capital of Arbil, while the PUK plan envisaged quitting Arbil only after talks had begun and other regions demilitarized. To Miran's mind, the key reason the two sides have not yet been able to get around the same negotiating table is lack of confidence, especially the KDP's loss of confidence in the PUK leadership and the promises it makes. This is not an "excuse," as PUK propaganda maintains, but a real and serious obstacle to a peace deal. The PUK, he writes, has shown no sign of genuinely wanting to resolve the conflict; the KDP accordingly has been given no reason to suppose that any deal agreed to by the PUK will be worth the paper it is written on.

That is why the KDP rejects the PUK demand that any settlement must begin with talks between Barzani and Talabani. Such a "dialogue for dialogue's sake" would only consolidate the PUK's military occupation of Arbil, something which Talabani's aides have been saying in Kurdish circles they are determined to maintain, and enable it to continue expelling KDP supporters from and confiscating their property in PUK-controlled areas. Such behavior in itself conflicts with the PUK's professed desire for a reconciliation.

But the PUK's insistence on retaining control of Arbil undermines the very basis of any settlement. Both sides agree in theory that the key to a deal is to enable the Arbil-based regional parliament and administration - shared 50-50 between the KDP and PUK - to start functioning again. But they cannot do this while one faction is in military occupation of the city. "Confirmation of a PUK force withdrawal from Arbil would be the key to resolving the crisis," Miran explains. "Without turning the regional capital into an open city, how can a new government be formed and be able to resume its functions? The same applies to the regional parliament. The withdrawal of PUK forces from the city is, therefore, vital if the parliament is to resume sitting and play a role in devising a future political settlement."

Indeed, the key reason that enabled the first round of last year's PUK-KDP conflict to be brought to an end was that neither party occupied Arbil, so both were in a position to explore for a settlement via the regional parliament and administration.

Talabani's seizure of the city in December paralyzed both institutions, yet he is now demanding a separation of forces in other parts of Iraqi Kurdistan before the status of Arbil is considered, and insisting that the KDP hand over the customs revenues it collects on the Iraq-Turkey border before a new regional government is formed. "In other words, he is demanding that the money is handed over to a government and parliament that have broken down, and which only include PUK members, so that they can spend it - as they have already done with the money seized from bank deposits and the region's other sources of revenue since the crisis began - on their war effort against the KDP."

The logical way to go about things is to reactivate the parliament and form a new broad-based government involving other Kurdish forces, which can then exercise its administrative, security and financial prerogatives and promote a normalization of the situation throughout Iraqi Kurdistan. "But this cannot be done unless the PUK can be persuaded of the futility of its insistence on maintaining its occupation of Arbil and thereby blocking any practical settlement."

It is reported Thursday that a British delegation has just left Iraqi Kurdistan after holding talks with the KDP, PUK and other Kurdish parties in an attempt to broker a deal between Barzani and Talabani. A spokesman for the Islamic Movement in Kurdistan, one of the groups which the delegation met, is quoted as saying the team included diplomats from the Foreign Office in London and the British embassy in Ankara.

The KDP reported Thursday that Turkish troops had launched yet another incursion into Iraqi Kurdistan, apparently aimed at fighters belonging to Turkey's separatist rebels from the Kurdistan Workers' Party (PKK) based in the enclave. A statement released in London by the KDP spokesman in Europe said two Turkish army brigades supported by jets, helicopter gunships, artillery and airborne forces thrust across the border on Wednesday and advanced 15 kilometers into the Merga Soor district. The statement said they shelled seven Iraqi Kurdish villages, wounding at least three villagers, taking at least two captive and forcing many more to flee. It added that although the operation "seems to be directed against the alleged PKK presence" the targeted area is inhabited by

Iraqi Kurds resettled in the vicinity under an international aid program.

The statement protested that the KDP had not been consulted or forewarned about the operation - which follows a major Turkish military offensive against the PKK in the enclave in March - and urged Ankara to withdraw its troops and ensure the safety of the local civilian population. The KDP controls the Iraq-Turkey border zone and was supposed to have negotiated joint border security arrangements with Ankara after the March invasion.

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**Mideast Mirror, August 8, 1995**

**US-sponsored Iraqi Kurdish peace talks open in Dublin on Wednesday**

- \* The INC is taking part and Britain and Turkey are attending as observers, but France has not been invited
- \* INC comes under further attack as opposition rivals trade charges, but Naqib group denies rift with Barzani
- \* Palestinian commentator says US and Britain have no right to decide who rules Iraq, calls for action against sanctions
- \* Mubarak discusses inter-Arab reconciliation, but columnist in Saudi newspaper says Western rehabilitation of Iraq must come first

Representatives of the two warring Iraqi Kurdish parties are to meet for US-sponsored peace talks in the Irish capital of Dublin on Wednesday, al-Hayat reports Tuesday. The meeting is to be attended by British and Turkish observers, but the other country involved in the Turkish-based "Poised Hammer" force that keeps Iraqi Kurdistan off-limits to the Baghdad government, France, has not been invited.

Also present will be Ahmad Chalabi, founder and executive president of the US-backed opposition coalition known as the INC, despite mounting controversy about the INC's performance and future among senior Iraqi opposition figures.

Al-Hayat says delegations from Masoud Barzani's KDP and Jalal Talabani's PUK are already in London ahead of the Dublin talks.

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**International Law Update, March, 1996**  
**JURISDICTION; Vol. 2, No. 3**

Though it upholds sovereign immunity as to one defendant, DC Circuit (1) reverses dismissal for lack of personal jurisdiction over second defendant

so as to allow plaintiff to take discovery of jurisdictional facts, and (2) reverses forum non conveniens dismissal for defendants' failure to show that Jordanian courts will entertain plaintiff's claims

By Professor John R. Schmertz, Jr., Georgetown University Law Center, and Mike Meier, Esq.

From 1982 to 1989, Hassan El-Fadl, a Lebanese, worked under a long-term contract in Amman, Jordan, for Petra International Banking Corporation (PIBC); PIBC is a D.C. subsidiary of Petra Bank, a privately owned Jordanian bank. After the Central Bank of Jordan (CBJ) uncovered financial improprieties at Petra Bank and placed it in receivership, it fired El-Fadl through a letter from Michel Marto, CBJ's Deputy Governor. Jordanian authorities also arrested and tortured El-Fadl but ultimately exonerated him. El-Fadl sued CBJ, Marto, Petra Bank and PIBC in federal court to recover damages for wrongful discharge. The district court dismissed the complaint as to all defendants. It found that it lacked subject matter jurisdiction under the FSIA over the CBJ defendants. Denying El-Fadl's request for discovery of jurisdictional facts, it also found that it lacked personal jurisdiction over Petra Bank under DC long-arm statutes. Finally, although El-Fadl had presented evidence that Jordanian law would bar his actions against the banks in Jordan, the court granted PIBC's motion to dismiss on forum non conveniens grounds

The US Court of Appeals for the District of Columbia Circuit first affirms the lower court's dismissal of CBJ and Marto under the FSIA. CBJ is clearly the instrumentality of a foreign state and plaintiff failed to show that Marto was acting in any way other than as its agent when he sent the letter of dismissal to plaintiff.

The Court, however, reverses the dismissal in favor of Petra Bank and remands to let El-Fadl obtain discovery from Petra as to jurisdictional facts. The Court finds that "[plaintiff's] allegations, although they fall short of a prima facie case that Petra Bank was 'doing business' in the District of Columbia, are not 'conclusory' since El-Fadl has alleged specific transactions. His theory that Petra Bank may have had further, as yet unknown, connections to the District is not implausible...A plaintiff faced with a motion to dismiss for lack of personal jurisdiction is entitled to reasonable discovery, lest the defendant defeat the jurisdiction of a federal court by withholding information on its contacts with the forum." [15]

The Court also reverses the forum non conveniens dismissal of the claims against Petra Bank and PIBC because, as movants, they failed to meet their burden of proof that Jordan was an adequate alternative forum. The Court notes that a foreign forum is not inadequate merely because its substantive law may be less favorable to plaintiff. But in the rare case where the foreign



forum would deny him access to its judicial system, however, dismissal based on the forum non conveniens doctrine would be inappropriate. Defendants' rebuttal to plaintiff's material on Jordanian law had many gaps and was unresponsive.

Finally, the Court notes that, if doubts about the availability of an alternative forum remain due to the difficulties of determining Jordanian law, the district court should not dismiss under the forum non conveniens doctrine without conditioning the dismissal on the defendants' submission to jurisdiction in Jordan and on the Jordanian courts' acceptance of the case.

Citation: *El-Fadl v. Central Bank of Jordan*, No. 94-7212 (D.C. Cir. February 6, 1996).

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Federal Discovery News, April 1996  
Case Summaries; Vol. 2, No. 5  
DC Circuit Remands Case, Allows More Discovery Into Whether Lower Court Had Jurisdiction

A District of Columbia Circuit Court panel has reversed a district court's decision to dismiss a case for lack of personal jurisdiction, finding that the plaintiff was not allowed reasonable discovery to determine if the district court did in fact have jurisdiction over the defendant.

The dispute stemmed from plaintiff Hassan El-Fadl's claim that he was wrongfully terminated, while employed at the Washington, DC-based Petra International Banking Corporation. PIBC is a subsidiary of the Petra Bank, a privately owned financial institution in Jordan.

Early on in discovery, the district court granted the defendants' motion to dismiss for among other reasons, a lack of personal jurisdiction under D.C. Code 13-422, 13-334 or 13-423(a). "First, the district court agreed that it lacked general jurisdiction over Petra Bank under D.C. Code 13-422 because Petra Bank was not a 'person domiciled in, organized under the laws of, or maintaining his or its principal place of business in DC' DC Code Ann. 13-422 (1995)," wrote the circuit court panel, which included Circuit Judges Douglas H. Ginsburg, Judith W. Rogers, and David S. Tatel.

"Second, the court agreed with Petra Bank that it was not subject to general jurisdiction for 'doing business' in DC under DC Code 13-334. Neither Petra Bank's maintenance of correspondent banking relationships nor its ownership of more than 70 PIBC shares sufficed for 'doing business.'

**"Third, the court agreed that it lacked specific jurisdiction over Petra Bank under the DC long-arm statute because none of El Fadl's claims 'arose from' Petra Bank's alleged contacts with the district. D.C. Code Ann. 13-423(a) (1995). Although El Fadl had moved to stay dismissal for lack of personal jurisdiction until he had conducted discovery for jurisdictional facts, the district court denied his motion as moot."**

**On appeal, the plaintiff maintained that "questions put to Petra Bank on discovery regarding its business activities in D.C. went unanswered....At the very least, El-Fadl is entitled to discovery on this matter before it is decided. Crane v. Carr, 814 F.2d 758 (DC Cir. 1987)."**

**The circuit court added that "even though El-Fadl's present jurisdictional allegations are insufficient, he has sufficiently demonstrated that it is possible that he could supplement them through discovery. In Crane, this court reversed when a plaintiff's case was dismissed 'with no opportunity for discovery on the issue of jurisdiction.'" The court differentiated that case from Naartex Consulting Corp. v. Watt, 722 F.2d 779 (D.C. Cir. 1983), cert. denied, 467 U.S. 1210 (1984), "in which the court held that the district court did not abuse its discretion in denying further jurisdictional discovery when the plaintiff had already had 'ample opportunity' to take discovery." Further, the circuit court emphasized that the Crane court "held that the plaintiff was 'entitled to a fair opportunity to inquire into [the defendant]'s affiliations with the district." Further defining the level of discovery, the circuit court cited Edmund v. US Postal Service General Counsel, 949 F.2d 415, 424 (DC Cir. 1991), which "distinguished Naartex as a case 'where the allegations of conspiracy were conclusory.'"**

**Ceasing upon that language, the circuit court wrote that the plaintiff's allegations were not "conclusory" to the extent that he was alleging "specific transactions. His theory that Petra Bank may have had further, as yet unknown, connections to the district is not implausible."**

**Concluding that a remand was called for, the circuit court wrote that "a plaintiff faced with a motion to dismiss for lack of personal jurisdiction is entitled to reasonable discovery, lest the defendant defeat the jurisdiction of a federal court by withholding information on its contacts with the forum."**

**(El-Fadl v. Central Bank of Jordan; D.C. Cir.; No. 94-7212; 2/6/96)**

**Sam W. Burgan argued the cause for the appellant, with whom Frederick R. McDermott was on the briefs**

**Christopher M. Curran argued the cause for appellees Central Bank of Jordan, et al., with whom George L. Paul was on the brief.**

John R. Fornaciari argued the cause for appellee PIBC, with whom John L. Vecchione was on the brief.

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**The International Lawyer, Summer, 1996**

**30 Int'l Law. 233**

**ANNUAL REVIEW OF SIGNIFICANT DEVELOPMENTS: 1995.**

**Judicial Decisions of US Courts Not Involving Arbitral Proceedings**

**By Joseph P. Griffin**

**El-Fadl v. Central Bank of Jordan, 75 F.3d 668 (DC Cir. 1996)**

Hassan El-Fadl, a Jordan-based former regional manager of Petra Bank's District of Columbia subsidiary, Petra International Banking Corporation (PIBC), brought suit against PIBC, the Central Bank of Jordan (Central Bank), its Governor and Deputy Governor, and Petra Bank (together, the Jordanian defendants), alleging wrongful termination, malicious prosecution, and false arrest. Mr El-Fadl was a senior manager responsible for currency and precious metals trading in Jordan for PIBC. PIBC and El-Fadl signed a contract under which El-Fadl would be "permanently employed for life [with PIBC]." n53 Petra Bank, a privately owned bank in Jordan, owned 70% of PIBC.

**n53 El-Fadl v. Central Bank of Jordan, 75 F.3d 668, 670 (DC Cir. 1996).**

In August 1989, the Central Bank placed PetraBank in receivership, claiming widespread financial improprieties. The Deputy Governor of the Central Bank, Michael Marto, came to the District of Columbia to administer the liquidation of PIBC. In September, Marto sent El-Fadl a termination letter and on October 29, 1989, authorities arrested El-Fadl as part of the Central Bank's investigation. The State Security Court declared Mr. El-Fadl innocent on April 9, 1992. n54 Mr. El-Fadl maintains that the military police falsely arrested and tortured him for five days and detained him in Jordan during the pendency of his charges.

**n54 Id.**

The district court dismissed the claims against the Central Bank, Governor Nabulsi, and Deputy Governor Marto under the Foreign Sovereign Immunities Act (FSIA). n55 The court found that the Central Bank was a foreign state under the FSIA, and that it did not waive its sovereign immunity. n56 The court ruled that Nabulsi and Marto were also immune because El-Fadl sued them in their official capacities as agents of the Central Bank. The court rejected El-Fadl's arguments that his claims fell

**under the noncommercial tort exception or the commercial activity exception to the FSIA. n57**

**n55 28 U.S.C. § 1441(d) (1994).**

**n56 28 U.S.C. § 1603(a) (1994).**

**n57 El-Fadl, 75 F.3d at 671, citing 28 U.S.C. §§ 1604, 1605(a)(2), (5) (1995).**

**On appeal, El-Fadl abandoned his claims against the Central Bank and Nabulsi but maintained his claims against Marto on the ground that Marto acted in an individual capacity as Chairman and General Manager of PIBC while he administered its liquidation. The DC Circuit affirmed the lower court's decision to dismiss the claims against Marto because the only evidence on the record indicated that his "activities in managing PIBC were neither personal nor private, but were undertaken only on behalf of the Central Bank." n58 Accordingly, the court denied El-Fadl permission to pursue discovery against Marto as that discovery would "frustrate the significance and benefit of entitlement to immunity from suit." n59**

**n58 75 F.3d at 671.**

**n59 Id. (citations omitted).**

**The next issue was whether the district court could assert personal jurisdiction over Petra Bank in the District of Columbia for transacting business pursuant to the District's long-arm statute or for doing business in the District for the purposes of general jurisdiction. n60 El-Fadl alleged that because he was a PIBC employee and PIBC was located in the District, Petra Bank employed him in the District when Petra Bank allegedly tortiously interfered with his employment contract and defamed him. He further alleged that, by entering into collateral loan agreements in the District, Petra Bank was "contracting to supply services in the District of Columbia." n61**

**n60 D.C. Code Ann. §§ 13-423(a), 13-672 (1995).**

**n61 Id., citing D.C. Code Ann. § 13-423(a)(2) (1995).**

**The DC Circuit held, however, that because El-Fadl failed to demonstrate any connection between Petra Bank's alleged jurisdictional acts and the District, the acts described could not confer specific jurisdiction under the long-arm statute. n62 The Circuit affirmed on 2 additional grounds: (1) that El-Fadl made no showing that Petra Bank purposefully directed the alleged tortious conduct at the District of Columbia, and (2) that the court lacked jurisdiction under Section 13-422 of the District's long-arm statute because the evidence showed that Petra Bank formed under the laws of Jordan and maintained its principal place of business there. n63**

n62 Id., citing *Helicopteros Nacionales de Columbia, S.A. v. Hall*, 466 U.S. 408, 414 n.8 (1984).

n63 Id., citing *Burger King v. Rudzewicz*, 471 U.S. 462, 476 (1985).

Finally, the DC Circuit reversed the lower court's dismissal of Petra Bank and PIBC on grounds of forum non conveniens because of gaps in PIBC's expert testimony on Jordanian law and the underdeveloped record. Neither PIBC nor Petra Bank met their burden to show that Jordan was an adequate alternative forum. Special Jordanian laws and decrees appeared to bar El-Fadl from bringing his causes of action there. n64 The D.C. Circuit reversed and remanded the dismissal of the claims against Petra Bank for lack of personal jurisdiction and reversed and remanded the dismissal of the claims against Petra Bank and PIBC on grounds of forum non conveniens. n65

n64 Id. at 678.

n65 Id. at 678-9.

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Forward, July 31, 1998

Free Iraqi Resistance Calling on Jewry For Support in Quest to Depose Saddam

By Seth Gitell

... A resident fellow at the American Enterprise Institute, Richard Perle, is calling upon both Israel and the American Jewish community to support the INC. "Israel has not devoted the political or rhetorical time or energy to Saddam that they have to the Iranians. The case for the Iraqi opposition in Congress would be a lot more favorable with Israeli support," said Mr. Perle, who was assistant secretary of defense for international security policy during the Reagan administration. With regard to the American Jewish community, Mr. Perle said: "There's no question that the Jewish community's been at the forefront with the legislation with regard to Iran. One can only speculate what it might accomplish if it decided to focus its attention on Saddam Hussein."

Mr. Wurmser said an INC-controlled region in the north of Iraq is the missing piece to complete an anti-Syria, anti-Iran block. "If Ahmad extends a no-fly, no-drive in northern Iraq, it puts scuds out of the range of Israel and provides the geographic beach head between Turkey, Jordan and Israel," Mr. Wurmser said. "This should anchor the Middle East pro-Western coalition." Mr. Wurmser also cited a July 1997 speech where the chairman of the Palestinian

Authority, Yasser Arafat, called for a Syrian-Iraqi alliance to form an anti-Israel "Eastern front."

Mr. Chalabi attended an AEI conference with Messrs. Gold, Wurmser, Perle and Crown Prince Hassan of Jordan in Turkey several months ago. Mr. Chalabi also attended a June AEI event in Beaver Creek, Colorado, where he met President Ford and others.

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#### **MIDDLE EAST NEWS ITEMS, August 20, 1998 BANK OF BEIRUT TO EXPAND**

**According to local reports, Bank of Beirut received on the 13/8/98 the Central Bank's approval for the purchase of five additional branches of the MEBCO bank that has been previously liquidated...**

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**AFP, October 31, 1998**

**Jordanian lawyer demands interest payments for Saddam son-in-law's heirs**

**A Jordanian lawyer threatened Saturday to take a bank here to court if it does not hand over \$60,000 in interest to the heirs of one of Iraqi President Saddam Hussein's son-in-laws, assassinated in 1996. Lawyer Luai al-Dabbas told AFP was intending to start legal procedures with Jordan Gulf Bank if it does not pay \$60,000 in interest to Saddam Kamel Hassan's heirs -- his widow Rana (Saddam Hussein's daughter) and their children who are still minors. Dabbas said Saddam Kamel had deposited over \$1.2 million in 2 Jordanian banks - 730,000 in Jordan Gulf Bank and 496,000 in a branch of ANZ Grindlays.**

**The lawyer, who is representing Rana, said Grindlays handed over the total sum of Saddam Kamel's account to a Jordanian court four months ago along with \$37,000 interest, while Jordan Gulf Bank only transferred the account balance. Dabbas also called on the court to pay the heirs all the money transferred by the two banks. He said they had only received \$40,000 so far.**

**Saddam Kamel Hassan defected to Jordan in August 1995 accompanied by brother Hussein Kamel Hassan and sister-in-law Raghad, another daughter of Saddam Hussein. On returning to Iraq in February 1996 the two men were assassinated, despite being guaranteed their safety, along with their father, a third brother and their sister. Saddam's two daughters divorced the ill-fated brothers on their return to Baghdad.**

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**US News & World Report, November 30, 1998**

**America's plan to get Saddam**

**By Warren Strobel; Thomas Omestad, Richard Newman, Bruce Auster;  
Thomas Grose**

...Chalabi has enlisted support from an all-star team of former American officials. Among them: retired General Wayne Downing, former head of the US military Special Operations Command; Warren Marik, who ran a covert CIA program to overthrow Saddam that foundered in 1996; and Dewey Clarridge, a former top CIA official. A former US official outlined the INC's proposal for covert military action. The first step would be: "Train the trainers." The CIA, Army special forces, or a trusted foreign country would train 200 to 300 Iraqi exiles to serve as trainers themselves. They would be armed with Russian-made weapons, rather than American rifles, so that they eventually could infiltrate Iraqi military units. The trainers gradually would build a "liberation army" of 3000 to 5000 soldiers, setting up units specializing in antitank warfare, commando operations, and propaganda. Such a force couldn't beat Saddam's Army in conventional combat but would concentrate on seizing "liberation zones" in the north, west, and south of Iraq. The goal would be to entice military and political leaders to defect to those zones and join the opposition. "We know there are [military] units ready to go over to us, regions just saying, 'Come!' " the former official said.

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**Intelligence Newsletter, December 10, 1998**

**CIA Negotiates in Tehran with Iraqi Shi'ites**

When US assistant secretary of state Martin Indyk met officially in London on Nov. 24 with the main Iraqi opposition groups only one movement was conspicuously absent: Supreme Assembly for the Islamic Revolution in Iraq (SAIRI). The ostensible boycott of the main Shi'ite opposition organization contrasted with the participation the previous day of SAIRI's representative in London, Hamed al Bayati, in a similar meeting organized by Derek Fatchett, British foreign office minister in charge of the Middle East. Reliable sources have told Intelligence Newsletter the different treatment was meant to conceal secret contacts established between the CIA and the leader of SAIRI based in Tehran, ayatollah Mohammad Baqr al Hakim. Indeed, no sooner had the meeting with Indyk ended than the head of the INC, Ahmed Chalabi, caught a plane for Tehran in the company of two CIA operatives based in Ankara. On arrival Chalabi was met discreetly by al Hakim's younger brother, Aziz Baqr al Hakim. During talks held at the SAIRI headquarters Chalabi said he was bearing a goodwill message from Washington and handed the SAIRI chieftain an invitation to visit Washington where he would receive all the honors due to a man who had struggled for years against Saddam Hussein's regime. He also called

on al Hakim to take an active part in the new Iraq Liberation Army (ILA) that is being patched together in Kurdistan and to sit on its general staff in the Kurdish city of Zakho.

During the talks Chalabi declared the Americans were no longer content to "contain" Saddam's regime but were instead determined to topple it. Among the Americans whom he said are in charge of the "get Saddam" operation were: on the operational level, former top-ranking CIA official Dewey Clarridge and General Wayne Downing; on the political level, ex-assistant secretaries of defense Paul Wolfowitz and Richard Perle. The US military plan provides for the creation of an enclave in southern Iraq from which anti-Saddam forces would move to try to join up with a similar force fighting its way down from the north. Thus the participation of the Shi'ite opposition in the southern part of the country is crucial. Intelligence Newsletter understands that al Hakim voiced misgivings over the venture, claiming it was severely under-funded (\$97 million voted by the US Congress). He laid down several conditions, insisting first of all that the INC be beefed up and that its leadership structure reflect the political and military importance of the many movements within it. He said he would consider travelling to Washington but only on the condition he was invited by the State Dept and not by Chalabi nor the CIA.

He also insisted on written guarantees on the air cover the US would provide the enclave in the south so as to prevent Saddam from using his tanks and helicopters against the Shi'ite offensive. Chalabi and the two CIA officials quit Tehran on Nov. 26 for Sheklawa in Iraqi Kurdistan, where they informed Massoud Barzani, head of the DPK, of the talks with al Hakim.

The future of contacts between the CIA and SAIRI obviously depends a lot on relations between Washington and Tehran. It was probably no coincidence that, to get the ball rolling, president Bill Clinton announced on Dec. 7 that Iran had been dropped from the list of nations which produce narcotics. From Washington's stand-point, backing from the Shi'ites is absolutely needed if Saddam is to be overthrown. But that can only be won with a green light from Tehran. Saudi Arabia opposes the plan because it fears a subsequent unfurling of Shi'ite fundamentalism and the break-up of Iraq. But Kuwait fully backs military action against Saddam. Elsewhere, in step with a warming in Washington-Tehran relations, a new and secret Iran-Israeli alliance appears to be taking shape.

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Intelligence Newsletter, December 10, 1998  
Key Figures in Anti-Saddam Fight

...A CIA veteran, Duane "Dewey" Clarridge supervised assistance to the Contras in Nicaragua in the 1980s in his capacity as head of the Latin



American department in the CIA's operations directorate. He was deeply involved in the Irangate affair, delivering Hawk missiles to Tehran at Col. Oliver North's behest in the hope of obtaining Iran's help in securing the release of US hostages in Lebanon. He quit the CIA in 1988 and in 1997 wrote a book entitled "A Spy for All Seasons" in which he revealed he had traveled to Baghdad in 1986 to try in vain to get Saddam Hussein to turn over the Palestinian "terrorist" Mohammed Abul Abbas to the US in return for satellite images that Baghdad could have used in the war against Iran.

The retired US general Wayne Downing was commander in chief of the US Special Operations Command (USSOCOM) and led special forces during the U.S. invasion of Panama in 1989. Later he directed a joint task force of special forces operating behind Iraqi lines during the Gulf War. Along with other retired US generals he is currently a member of the Spectrum Group, a strategic consultancy and lobbying firm based in Alexandria, Virginia. In 1996 he headed a panel of forty Defense Department experts investigating the circumstances surrounding the attack at Khobar in Saudi Arabia.

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Intelligence Newsletter, February 11, 1999  
Ricciardone's Options Against Saddam

Frank Ricciardone, the special US representative for the "Iraqi transition," met with officials from seven Iraqi opposition movements backed by Washington at the US embassy in London on Jan. 25 just before he set out on a tour of the Gulf nations with Martin Indyk, assistant secretary of state. An official who attended the gathering told Intelligence Newsletter that Ricciardone informed the seven that they had been chosen in keeping with three criteria: their representativeness, military potential and relations with Iraq's neighbors.

He said Washington's choice of organizations was but the first of three major steps in the overall plan to topple Saddam Hussein. The second would be infiltrating the Iraqi army's leadership and the third would concern the assistance that Iraq's neighbors, particularly Iran, Kuwait and Saudi Arabia, would be ready to contribute directly to overthrowing Saddam. Ricciardone urged those taking part in the meeting - and particularly the main Shi'ite faction based in Iran, SCIRI - to recruit soldiers prepared to begin training in camps "in Kurdistan and in neighboring nations." He didn't specify the countries but Iraqi opposition figures said they were likely to be Kuwait and Iran. Saudi Arabia has refused to allow armed opposition groups hand-picked by Washington to train in the kingdom. However, Riyadh has offered a haven to Sunni officers who defected from the Iraq army and were now serving in Saudi Arabia under former Iraqi military intelligence chief gen. Wafik Samarai.

**Ricciardone suggested two distinct scenarios for toppling the Iraqi regime by force. The first involved a direct assault from Kuwait which could trigger a march on Baghdad by Shi'ite soldiers in Iran. The anti-Saddam lobby in the US Congress and several figures like former defense secretary Caspar Weinberger (who is close to Ahmed Chalabi, leader of the INC) are putting pressure on the Clinton administration to adopt that option. The second scenario was mounted by the Pentagon and CIA and is based on the fact that Saddam counts on the backing of a pyramid-like inner circle numbering about seventy-five key figures. To topple Saddam the pyramid would need to be destroyed piece by piece. The seventy-five run the country through a sophisticated chain of command that encompasses half a million military men, security agents and different paramilitary groups.**

**According to Ricciardone, the Arab countries back the option of destroying the top of the pyramid in order to break the links in the chain of command. He added that surgical air strikes in the north and south of Iraq could play a part in the war of attrition against the regime's nerve centers. Ricciardone also indicated the US was ready to start an international campaign to denounce Saddam's crimes with a view to putting him and sixty of his associates on trial.**

**Lastly, the US representative indicated that Washington's list of seven opposition groups could be extended. He said another fundamentalist Shi'ite group based in Tehran, Al Dawaa Islamiya (Islamic Call), which can marshal 3000 fighters, could join the coalition, as could the small Christian movement El Hezb al Ashouri (Assyrian Party) and the Democratic Turkoman Movement, both of which have links with Turkey's MIT intelligence agency.**

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The Nation, May 10, 1999  
Crazy About Hussein  
By Ken Silverstein

...The exiled Iraqi opposition, whose leaders gathered in London in early April, is also backed by a coterie of old cold warriors, including Richard Perle, an Assistant Secretary of Defense under Ronald Reagan, and Dewey Clarridge, a retired CIA officer who helped Oliver North run the contra support network against Nicaragua's Sandinistas...

Clinton in January designated seven opposition groups as eligible to receive the military support appropriated by Congress. Meanwhile, Secretary of State Madeleine Albright named Frank Ricciardone, deputy chief of mission at the US Embassy in Turkey, as "Special Representative for the

Transition in Iraq" and charged him with coordinating opposition efforts. Ricciardone has advised the Pentagon about aiding Kurdish forces in Iraq, and during the past few years he has been interviewing prominent Iraqis fleeing their country as part of US intelligence-gathering operations...

"The agency liked him because he had a weak base in Iraq, and they thought they could push him around," says Andrew Cockburn, who with his brother Patrick wrote the new book *Out of the Ashes: The Resurrection of Saddam Hussein*. Chalabi's appeal was heightened, an agent told the Cockburns, by the fact that "he was rich, which helped explain any money that we might be giving him." And money there was, with more than \$20 million budgeted to support Chalabi in 1992 alone. That helped pay for the INC's founding congress in Vienna that year, at which 300 delegates anointed him as the opposition's leader. There was plenty left over for Chalabi to set up a base in the Kurdish-controlled north of Iraq. The CIA separately retained a Washington PR firm headed by John Rendon, who handled propaganda operations in Panama before the 1990 US invasion that overthrew Gen. Manuel Noriega.

... In 1996 the INC was driven from its base in northern Iraq when civil war erupted between the KDP, headed by Massoud Barzani, and the PUK, led by Jalal Talabani. Barzani's forces prevailed in the conflict, but only after receiving military support from Saddam Hussein (who took the opportunity to wipe out INC fighters). Ever since, the Kurdish opposition has been badly split, with the KDP maintaining a cautious alliance with Baghdad.

Just when all seemed lost, Chalabi was picked up in conservative beltway circles. His chief supporters have been two Republican foreign policy gurus: Richard Perle, now a resident thinker at the American Enterprise Institute, and Paul Wolfowitz, an Under Secretary of Defense under George Bush. (Both Perle and Wolfowitz are serving as informal advisers to George W. Bush's 2000 presidential campaign and are considered strong Cabinet prospects if he wins.)

In late 1997 Perle and a colleague at AEI, David Wurmser, convened a study group on Iraq. By January they had delivered a letter signed by 40 former government officials-including ex-Defense Secretaries Frank Carlucci,

Caspar Weinberger and Donald Rumsfeld-to Clinton's National Security Adviser, Sandy Berger, urging support for a US-sponsored insurgency to topple Hussein. When the Administration showed insufficient enthusiasm, the insurgency crowd turned to Capitol Hill. On February 25 Wolfowitz appeared before the House International Relations Committee and complained that "for all the talk about supporting the opposition, the US has yet to deliver a single rifle."

Promising that US ground forces would not be needed for the job, he asked Congress to "help the Iraqi people remove [Hussein] from power." On the same day, Chalabi met with a group of key committee chairmen and laid out his program for ousting Hussein. The essential elements are that Chalabi, with the help of US air support, would create a liberated zone in territory controlled by Shiite forces in southern Iraq. Next he'd establish a provisional government, to be financed by oil exports from the liberated zone. Soon, Iraqi soldiers would be defecting en masse to the provisional government, which would also receive support from Kurdish militias. At that point, Chalabi's triumphant arrival in Baghdad would be only a matter of time.

Before long, Senate majority leader Trent Lott (upon whom Perle is said to have significant influence), House International Relations Committee chairman Benjamin Gilman and other top Republicans were putting up Chalabi as the answer to America's prayers. Plenty of Democrats also came on board, including Senators Bob Kerrey and Joseph Lieberman, thereby setting the stage for the Iraq Liberation Act's passage last fall.

While Perle and Wolfowitz continue to provide help on Capitol Hill, Chalabi is receiving military advice from Clarridge and retired Gen. Wayne Downing, a Special Forces expert. Both men say they are not being paid by Chalabi but are murky about how they came to be part of the effort to overthrow Hussein. "That's sort of private," Clarridge said from San Diego, where he now lives. "For me it's a bit of a hobby." Downing, who works out of the Colorado Springs offices of SAIC, a military contractor, would say only that "some people called me and asked me to get involved."

Downing has met with exiled Iraqi Army officers in the US and in the gulf region. He's also drawn up a military plan,

which he unveiled at a closed-door briefing Lott arranged for a select group of senators. Accompanied by Chalabi, he presented it as well at conservative Washington think tanks. The first step, says Downing, is for the CIA, possibly in conjunction with US Special Forces, to train an elite group of opposition military commanders. Those commanders in turn will instruct troops in liberated zones of Iraq. Downing concedes that there are all sorts of uncertainties associated with a US-sponsored insurgency, but he says, "The bottom line is, do you want Saddam Hussein in power or somebody else?"

Chalabi's other US military adviser, Dewey Clarridge, is best known for his work in support of the contras. It was his idea to mine Nicaragua's harbors, as Clarridge recalls in his 1997 memoir, *A Spy for All Seasons*. The inspiration came to him as he was sitting at home and wondering how to fulfill an order from then-DCI William Casey to step up pressure on the Sandinista government. "I remember sitting with a glass of gin on the rocks, smoking a cigar, and pondering my dilemma, when it hit me. Sea mines were the solution. To this day I wonder why I didn't think of it sooner."

Clarridge has embraced his current work with equal enthusiasm. Though vague about the scope of his involvement, he describes his role as assisting Chalabi "on the military side of the equation..."

Clarridge has harsh words for critics of the Iraq Liberation Act, in particular Pollack, who, he notes, was with the CIA at the time of the Gulf War and who said then that Saddam Hussein's troops would put up fierce resistance to the US-led invasion. "His predictions have made him a laughingstock," Clarridge says. "He has no credibility..."

3 of the 7 groups picked by the Clinton Administration to receive ILA money - SCIRI, the KDP, and the PUK - promptly turned it down. Since these 3 groups control virtually all of the opposition's military force, their rejection of Washington's money is a significant blow to Chalabi...

Last September the Kurdish leaders Barzani and Talabani came to Washington for a peacemaking session put together by the Clinton Administration. All went well until staffers at Jesse Helms's Senate Foreign Relations Committee asked the two men to appear together with Chalabi at

Congressional hearings. Both refused, leading to an ugly exchange with Helms's staffers. In January Al-Zaman, an Arab newspaper in London, quoted an unnamed Kurdish leader as saying Chalabi is not welcome back in northern Iraq. Chalabi "gambled and lost and we do not want the loser to come back to our areas again," he said. Within the INA, there are those who have more extreme feelings. In October of 1995 Accord agents blew up Chalabi's headquarters, then located in Kurdistan, killing 28 people.

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**UPI, March 20, 2001, Tuesday**  
**Insider notes**

**The Bush administration is adopting the Realpolitik view summed up in the old Arab motto that "the enemy of my enemy is my friend." Dr. Ahmad Chalabi, one of the best-known figures in the INC, hitherto a signally ineffective group of exiled opponents of Saddam Hussein, has just returned from a five-day trip to Tehran. The close-mouthed Chalabi, a former mathematics professor and banker, declines to discuss his mission, and simply tells UPI "it was a good trip." But the Arab world is rife with speculation that Washing-ton's big tilt is under way and the Bush administration is prepared to clamber into bed with Iran in order to pursue its jihad against Saddam Hussein. That may be an over-interpretation, but it certainly looks as if the INC could provide a back channel between Washington and Tehran.**

**Whether the INC's efforts to undermine Saddam succeed or not, it's interesting that the US is now prepared to play off one rogue state against another. Last December the US Treasury granted the INC a special license to spend US funds to open an office in Iran. The INC also has an office in Damascus, capital of Syria, another of the 'rogue states' that feature on the US list of states that sponsor terrorism.**

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RFE/RL, November 6, 2001  
TEHRAN LOOKS AT A FUTURE IRAQ  
By Bill Samii

There is some speculation that Iraq's current rulers are going to join the Taliban in the dustbin of history, and Arabic news sources are reporting that within this context Tehran's support for the Iraqi opposition has put it in contact with Washington. Regardless of the veracity of such reports, Iran needs very little pushing to act against Iraq.

The Saudi-owned "Al-Hayat" reported on 14 October that Iranian, American, and Turkish intelligence officials met in Ankara to discuss counter-terrorism, according to "informed diplomatic sources." At the same time, according to the Arabic daily, American forces are preparing for an operation in northern Iraq and 2300 "American peshmerga" (Kurds who worked for the US before 1996) have returned to the Iraq-Turkey border region.

"Al-Watan al-Arabi" reported on 26 October that the Jordanian leadership suspects that Tehran, Ankara, and Washington are up to something involving Iraq and Afghanistan, but that this started well before the current crisis in the region. The daily described a November 2000 meeting in Berlin that was attended by mid-level officials from Washington, Tehran, Islamabad, Ankara, and Moscow. Most of the Iranian participants came from the Islamic Revolution Guards Corps' intelligence unit.

The Iraqi aspect of these discussions - as well as separate Iran-US discussions - focused on the future role of the Tehran-based SCIRI and its chairman, Ayatollah Baqir al-Hakim. Tehran called on Washington to cease its support for the INC under Ahmad Chalabi. Washington supposedly responded to this request positively, and Mohammad Hadi and Ahmad al-Bayyati of the SCIRI have been in close contact with the Americans. "Al-Watan al-Arabi" reported that Washington at the time suggested a 44-year old Shia Kurd named Aras Karimas an opposition leader that all sides might accept...

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NYT, December 3, 2001

Calls for New Push Into Iraq Gain Power in Washington  
By ELAINE SCIOLINO and ALISON MITCHELL

...In September, the secretary of defense's office of protocol invited Ahmed Chalabi, the Iraqi who heads the London-based INC, and Khidhir Hamza, a former director of Iraq's nuclear weapons program, to brief the policy group [DPB]. "Rumsfeld was in and out of the meetings and he offered a general statement of support for us," said Francis Brooke, the Washington adviser to the exiles who also attended the meeting. "He said, 'We're with you. Don't worry.' He and Ahmed are good friends."

Neither Secretary Powell nor George J. Tenet, the DCI, who have grave reservations about Mr. Chalabi's leadership, knew that the Iraqis were there, senior administration officials said. "It's outrageous that these guys were there," said one senior administration official. "They could end up influencing policy."

But Mr. Perle has tirelessly promoted the INC as part of a strategy that would have the American military occupy southern Iraq, create a new government of Iraqi exiles and protect them until Mr. Hussein is overthrown. He argues that Afghanistan provides a template. "The Northern Alliance could not have taken an inch of territory until we supplied them with ammunition," he said. "And no one has supplied the Iraqi opposition."

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New Yorker, December 24, 2001 / December 31, 2001  
THE IRAQ HAWKS; Can their war plan work?  
By SEYMOUR HERSH

...by October, 1994, a small CIA outpost had been set up in an area in northern Iraq controlled by the Kurds. Chalabi's headquarters were nearby. His plan called for simultaneous insurrections in Basra, the largest city in southern Iraq, which is dominated by disaffected Shiites (Saddam and his followers are Sunnis), and in Mosul and Kirkuk, Kurdish cities in the north. Massive Iraqi military defections would follow. "We called it Chalabi's rolling coup," Bob Baer, the CIA agent in charge, recounted...In March, 1995, Chalabi's insurrection was launched, and failed dramatically. "There was nothing there," Baer told me...By late 1996, the Iraqi Army had all but driven Chalabi's operation out of northern Iraq. 130 INC members were executed. Chalabi managed to maintain his hold on the INC, despite repeated charges from the coalition's members of mismanagement, corruption, and self-aggrandizement, and he moved his anti-Saddam base to London...

Then came September 11th, and the quick victories in Afghanistan, where the combination of internal rebellion, intense bombing, and Special Forces deployment turned the Taliban out of power within weeks. Ahmad Chalabi has now given the Bush Administration an updated war plan, which calls not only for bombing but for the deployment of thousands of American Special Forces troops.



There is a second significant addition to the plan: the participation of Iran, which fought a protracted war with Iraq during the 1980s. The government of President Mohammad Khatami, America's new-found partner in the war against the Taliban, has agreed to permit INC forces and their military equipment to cross the Iranian border into southern Iraq. An INC official told me that the Treasury Dept's Office of Foreign Assets Control gave the organization special approval to open a liaison office in Tehran. (American companies are forbidden under federal sanctions law to do business with Iran.) The office opened in April. "We did it with US government money, and that's what convinced them in Tehran," the INC official said. "They took it as a sign from the US of a common interest-getting rid of Saddam. The way to get to him is through Iran..."

Downing, who ran a Special Forces command during the Gulf War, was convinced that the INC, with airpower and a small contingent of well-trained Special Forces, could do the job inside Iraq. He was privy to one of the most astonishing engagements of the Gulf War: In mid-February of 1991, a Delta Force troop of 16 men on night patrol south of Al-Qaim, near the Syrian border in western Iraq, was overrun by a large enemy force, and the Iraqis wounded two Americans. The Delta troops, operating from heavily armed vehicles, counter-attacked with grenade launchers and machine guns (a maneuver known as Final Protective Fire) and killed or wounded an estimated 180 Iraqis, with no further injury to themselves. 1 American veteran of the Gulf War told me, "In the west" - where Delta operated - "there was little opposition, and we had freedom of movement"; that is, the troops were operating on their own. "Downing loved it."

America's success in routing the Taliban has improved Chalabi's standing with some elements of Washington's defense community. "They believe they have found the perfect model, and it works," a defense analyst said of the updated war plan. "The model is bombing, a modest insertion of Special Forces, plus an uprising." Similarly, Tim McCarthy, a former UN weapons inspector, acknowledged that "the one thing the INC has going for it is that, once someone puts their stake down, the Iraqis will have to go after them. Saddam will have to send his Hammurabi after them" - the Iraqi Army's elite armored-tank division. Once Saddam made his move, McCarthy said, his forces would be exposed to American air strikes, "and then they are toast..."

The military's response has been cautious and bureaucratic. A former official told me that the Joint Chiefs ordered their staff to "come up with a counterproposal," which is now in the planning stages. An Air Force consultant said that the INC is not included in the Pentagon's planning, adding, "Everything is going to happen inside Iraq, and Chalabi is going to be on the outside." According to a senior Bush Administration official, two senior American diplomats were recently sent to northern Iraq to talk to Kurdish opposition leaders and "check out who's got go and who's got no go..."

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The Washington Post, December 27, 2001  
Old Strategy on Iraq Sparks New Debate; Backers Say Plan Proven in Afghanistan  
By Michael Dobbs

Three years ago, the man who is now White House counterterrorism chief drew up a plan for the overthrow of Saddam Hussein. It was never implemented, but from today's perspective, the strategy devised by retired Army Gen. Wayne Downing for toppling a tyrannical regime has a familiar ring to it. As presented to congressional leaders in a secret session in the summer of 1998, the Downing plan included several elements that have proved remarkably successful in Afghanistan. A former US Special Forces commander, Downing believed that victory would be achieved through a potent combination of US-backed insurgents, massive enemy defections, elite special operations units and US air power.

Dismissed by Clinton administration officials as a recipe for a second Bay of Pigs, the Downing plan has become highly topical since the Sept. 11 terror attacks and his own subsequent elevation to a key White House position. The general's ideas have become a lightning rod for a new debate in the Bush administration over what to do with Saddam Hussein...Supporters, who are believed to include Deputy Defense Secretary Paul Wolfowitz and other important political appointees, argue that the Afghan war has demonstrated the feasibility of the Downing plan, or something similar to it, and that the moment for moving against Hussein is fast approaching.

Opponents, including much of the State Dept, CIA and professional military, say that the plan greatly

overestimates the strength of the Iraqi opposition, and particularly the INC, a London-based umbrella group that has established itself as a quasi government in exile... Nonetheless, the Bush administration has embraced the idea of regime change in Iraq much more publicly than the Clinton administration did. The key question facing President Bush when he eventually turns his attention back to Iraq is whether this goal can be achieved at an acceptable political, military and diplomatic cost...

Both Rumsfeld and Wolfowitz signed a February 1998 letter to President Clinton calling on the US to support an Iraqi insurrection. Others who signed the letter and are now in the Bush administration include White House adviser Zalmay Khalilzad, Defense Department officials Douglas Feith and Dov Zakheim, and State Department officials Richard Armitage, John Bolton and Paula Dobriansky. (According to a State Department source, Armitage has lined up behind Powell as a skeptic of the INC plan.)

Lending military respectability to Chalabi's ideas was Downing, a retired four-star general who played a key role in overthrowing Panama's Manuel Noriega in 1989 and ran insurgency operations in Iraq in 1991 as the head of the Joint Special Operations Command. In the words of an INC official, Downing agreed to put Chalabi's ideas into "Pentagonese."

Downing was assisted by a former CIA agent, Duane "Dewey" Clarridge, who ran the US-backed contras who fought the leftist Sandinista regime in Nicaragua during the Reagan administration. Together, the two men drew up a plan to train some 200 INC fighters, who would train another 5000 men to be inserted into southern Iraq from Kuwait, where they would seize a deserted air base near the city of Basra. According to Clarridge, the logistical support operation for Chalabi's fighters would have been "outsourced" to mercenaries, including retired US Special Forces members.

"The idea from the beginning was to encourage defections of Iraqi units," recalled Clarridge, who was indicted for lying to Congress in connection with the Iran-contra scandal but pardoned by President George Bush just before the end of his administration. "You need to create a nucleus, something for people to defect to. If they could

take Basra [Iraq's second-largest city and major port], it would all be over."

Even though it became the basis for the Iraq Liberation Act, the Downing plan was savaged by much of the US military establishment, including officers of Centcom, which would bear responsibility for military operations against Iraq. Last year, Gen. Anthony Zinni, then Centcom's commander, derided the plan as a prescription for a "Bay of Goats" dreamed up by "some silk-suited, Rolex-wearing guys in London..."

Richard Perle, an assistant defense secretary during the Reagan administration and intellectual force behind the anti-Hussein campaign, called Zinni's comments "outrageous." Perle said, "It is not easy to get allies when you have the Centcom commander saying it can't work." He argued that the Afghan military campaign shows that it will be virtually impossible for Hussein to mass his forces without getting hit by US warplanes.

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NYT, December 28, 2001  
The US Must Strike at Saddam Hussein  
By Richard Perle

...The charter of the INC, an umbrella group of Saddam Hussein's opponents, calls for eradicating wmd and renouncing terrorism. Those opponents need our political and financial support today, and when the time is ripe, they will need our precision air power.

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**Intelligence Online, January 3, 2002**  
**Assault of Iraq Shaping Up**

...The defense policy board, chaired by Richard Perle - considered the mentor of Paul Wolfowitz, deputy defense secretary - held its first meeting after the Sept. 11 attacks on Sept. 29. During this first debriefing on the unfolding crisis, the Iraqi question was mentioned only briefly. But defense secretary Donald Rumsfeld agreed that the group should look into the issue more thoroughly. James Woolsey, former CIA director and now a private lobbyist for the INC (the Iraqi opposition movement officially financed by Congress) took part in the DPB's deliberations.

The conclave resulted in a confidential memo dated Nov. 22 and signed by Wolfowitz being addressed to the White House and to the vice president. It

listed 5 "clear signs" of Saddam's involvement with the Al Qaida movement and advised the president to launch large-scale military operations to remove the ruling regime in Baghdad. The five points submitted as evidence were: Iraq's ambassador to Ankara, Farouk Hijazi, former head of Iraq's general intelligence service, traveled to Kandahar in December, 1998 to meet with Osama Bin Laden; the 1993 attack against the World Trade Company was perpetrated by Ramzi Yusef, a young Pakistani who should be considered as having been recruited by the Iraq secret service; an Iraqi diplomat, Samir el Hami, on post in Prague, was reported by Czech intelligence to have met in the Czech capital with Mohammed Atta, leader of the Sept. 11 attack (this has since been denied by Czech government sources); the Iraqi regime had maintained excellent relations with Sudanese fundamentalists since 1993; lastly, three years after the expulsion of UN inspectors, Iraq is continuing to produce wmd...

In the land phase, the INC would provide a lot of troops. In recent weeks, its chief, Hamed Jalabi, has taken part in "informal meetings" with several members of the Defense Policy Board in Washington.

As for operations in South Iraq, with its largely Shi'ite population, the US has been negotiating directly with Iran. Under an agreement between Washington and Tehran, Iran pledged not to enter Basra, the Iraqi city close to the Iranian border. But Tehran's secret services would help organize Iraqi dissidents living in Iran, particularly those of Bakr al Hakim's SCIRI movement and its armed wing, Badr 2, which would take part in fighting...

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The Baltimore Sun, February 25, 2002

US has no easy options in Iraq; Afghan-style strategy in toppling Hussein considered dubious; Problems with opposition  
By Mark Matthews and Tom Bowman

...Inserting thousands of trained INC forces into Iraq is a 4-year-old plan developed by retired US Army Gen. Wayne Downing, now the president's chief counter-terrorism adviser, and former CIA operative Duane "Dewey" Clarridge, an architect of the Contra insurgency in Nicaragua (who was indicted for lying to Congress in the ensuing Iran-Contra affair and pardoned before trial) who also worked in the Middle East. Paul Wolfowitz, then dean of the Johns Hopkins School of Advanced International Studies and now deputy secretary of defense, also contributed to the plan. "In a way, the Afghan plan is a copy of the Iraq plan," Clarridge said...

Amatzia Baram, an analyst of Iraq at the University of Haifa in Israel, says the INC can serve a useful role in spreading propoganda, building support at the UN, organizing expatriates and gathering intelligence. If Hussein is

overthrown, the INC can help in the transition to a new government and encourage Iraqis to participate in the democratic process, Baram said. The INC proposes allowing the Iraqi people to approve a constitution by referendum and then holding elections.

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Middle East News Online, April 10, 2002

## **ARAB STATES CRACK DOWN ON CORRUPTION**

### **Jordan: Businessmen, Intelligence Officials Implicated In Fraud Case**

The Jordanian case came to light in early February when Global Business head Majd Shamayleh, a businessman in his early thirties, along with several associates, was charged with using falsified documents and official stamps from the country's intelligence department to secure bank loans. The loans were meant for setting up an information-services company.

Far from establishing the new company, however, Shamayleh and his associates embezzled JD80 million (\$113.64 million) in unsecured credit facilities over an 8-month period, according to statements made by Jordanian prime minister Ali Abul Ragheb on March 13. Previous estimates had put the embezzled funds at JD100 million.

According to local press reports, the banks allegedly involved are the Jordan National Bank, Jordan Gulf Bank and the Export & Finance Bank. The politically sensitive case also reportedly involves government and banking officials.

The prosecutor general, Colonel Mahmoud Obaidat, ordered the arrest on March 19 of senator and former intelligence chief Samih Al-Battikhi, who was charged with 6 counts of fraud in relation to the Shamayleh investigations. Al-Battikhi, speaking prior to his arrest, denied that he had played any role in the embezzlement scam. "I am totally innocent," he said. "I have nothing to do with this whole affair, and I have never undertaken any commercial activity whatsoever." He subsequently pleaded not guilty to all charges.

Earlier, 5 Jordanian employees of HSBC, Amman, including two top bankers, were arrested for helping Shamayleh forge documents. Among others summoned for questioning were Jordan Gulf Bank chairman Nabeel Barakat, Export & Finance Bank chairman Ali Al-Hosary and lawyer Naser Salem al-Masaadeh, who is also the son of a former deputy prime minister.

The government has frozen the funds of 150 people and prohibited roughly 55 suspects from traveling abroad. The main subject of the investigations, Shamayleh, is reportedly in Moscow. Others whose assets have been frozen include the daughter of a royal cousin and former ambassador to

**Israeland the daughter of a former prime minister. The State Security Court has imposed a ban on news coverage of the case, citing the country's Press and Publications Law.**

**On the same grounds, Obaidat has ordered bans on newspapers that contained information on the fraud case. The leftist Al-Majd was banned on March 4, with the prosecutor saying the newspaper could only be printed if the management agreed to remove a front-page story. Editor-in-chief Fahd Rimawi, while declining to give details, explained that the article had linked the fraud case to the suspension of parliament, which King Abdullah dissolved on June 16, 2001. One day later, the state prosecutor ordered the confiscation of copies of another newspaper, Al-Wihda, according to the paper's managing editor, Fakhri Kavar, as quoted by AFP.**

**Prime Minister Abul Ragheb has, however, said that the trial will be conducted openly and that the findings of the investigations will be made public once they are complete. He warned against attempts to personalize the case or use it to settle scores.**

**As one Cairo-based analyst observed, "the best way to handle any corruption case is for the government to come clean on the issue." As far as international investors are concerned, openness indicates "that the government is willing to fight corruption despite senior political involvement." The State Security Court has hired an audit firm to assist in the investigation, while a team from the Central Bank of Jordan is also working with the court on the case. The prime minister said that the government, as directed by King Abdullah, would continue to fight corruption through institutional channels.**

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The New Republic, May 20, 2002

Flacks Americana; John Rendon's shallow p.r. war on terrorism

By Franklin Foer

...A few months after the US rolled the Iraqi army back to Baghdad, George HW Bush signed a document called a "finding" that ordered covert operations "to create the conditions for the removal of Saddam Hussein from power." According to journalists Andrew and Patrick Cockburn, when Frank Anderson, the chief of the CIA's Near East division, read it, he scrawled in the margin, "I don't like this." His trepidation was understand-able: Only months earlier, the administration had made a conscious decision not to advance on Baghdad. Now, at least on paper, it was trying to topple Saddam. "The Agency wanted to clean their hands of the whole mess," says one ex-intelligence official, "so

they gave it to Rendon." From his office in Washington, Rendon became the de facto leader of the Iraqi opposition...

the CIA had also assigned Rendon a far more delicate task: to help organize, advise, and stage-manage the Iraqi opposition. After the Gulf war, there weren't many available anti-Saddam vehicles. Under pressure from Congress, the CIA seized on well-connected, smooth-talking London businessman Ahmad Chalabi and tried to help him unite Shia and Sunnis, Kurds and Arabs, exiles and dissidents, into a popular front called the INC. Rendon wasn't exactly the brains of the operation - Chalabi ran the group - but he was the man whispering in Chalabi's ear. "The INC was clueless. They needed a lot of help and didn't know where to start. That is why Rendon was brought in," says Thomas Twetten, the CIA's former deputy director of operations. Rendon helped Chalabi choose the group's English name, and he organized an INC conference in Vienna. When INC representatives came to Washington in July 1992 to meet with Brent Scowcroft and James Baker, Rendon advised them on what to say and how to say it.

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**UPI, August 1, 2002**

**Iraqi opposition leaders to meet in Iran**

**By MODHER AMIN**

**An Iran-based Iraqi opposition group has invited leaders of five rival groups to meet in Tehran prior to a meeting planned for Aug. 9 in Washington on the country's future, a top official at the group's office said Thursday. Ayatollah Mohammad-Baqer Hakim, the head of the main Shiite opposition group, SAIRI, is one of six men invited to the meeting co-hosted by US Undersecretary of State Marc Grossman and Undersecretary of Defense Douglas Feith.**

**The other leaders on the list are Sharif Ali bin Hussein of the Constitutional Monarchy Movement, Ayad Allawi of the Iraqi National Solidarity, Ahmad Chalabi of the INC, Massoud Barezani of the KDP and Jalal Talebani of the PUK.**

**A source close to Hakim told UPI that the ayatollah, after carefully considering the US invitation, has "definitely decided not to personally take part in the meeting." However, the official who did not want to be named, confirmed that his group would, instead, send a delegation to Washington. The source added that visa formalities for the three exiled opposition heads are underway. Iran has already exempted the two Kurd leaders from getting entry visas to the Islamic republic.**



Although closely linked to Iran, a host country that has voiced opposition to a possible US invasion of Iraq, Hakim has, at times, welcomed would-be strikes targeting what he usually calls a "terrorist regime" in his country. The same source also said that, to reach a consensus on the matter, all Iraqi Shiite groups residing in Iran have now gathered in the Iranian holy city of Qom, 80 miles south of Tehran, to discuss how to participate in the upcoming meeting in Washington.

Iran has been host to the Supreme Assembly and other smaller Shiite groups since the beginning of Iran and Iraq's 8-year war in 1980. The presence of opposition groups in each country has acted as a major stumbling block to the normalization of relations between the neighbors.

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Intelligence Online, September 5, 2002  
Political Clout of Iraqi Dissidents

...officials in the State Department and Pentagon are already planning the post-Saddam Hussein period. Those in Colin Powell's circle who espouse a realpolitik attitude towards Iran are backing the idea of having Shi'ites in the post-Saddam government in Baghdad since they form part the movement that currently opposes the Baath party.

According to Intelligence Online sources in Tehran, the CIA sent Amad Chalabi, head of the INC - which the US finances - to Iran to act as a go-between for Washington in talks concerning Iraq's future. Chalabi met with former Iran president Hachemi Rafsandjani and the commander-in-chief of the Pasdarans, Gen. Rahim Safavi. The talks resulted in a guarantee that Shiites would hold leadership positions in Iraq after Saddam is overthrown. In return, Chalabi obtained assurances the Pasdarans would not intervene in Iraq (as they are the armed wing of Iran's conservatives, this ensures that post-Saddam Iraq will be able to negotiate later with moderate followers of president Mohammed Khatami).

Two weeks later, the deputy chief of the Pasdarans, gen. Zulfikar, traveled to Ankara to indicate that SCIRI backed future American operations in Iraq. The movement, headed by Ayatollah Mohammed Baqr el Hakim and supported by Iran, thus joined the Iraqi opposition movement approved by Washington. As a result, the brother of al Hakim, Aziz El Hakim, and the Supreme Council's representative in London, Hamed el Bayati, took part in a closed door meeting on Aug. 10 between six Iraqi opposition groups and defense secretary Donald Rumsfeld and the chairman of the JCS, Richard Myers. The meeting confirmed decisions taken in London on July 12 when 70 dissident Iraqi military men gathered to unite the Shi'ite opposition under a single Military Council.

**Apart from tactical questions, the Washington meeting marked the political comeback of emir Hassan, brother of the late king Hussein of Jordan, who took part in various stages of the consultations. Considered very close to Chalabi (whom he assisted after the fraudulent collapse of Petra Bank), Hassan is dreaming of restoring the Hashemite monarchy in Baghdad. This could come through installing a new royal dynasty with limited, almost symbolic powers. That would enable a future government to build an Iraqi federation in which Sunnis, Shi'ites and Kurds would live together peacefully.**

**More prosaically, it would mean basing the government on Shi'ites but not turning Iraq over to them because opposition parties would spring up naturally to counter their power. With that scenario in mind, the tiny Iraqi Sunni opposition headed by gen. Nizar el Khazraji and gen. Waltic el Samarraï - which is backed by Saudi Arabia - has agreed to throw in its lot with Shi'ite opponents of Saddam.**

**Meanwhile, units of the US Delta Force and Special Operations Group (the hardcore of the CIA's special activity division) are training in the Nevada desert, where the climate and geography are similar to Iraq's, on attacking specific military targets. These are laboratories and munitions dumps and their capture would enable the US to show Iraq was still developing wmd and that military intervention had been justified. Most of the targets were chosen following revelations by a defector, Adnan Ihsan Saeed al Haideri, who turned up early this year in the US.**

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**The New Republic, September 23, 2002  
Need to Know  
By Eli J. Lake**

**...The CIA's antipathy toward the INC dates back to Clinton-era efforts to topple Saddam. The CIA has long believed that Chalabi was responsible for compromising a 1996 coup attempt in which the CIA provided technical communications equipment for a network of military officers recruited by Ayad Alawi, the head of the Iraqi National Accord, a CIA-sponsored opposition group that has been at odds with the INC since the early '90s.**

**Chalabi flew to Washington in March 1996 to brief then-CIA Director John Deutch on information he had suggesting the upcoming coup attempt was compromised because Saddam knew the names of the plotters. Perle, then a private consultant, attended the meet-ing and suggested an independent evaluation of the planned coup by the CIA and Alawi. But Deutch declined the advice and allowed the coup effort to go forward. In June 1996 Saddam's men rounded up the plotters, killed them, and used the Agency's**

own equipment to beam praises of Saddam to the CIA's office in Amman. Many members of the CIA believe that because Chalabi had predicted these events, he must have had a hand in them.

With the Bush administration gearing up for war this summer, CIA and INC officials met twice in what could have been a constructive effort to overcome past animosity and improve cooperation on intelligence gathering. The meetings did not end conclusively. The first took place in June, when the CIA's Iraq Issues Group requested and received a meeting with INC chief of intelligence Aras Karem. The purpose was to establish a system whereby the Agency would get first crack at the defectors the INC was making available to the media. The meeting was hastily arranged in 24 hours and Karem received a visa the following day. Meeting at a hotel in Dupont Circle, Karem told the group about 4 future defectors who could be of interest to the US government and offered the CIA access to them.

In July, the CIA asked for a follow-up meeting with the INC, though this time Karem could not attend. In this meeting the INC shared a briefing drafted by Karem on the state of the defectors program. But the meeting ended when the INC officials were informed that they would have no further formal contacts with the CIA; their intelligence program would instead interface only with the Pentagon through the DIA.

Had the CIA established a system for vetting INC defectors, perhaps the Agency and the president's more hawkish advisers might have reached some consensus on intelligence estimates. As it stands, the hawks within the administration believe a military campaign in Iraq will be pretty easy. As Cheney said on NBC's "Meet the Press" last Sunday, "I'm confident that if it became necessary - if the president felt that this was the right course of action so that he instructed the military to undertake this - that the US military would be enormously effective in this circumstance. And I don't think it would be that tough a fight; that is, I don't think there's any question that we would prevail, and we would achieve our objective." The hawks also continue to push a military strategy that would rely heavily on US-trained indigenous forces inside Iraq to do most of the ground fighting in conjunction with close American air support. The strategy relies on a promise that the Iranians will not interfere—a promise the mullahs delivered through Chalabi himself last month when the Iraqi opposition met with Rumsfeld, Cheney, and senior State Department officials.

But one former CIA official who maintains close contacts with his old employers calls this a strategy of "wish fulfillment." "They are arguing for a high-risk strategy," this official says. "It relies on the military capabilities of an internal opposition, the kindness of evil strangers...and it embraces the one strategy for regime change all of our allies have told us they do not support." But while the CIA is skeptical of the intelligence the hawks have

**received through the INC, their own on-the-ground information is woeful. Says a retired CIA officer critical of the extent to which the Agency has shunned the Iraqi opposition, "Unless you are working with all of the opposition networks intensively...then you won't have a clue as to what the overall picture is inside the country - what people are thinking, what you need to do when you go in, who counts, who is respected, the mood of the army, and who is important in the army."**

**For now it appears Bush is inclined to believe the hawks' analysis, privileging the information provided by the INC's defectors and analyzed by the Pentagon over the warnings of his spies, diplomats, and generals.**

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Intelligence Online, September 27, 2002  
Who Will Control Iraq's Oil in Future?

The representative of SCIRI in London, Hamid Al Bayati, has told

Intelligence Online that the six components of the Iraqi opposition are to meet "somewhere in a European city at the end of October to discuss how Iraq will be governed" after Saddam Hussein is toppled. Agreement on holding the 'grand Iraqi conference' was reached in Washington between Aug. 8-15 during closed-door talks between the six leaders of Iraq's opposition. They had been invited to the US capital by the under secretary of state for political affairs, Marc Grossman, and the under secretary of defense Douglas Feith.

SCIRI is bankrolled by Tehran and its armed wing, the Badr brigade, trains with Iran's Pasdarans. Its presence in Washington was far from being merely symbolic. Bayati claimed its Shi'ite network in Iraq had "provided Washington with material proof Saddam Hussein is continuing to develop wmd" - evidence that George W. Bush has subsequently used to win allies to his cause...

Sources confirm that differences of opinion exist within the loose coalition of opposition movements. But after years of incessant squabbling, Iraq's political dissidents made common cause last November and don't want their differences over oil - they see the issue as strategic but not specially urgent - to be aired before Western diplomatic and military leaders.

In truth, there is a clear split between the two leading opposition movements - SCIRI and the INC headed by Ahmad Chalabi - on how Iraq's oil riches should be handled.

Backed by Iran, SCIRI believes reserves should be nationalized and managed in the interests of the country's various communities. SCIRI has won Kurds over to the option. The INC, for its part, believes a private consortium should be set up to explore and extract oil. The consortium would include some of the world's biggest oil companies, such as ChevronTexaco, ExxonMobil and BP but also Russia's Lukoil and France's TotalFinaElf, on the strength of French and Russian votes in the UN Security Council in favor of action against Saddam...

The State Department has disbursed \$8 million for INC in two installments since January and ties with the administration are bolstered by the presence of Francis Brooke at Chalabi's side. Currently the latter's political adviser, Brooke worked in the past as a consultant to the Rendon Group, a lobbying concern. During the Gulf War, Rendon operated out of London with funds from the Pentagon to burnish the image of Kuwait's leaders.

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**AFP, November 20, 2002**

**State prosecutor formally charges Jordanian businessman with fraud**

**Jordan's state prosecutor on Wednesday formally charged a businessman with fraud, a day after his extradition from Australia for cheating banks of \$100 million, judicial sources said. Majd Shamayleh was charged on four counts of forging official documents, embezzlement of funds, fraud, mismanagement of funds and forging official stamps, the sources said. The sources said they expected Shamayleh's case to be referred to trial at the state security court after the investigation which is due to conclude at the end of December. The prosecutor at the state security court began questioning Shamayleh Tuesday after he was arrested following his extradition from Australia. Shamayleh is accused of having secured unguaranteed bank loans and credits worth more than \$100 million dollars from four banks under the pretext of financing a project for Jordan's intelligence services. He was arrested at the beginning of June in Australia after entering the country on a false passport.**

**Last November, Shamayleh stopped payment on the loans and fled the country, along with his younger brother and accomplice, Ayman. In March, he was sentenced in absentia by an Amman court to two years in prison for bounced cheques worth \$2.2 million, following a complaint lodged by the Jordan Gulf Bank.**

**Jordan's former intelligence chief, Samih Batikhi, and some 120 others have been linked to Majd Shamayleh and have been questioned by the state security court since February.**

**His brother Ayman was extradited from Russia, arrested and referred to court in early June but he was later released after posting bail of 30,000 dinars (\$42,000). But he is also expected to face trial on charges of participating in the embezzlement of funds by forging official documents.**

**Shamayleh was considered a business wizard in Jordan, where he managed an information technology firm and was a partner in 11 other companies. He enjoyed the trust of Jordanian banks, several of which had given him over the past four years "more than \$1 billion in credit facilities" to carry out his businesses, one banker said earlier this year.**

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**LA Times, December 1, 2002  
Beyond Regime Change  
By Sandy Tolan and Jason Felch**

**...INC leader Ahmad Chalabi, whose close ties with Perle, Wurmser, Rumsfeld and Cheney predate the current Bush administration, met recently with US oil executives. Afterward, Chalabi, the would-be "Iraqi Karzai" and the hawks' long-standing choice to lead a post-Hussein Iraq, made it clear he would give preference to an American-led oil consortium. He also suggested that previous deals - totaling tens of billions of dollars for Russia's Lukoil and France's TotalFinaElf - could be voided.**

**Next month, key Iraqi exiles will meet with oil executives at an English country retreat to discuss the future of Iraqi petroleum. The conference, sponsored by the Center for Global Energy Studies and chaired by Sheik Zaki Yamani, the former Saudi oil minister, will feature Maj. Gen. Wafiq Samarra, the former head of Iraqi military intelligence, and former Iraqi Oil Minister Fadhil Chalabi, now executive director of the center...**

**In 1998, Wurmser, now in the State Department, told the Jewish newspaper Forward that if Ahmad Chalabi were in power and extended a no-fly, no-drive zone in northern Iraq, it would provide the crucial piece for an anti-Syria, anti-Iran bloc. "It puts Scuds out of the range of Israel and provides the geographic beachhead between Turkey, Jordan and Israel," he said. "This should anchor the Middle East pro-Western coalition."**

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**Washington Times, December 2, 2002  
A bankable ringer to replace Saddam?  
by Arnaud de Borchgrave**

He has powerful allies in Congress, in Vice President Richard Cheney's office, in the upper echelons of the Pentagon's civilian leadership, in the Defense Policy Board chaired by his close friend and most enthusiastic supporter Richard Perle, and in one of Washington's leading think tanks. They all see Ahmad Chalabi, head of the London-based INC, as the democratic alternative to Saddam Hussein, a sort of Iraqi "Karzai," installed in what some of them see as a US military cakewalk.

But as Mr. Chalabi's team moves forward against five competing exile teams, umpires at the CIA and the State Department keep throwing yellow flags on the field. They see Mr. Chalabi as a charming, articulate, multilingual Iraqi exile leader, better suited to the cut and thrust of London's exile politics than to the cut-throat politics of post-Saddam Iraq.

Mr. Chalabi's detractors say he has only known comfortable exile, first in Jordan, then in Britain. He counters these critics with nine — by his reckoning — assassination attempts against his own life ordered by Saddam, and is fully cognizant of the rough neighborhood he aspires to lead. The Chalabi family, one of the country's most notable, chose exile when the military assassinated King Feisal in 1958, abolished the monarchy and seized power in the name of "progressive, revolutionary socialist principles," otherwise known as the Ba'ath Party.

Between 1919, when Iraq, formerly Mesopotamia, was carved out of the disintegrating Ottoman Empire, and 1958, Iraq experienced eight Kurdish revolts, nine Shi'ite rebellions, and three pogroms (two of them against the Jews, one against Assyrians).

Following the Persian Gulf war in 1991, tens of thousands of Kurds in the north of Iraq and marsh Arab Shi'ites in the south, were slaughtered in an uprising that had been encouraged by a victorious US and suppressed with helicopter gunships the US had allowed the defeated Iraqis to keep, ostensibly for humanitarian purposes. Saddam's role model has long been Stalin, whose methods and techniques he emulated to cower three disparate pieces of Iraq into blind compliance.

No one is more upset at the idea of Mr. Chalabi becoming Washington's man in Baghdad than Jordanian leaders, past and present. He was sentenced April 9, 1992, to 22 years hard labor by a Jordanian state security court on 31 charges of embezzlement, theft, misuse of depositor funds and speculation with the Jordanian dinar. The court also handed down harsh sentences and fines to 16 others, including several brothers and close relatives who were members of the board of Mr. Chalabi's Petra Bank, or owners of affiliated companies.

**Mr. Chalabi, a one-time favorite of King Hussein's royal court, had already skipped across the border to Syria hidden in the trunk of a royal palace car. Mr. Chalabi says former Crown Prince Hassan drove him to the border. Both the driver and the woman friend who organized the getaway deny this**

**No sooner did Mr. Chalabi reach London from Syria than he denounced the late King Hussein, accusing him of profiting from smuggling and weapons trading deals with Saddam.**

**What was undeniable was that Mr. Chalabi's Petra Bank, Jordan's third largest, had gone belly up and some \$300 million in depositors' accounts had suddenly vanished. Mr. Chalabi, who had studied at MIT and earned a doctorate in mathematics from the University of Chicago in 1969, denies wrongdoing and claims jealous royal courtiers framed him.**

**In the 12 years between when Mr. Chalabi founded the bank and its crash, this scion of a wealthy and powerful Iraqi Shiite family developed a reputation for contacts at the highest level. When the free market value of the dinar plunged in 1988, it was common knowledge in Amman that the Petra Bank was one of the most active purchasers of dollars. Yet when Central Bank Governor Mohammed Said Nabulsi sought to enforce a requirement on banks to deposit 30% of their foreign exchange holdings with the Central Bank as part of his efforts to prop up the currency, Petra was unable to comply.**

**Mr. Nabulsi, a widely respected central banker held the job for two stints for a total of 19 years (1972-85; 1989-95), which he believes is a world record. Between the two, he was the UN man in Baghdad. In Amman recently, this writer looked up Mr. Nabulsi, now a private financial adviser, in a small, modest office on the outskirts of the capital. His version of the Petra Bank scandal is a tad different than Mr. Chalabi's:**

**"The Central Bank began noticing signs of financial irregularities at the Petra Bank between 1982 and 1985, but not enough for a solid case. When I came back as governor in 1989, Jordan was suffering from acute fiscal and monetary problems. The depletion of our monetary reserves was of grave concern to King Hussein, who asked me to take over again as governor. But as I addressed our Central Bank crisis, I discovered Petra had a huge problem of equal dimension.**

**"I asked all Jordanian banks to deposit 30% of their hard currency holdings with the Central Bank. Of the 20 banks solicited, only Petra was unable to transfer anything, yet it had \$200 million on its books. I then conducted a full examination of Petra's books and concluded they had been cooked and that Ahmad Chalabi was the master cook who had been in collusion with his auditors.**



**"I then asked King Hussein whether anyone was above the law as I was aware of Chalabi's closeness to Crown Prince Hassan. The king told me there were no exceptions and to proceed according to the law of the land.**

**"Petra also had a branch in Beirut called MEBCO that was liquidated by the Central Bank of Lebanon and his brother, who had flown the coop, was sentenced to two years in absentia. Swiss authorities also liquidated MEBCO Geneva.**

**"Petra in Amman was picked clean before Chalabi took off a few steps ahead of law enforcement. Petra in Washington, DC, called me with a demand that all depositors be paid off immediately. The US Federal Reserve asked for payment in full, \$300 million as required to cover all losses. I then formed six committees, each with three members, to conduct separate investigations. Their findings were given to the public prosecutor's department. Chalabi was found guilty, and all those who had investigated can attest Chalabi was not framed as he claims.**

**"Civil court actions followed as the liquidation agency attempted to recover some of the losses. The total loss climbed to \$500 million, of which \$300 million was paid to depositors by the Central Bank at the direction of King Hussein. Another \$200 million was obtained from the liquidation of assets." Mr. Nabli's conclusion at the end of a 60-minute interview: "Chalabi was one of the most notorious crooks in the history of the Middle East."**

**What seems small compared to the recent humongous Wall St scandals was enormous for a poor Middle Eastern country of five million people. Mr. Chalabi dismisses the entire Petra Bank saga as a political vendetta.**

**Interestingly enough, his close friend, former Crown Prince Hassan, who was passed over as heir apparent to the throne by King Hussein as he lay dying from cancer, in favor of Hussein's son, now King Abdullah II, showed up at a recent London meeting of some 400 Iraqi officers now in exile. King Abdullah believes Uncle Hassan was lobbying to be recognized as king under a restored Hashemite dynasty in a liberated Iraq. Prior to 1958, Jordan and Iraq were part of the same royal federation with 2 kings — Hussein and Feisal — alternating as top monarch.**

**King Abdullah took a dim view of his Uncle Hassan by saying in an interview he had "blundered into something he did not realize he was getting into, and we're all picking up the pieces."**

**Jordan's establishment does not look forward to a Chalabi-run Iraq propped up by the US military. But given Jordan's total dependence on**

## **Iraqi oil, it's a safe bet that a President Ahmad Chalabi would receive a royal pardon in Jordan.**

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Financial Times (London), December 13, 2002

Ahmad Chalabi divides opinion within the opposition movement and among those in Washington planning regime change

By Stephen Fidler and Roula Khalaf

300 Iraqi exiles gather in London this weekend for a meeting aimed at depicting a future of freedom and democracy for Iraq. They could be just months away from achieving a long-cherished ambition, the end of the brutal rule of Saddam Hussein. Of the 300, one man has played a greater role than any other in bringing them so close to their goal: Ahmad Chalabi, an urbane former banker who heads the INC. He is the man who in 1992 brought together dissident groups from Iraq's main ethnic communities - Shias, Kurds and Sunnis - under the umbrella of the INC. It was he whose relentless work put "regime change" in Baghdad at the top of the Washington foreign policy agenda and who enshrined the concept of a federal, pluralist Iraq in the minds of other dissidents...

Much to the disbelief of the rest of the opposition, Mr Chalabi claims to have no political ambitions. "My job ends when Saddam is overthrown. I have no desire or inclination to seek office in Iraq. It's a thankless task," he told the Financial Times this year. "There's no disappointment here. I am impelled by a strong commitment to restore a sense of humanity to Iraq." He declined to comment for this article...

But Edward Walker, former US assistant secretary of state, sums up the contradictions that have coloured Mr Chalabi's career. "Ahmad has tended to put tactical political considerations above the strategic effort to build a viable organisation..."

The 1989 collapse of Petra Bank has been, says one observer, "like an albatross around his neck". In April 1992, he was sentenced in absentia by a Jordanian military court to a 22-year jail term on charges of embezzlement, fraud and breach of trust.

Mr Chalabi strenuously denies the charges. He says the bank was closed by the Jordanian government under pressure from

Saddam Hussein, with whom it was then close. He was the victim also of a campaign that included Mohammad Said Nabulsi, then head of Jordan's central bank. Mr Nabulsi still holds to the official explanation of fraud. "I...conducted a full examination of Petra's books and concluded they had been cooked and that Ahmad Chalabi was the master cook who had been in collusion with his auditors," he told UPI last month. The central bank, Mr Nabulsi added, paid \$300m to depositors to cover the losses generated by the Petra Bank liquidation.

Some people who know him say Mr Chalabi's private explanation was that he transferred funds - one says he mentioned a figure of \$80m - out of Petra Bank to prop up family banks in Lebanon and Switzerland run by his brothers. Mr Chalabi said that if the Jordanian authorities had not acted when they did, the money would have been made good. According to acquaintances of the Chalabi family, those institutions were run like many banks in the Middle East, making many loans to family interests. What brought their troubles to a head was a run on Mebco, the family's Lebanese bank run by Mr Chalabi's brother Jawad. "Ahmad was not guilty of anything other than helping his brothers," says 1 person who lost money in the collapse of the Chalabi financial empire, which included a Mebco subsidiary in Geneva and a finance company in Switzerland, called Socofi. Mr Chalabi told one aide: "My brothers messed up the 2 other banks and I needed to help them."

Because of their role in the collapse, Jawad and Hazem, another brother, were each were sentenced by a "condemnation order" of a Swiss court, dated September 1, 2000, to suspended sentences of six months in prison. Their crime was faux dans les titres, essentially fraud in the false presentation of accounts. They were also charged with causing the collapse of a company through fraud but the case was not pressed because of a statute of limitations.

Mr Chalabi has made efforts over the years to turn the page on his fraud conviction in Jordan. Soon after the first meeting of the INC's National Assembly in October 1992, he orchestrated an audience with King Hussein in London, one of four Mr Chalabi say he had with the king during the 1990s. Mr Chalabi's spokesman says the INC leader wanted the military court verdict overturned - but never requested a pardon because that would have implied guilt. However, other accounts of the meeting say that King Hussein said he

would be willing to grant a pardon - but only after an independent audit of the accounts and after any deficits had been made good. "Ahmad did nothing. He was very arrogant and said: 'Soon I will be in Baghdad and it's the king who will have to come to seek my approval,' " says someone familiar with the episode. Mr Chalabi's spokesman denies this.

Whatever the full truth behind the collapse of the Chalabi banking empire, it left many customers facing large losses and central banks footing big bills. Yet it did not destroy the Chalabis' family wealth. Some relatives of the clan estimate the family is worth about \$150m, which is why they are sceptical of insinuations that Mr Chalabi was pocketing US government money during the 1990s. Mr Chalabi is part-owner of some profitable businesses, including Cardtech, which sells card-processing software to banks and other financial institutions..

Soon after the 1991 Gulf war, Mr Chalabi joined an anti-Saddam Hussein propaganda effort being run for the CIA by the Rendon Group, a Washington-based public relations and lobbying firm. The CIA effort followed a so-called "lethal finding" by President George Bush in May 1991, giving it authorisation to launch covert operations in Iraq.

In 1992, Mr Chalabi and other INC leaders decided to accept covert support from the CIA. According to a 1997 article in The Washington Post, this support grew to \$326,000 a month, though INC officials say the figure was no more than \$200,000 a month. If the numbers are right - and some other estimates put the figures twice as high - in the four years the CIA was supporting the INC, it channelled between \$10m and \$16m to it.

James Woolsey, CIA director for two years from early 1993, says: "Dur-ing my time we regarded the INC as a bit like Solidarity in the early 80s. It might not take power very soon but it represented the democratic opposition. There wasn't any debate during my time about a coup."

In a pattern that has marked his leadership of the INC, Mr Chalabi was quickly falling out with supporters. Laith Kubba, a former INC spokesman, says: "His priorities were on lobbying Washington rather than to reach out to Iraqis, develop policy papers or work out what should be the national agenda." Mr Chalabi, he adds, was, obsessed with

intelligence gathering. For him, says Mr Kubba: "It's a business. Information is a commodity and he's a businessman. He's aware that the commodity is rare." By 1993, Mr Chalabi had moved his main base to northern Iraq, hoping to co-ordinate an effort with Kurdish forces to mount an offensive against the demoralised Iraqi army.

Robert Baer, a former CIA field officer who worked with Mr Chalabi in northern Iraq, blames a lack of US leadership for the failure of the offensive. In a book he wrote about the experience, *See No Evil*, he says he and others were deceived by Mr Chalabi. But he says: "You can't tell from the book but I like the guy. He does believe in getting Saddam Hussein - and he'd like to have a political future. Iraq is the only chance he's got." Mr Baer says that, from his perspective, Mr Chalabi was no armchair exile leader, nor did he appear primarily concerned with machinating in exile politics. "When I saw him in 1995 in northern Iraq, it wasn't about him, it was about getting rid of Saddam."

Mr Chalabi left northern Iraq in April 1995 and, in the following year, the CIA cut off the INC's funding. There had been deep differences over a CIA-sponsored plot in 1996 to mount a coup against Mr Hussein by the rival Iraqi National Accord. Authors Andrew and Patrick Cockburn report in their 1999 book, *Out of the Ashes*, that Mr Chalabi had warned CIA director John Deutch and Steven Richter, head of the Near East division, in March 1996 that the coup was compromised. But the plot went ahead. It had indeed been compromised - there was a debate inside the CIA about by whom - and several hundred of those implicated in it were rounded up and killed. Bad blood between the CIA and Chalabi was further poisoned.

The INC's fortunes plunged to new lows in September that year when Iraqi forces intervened in an intensifying civil war between the two main Kurdish armed groups in northern Iraq. At least 135 INC fighters were executed and a further 40 to 50 were killed in the fighting. For a force of some 1000 fighters, it was a shattering blow.

Mr Woolsey, who had left the CIA by then, says he had no direct knowledge of what caused the agency to cease funding. But he says: "There is a historical propensity in the CIA for some - not all - to prefer institutions and individuals that can be controlled...The INC wasn't like

that. They disagree with one another. They say what they think. That's what building democracy is all about."

Yet it was also true that the finances of the INC were a subject of continuing controversy. From 1992-96, says Mr Kubba, there was "zero transparency about the INC's finances". Mr Baer says Mr Chalabi paid money to keep people loyal to him and on side, including the Kurdish groups. "When I was in northern Iraq with him I saw no evidence that he was pocketing money. He was playing loose and fast with the INC's money, but he wasn't pocketing it."

For almost two years from 1996, the INC was in the wilderness in Washington, receiving no funding from the US and out of favour with the Clinton administration. Despite having parlayed his connection with Mr Perle into the Iraq Liberation Act, which made regime change official US policy, the program was being run by the sceptical State dept. "The State Dept was trying to nibble the INC to death with ducks," says Mr Woolsey. Part of the problem was again a dispute over budgets. An investigation showed no evidence of malfeasance but it did show poor accounting.

Mr Chalabi continues to be at the centre of controversy. For months, he has been accused of obstructing the holding of this Weekend's conference out of fear it might further marginalise the INC. He is now, after all, one of several prominent dissident leaders rather than the head of the whole operation.

One of his friends says the animosity against Mr Chalabi has grown as the prospect of taking power becomes closer. "All the other groups want to take advantage of what Ahmad built in America, while spitting him out as a useless tool once they have secured regime change."

Yet, inevitably, because of the way he has achieved his objective, Mr Chalabi will always risk being seen as a tool of the US. It raises the question of whether the charm offensive that has been so effective in the US capital could ever be adapted successfully to win over the hardened and hopeless population of Iraq.

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NYT, January 28, 2003

Iraqi Opponent Says He's Leaving Iran to Plan Takeover  
By ELAINE SCIOLINO

Ahmed Chalabi, an Iraqi opposition leader, announced today that he intends to travel to Iraq shortly to meet other opposition leaders and plan a provisional government to replace the regime of Saddam Hussein. Mr. Chalabi, who heads the INC, the main Iraqi umbrella opposition group, told a news conference here that he was going into Iraq despite objections from some members of the Bush administration but with the blessing of the White House.

The setting of Mr. Chalabi's message was almost as striking as the substance. It was conveyed at his organization's headquarters in a private villa in a gated community in an affluent neighborhood of Tehran. Despite American economic sanctions against Iran, the villa, which is decorated with expensive Persian carpets and brocade-covered sofas and armchairs and staffed by about a dozen Iraqi aides and security people, is paid for by the State Department, Mr. Chalabi said in an interview. A special Treasury Department exemption under the Office of Foreign Assets Control was required to allow American funds to finance his operation, he added. In Washington, the State Department confirmed his statement about obtaining government funds for political activity in Tehran.

...Mr. Chalabi's comfort in inviting journalists to his American-financed headquarters in Iran and announcing plans to cross into Iraq underscored how confident he feels about the support of his Iranian hosts. He and about 15 aides have been in Teheran for several days. Although their presence has not been officially acknowledged, they said they had been meeting with senior officials in agencies like the Revolutionary Guards and the security and intelligence apparatus who report directly to Ayatollah Ali Khamenei, Iran's spiritual leader and the most powerful man in the country. Iranian officials have promised to help them enter Iraq illegally, they said.

One senior Iranian official played down the Iraqi opposition's activities in the country, saying in an interview: "They are just passing through. They happen to have friends here." The "friends" are Ayatollah Mohammed Bakr al-Hakim, the Iraqi cleric who was the official host of the visit. The ayatollah heads an Islamic opposition movement and militia that has been given a headquarters, protection, money, weapons and training by Iran since the early days of its revolution nearly 25 years ago.

In the interview, Mr. Chalabi acknowledged that the ayatollah, a Shiite Muslim who once favored the installation of an Iranian-style Islamic republic in Iraq, had been fiercely opposed to working with the US to topple Mr. Hussein. In recent months he has forged an alliance of convenience with Washington, although he opposes American military occupation of Iraq.

Mr. Chalabi lavished praise on Iran in the news conference, calling discussions with Iranian authorities "useful and fruitful" and disclosing that Iran has quietly allowed him and his group safe passage through their territory into Iraq since the mid-1990's. "As the hour of liberty approaches, they will support our efforts," he said.

Mr Chalabi...believed that resistance within the Bush administration to his intentions could be overcome because "President Bush has decided to confront Saddam Hussein." Mr. Chalabi also said that Zalmay Khalilzad, the White House envoy to the Iraqi opposition movement, even said that he would travel to northern Iraq to join a meeting of a committee of 65 opposition leaders chosen at a conference last month in London. "Khalilzad knew all about it, and he has encouraged me and said he favored my travel plans," Mr. Chalabi said in the interview.

There are still logistical, security and visa issues that must be resolved before all 65 Iraq opposition committee leaders can come together in northern Iraq for the meeting, which is now tentatively scheduled for the second half of February.

Despite a policy of "active neutrality" in the crisis with Iraq, Iran has launched a strategy of conducting business as usual with Mr. Hussein's regime while also dealing with Iraqi opposition leaders. Even Iran's officially declared position is ambiguous. It opposes an American-led war against Iraq on the grounds that it will cause regional instability, kill innocent civilians and create a refugee crisis on its 730-mile border with Iraq. But Iran also insists that Baghdad must comply fully with the UN weapons inspectors. What the consequences will be if it fails to do so, Iranian officials do not say..

Now the stated policy is that the fate of the Iraqi government must be determined inside the country. "We



stress that any change in Iraq should be made by the Iraqi people," said Abdullah Ramezanzadeh, the presidential spokesman, in an interview. But personally, Mr Ramezanzadeh, an Iranian Kurd and a former soldier whose brother was wounded in a chemical weapons attack, said he feels differently. "I have fought as a soldier against Iraq, and many of my friends who were fighting at my side died before my eyes," he said. "So I cannot have a positive opinion about Saddam."

The current war fever has shaken Iran's uneasy coexistence with Iraq, which has prevailed since the end of the Iran-Iraq war. Earlier this month parliament summoned Foreign Minister Kamal Kharrazi to explain why his Iraqi counterpart, Naji Sabri, was planning an unexpected visit to Iran. Mr. Kharrazi replied that Iran wants to help prevent a war against Iraq by the US "through diplomatic initiatives" and was pressing Iraq "to comply with UN resolutions."

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Australian Financial Review, January 29, 2003  
Iraq Makes A Strange Bedfellow  
By Nick Hordern

...Over the weekend, Tehran hosted a meeting of the Iraqi opposition in exile. The aim of the meeting was to prepare for a general conference of the opposition to be held mid-February in northern Iraq, in the Kurdish zone outside Baghdad's control. The conference will continue the exiled opposition's efforts to form a government in waiting to replace Saddam Hussein's regime. Participants in the weekend meeting included Ayatollah Muhammad Bakr al-Hakim, leader of SCIRI. Ayatollah al-Hakim has been sheltered by Tehran for decades and SCIRI has in Iran an army whose strength is estimated at between 12,000 and 40,000 men.

Other attendees were Ahmad Chalabi, best known of the Iraqi exiles and leader of the INC, the main opposition umbrella group, Major General Wafiq al-Samarra'i formerly Saddam's chief of military intelligence, and representatives of Iraq's Kurdish opposition movements, who would host the meeting.

Mr Chalabi confirmed Iran was backing the February conference, allowing delegates to cross into Iraq from Iranian soil. "The Iranian government has ordered its

embassies to issue visas for the 65 members of the committee," he said, speaking in Tehran on Monday. Tehran has apparently concluded that if America is bent on the removal of Saddam Hussein, it may as well have a say in the aftermath...

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Intelligence Online, February 6, 2003  
Operations Start in Iraq

...The Badr-2 Brigade that is armed and trained by Iran but composed of long-standing opponents of Saddam Hussein's regime, can be expected to drive on Basra and seize control of the Shatt al Arab. The brigade's commanders have received assurances from Tehran that no units of the Pasdarans will join the fight. That latter point was the object of long negotiations between Washington and Tehran in which Ahmed Chalabi, head of the INC played a crucial role. This has enabled him to gain some ascendancy over other anti-Saddam Iraqis...

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Newsweek, February 10, 2003  
Spies, Lies & Iraq  
By Mark Hosenball and Evan Thomas; With Christopher Dickey in Amman and John Barry and Roy Gutman in Washington

...CIA officials regard Chalabi as a snake-oil salesman. They point out that he is wanted for bank fraud in Jordan and that, according to a recent State Department audit, he could not account for about half the \$4.3 million handed out to the INC by the State Department between 1999 and 2001. (When asked where the money went, the INC's reply was, "We subcontracted it out." To whom? "To Ahmed and Mohammed," was the answer.) Burned repeatedly in the past, the CIA is wary of intelligence that comes from defectors, who are often seeking visas, cash, revenge or all. "Defectors tell you 150% of what they know," says one CIA official. Iraqi defectors who offer themselves to the CIA are put through strenuous interrogations and lie-detector tests. The credible ones are given new identities and homes in America or Germany. The rejects are cast loose to fend for themselves. Some of them are nonetheless embraced by the INC - and, according to CIA officials, recycled to the more sympathetic (and more credulous) hawks in the Pentagon. Their stories are then worked over by Wolfowitz's special intelligence unit - and passed on to the White

House. The CIA, in turn, is asked then to rule on the credibility of information provided by defectors the agency has already deemed to be incredible. No wonder the White House has struggled to sort out what can and cannot be believed.

The Pentagon hawks accuse their Langley colleagues of sour grapes. The source of the agency's dislike of Chalabi, they say, is rooted in a botched coup attempt, backed by the CIA, against Saddam in 1995. Saddam quickly rolled up the coup plotters and had them executed. Some intelligence officials suspect that Saddam set a trap. In any case, Chalabi let it be publicly known that he had warned the CIA, in advance, that the coup plot had been compromised; when it failed, he proclaimed, "I told you so." The CIA thereafter regarded Chalabi as a boastful meddler, according to Chalabi's friends at the Pentagon...

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Wall Street Journal, February 19, 2003

Iraq for the Iraqis

After the invasion, leave it to us to establish democracy.

BY AHMAD CHALABI

We the Iraqis are ready to embark on a final journey to fulfill our destiny as a dignified and free nation. Here in northern Iraq, I am surrounded by fellow Iraqi patriots, many of whom are now gathering in this liberated zone. We have long been united around the goal of claiming our country from the hands of tyranny. Our struggle for freedom has been a long epic, but our hour of liberation is now beginning.

While the day of Iraq's freedom is at hand, a day of reckoning for US-Iraqi relations is also close by. After decades of struggle the Iraqi people, with the assistance of the US, have a chance finally to construct a free and democratic society at peace with itself and with the world. This cooperation between the Iraqi people and the US also has the potential of being a historical watershed between the Arab and Muslim world and America.

No doubt the US will carry the heavy burden of the immediate military campaign. However, we in the democratic Iraqi opposition have been carrying the equally heavy burden of the political struggle against Saddam for many long and lonely decades. The polite term of "regime change"

is new in the American political vocabulary. But the idea of democracy in Iraq and liberty for the Iraqi people have been in the conscience of Iraqis for three generations. We have sought it, dreamed of it, and fought for it - always paying a high price in lives lost. As deliverance approaches, we therefore intend to be full participants in shaping the future Iraq. American help is essential - and is welcomed - in winning the fight against Saddam. But the liberation of our country and its reintegration into the world community is ultimately a task that we Iraqis must shoulder.

This is why the proposed US occupation and military administration of Iraq is unworkable and unwise. Unworkable, because it is predicated on keeping Saddam's existing structures of government, administration and security in place - albeit under American officers. It would ultimately leave important decisions about the future of Iraq in the hands of either foreign occupiers or Saddam's officials. Unwise, because it will result in long-term damage to the US-Iraq relationship and America's position in the region and beyond.

The current US plan proposed for Iraq, as outlined by senior officials in congressional testimony and in discussions with the Iraqi opposition, calls for an American military governor to rule Iraq for up to two years. American officers would staff the top three levels of Iraqi government ministries with the rest of the structure remaining the same. The occupation authorities would appoint a "consultative council" of hand-picked Iraqis with non-executive powers and unspecified authority, serving at the pleasure of the American governor. The occupation authorities would also appoint a committee to draft a constitution for Iraq. After an unspecified period, indirect elections would be held for a "constituent assembly" that would vote to ratify the new constitution without a popular referendum.

Here in Iraqi Kurdistan, it is easy to sense the people's mood of jubilation as President Bush moves closer to ending Saddam and his Baath party's 35-year reign of terror over Iraq. The Baathist ideology is rooted in the racist doctrines of 1930s fascism and Saddam has used the Baath to create a one-party totalitarian state.

For Iraq to rejoin the international community under a democratic system, it is essential to end the Baathist control over all aspects of politics and civil society. Iraq needs a comprehensive program of de-Baathification even more extensive than the de-Nazification effort in Germany after World War II. You cannot cut off the viper's head and leave the body festering. Unfortunately, the proposed US plan will do just that if it does not dismantle the Baathist structures.

We deserve better. The US has a moral obligation to Iraqis to fight for more. Apart from the practical and ethical problems in terms of loss of Iraqi sovereignty, it is a recipe for disaster on two grounds. First, it puts Americans in the position of having to defend Baathists. What will happen when Iraqis step forward to accuse Baathist officials of torture and crimes? Will American soldiers protect these officials?

Second, it forces American officers to make difficult decisions about Iraqi society and culture with very little knowledge. For example, will an American colonel at the ministry of education decide on the role of Islam in school curricula? How will American officials determine issues of compensation and restitution for the hundreds of thousands of displaced people returning to their homes, which may be occupied by others? Will America have a seat at OPEC and the Arab League, or the Islamic Conference? Will it redesign Iraq's flag - or, even worse, keep the existing one, which was created by Saddam?

The truth is, there is more to the liberation of Iraq than battlefield victory or the removal of Saddam and his top-tier cadre of torturers. The transition to democracy - the task of exorcising Saddam's ghosts from the Iraqi psyche and society - can only be achieved through self-empowerment and a full return of sovereignty to the people. This is our job, not that of a foreign officer. We are a proud nation, not a vanquished one. We are allies of the US and we welcome Americans as liberators. But we must be full participants in the process of administering our country and shaping its future.

Today, members of the Iraqi opposition and representatives of the many resistance groups inside government-controlled areas are gathering for a conference that marks the

beginning of the final phase of our struggle. The biggest joke here is the criticism from our opponents in the West that we are fractured. Iraq is a diverse society and this multifaceted nature of the opposition is not its weakness-- it is our core strength on the road to democracy.

In embarking on a journey toward freedom in Iraq, the US does not need to handpick a successor to Saddam, nor does it need to predetermine every single step in the post-Saddam era. But we expect the US to make a full commitment to accepting the will of the Iraqi people and not fail us in our desire for justice. The idea that those who struggled against tyranny with blood and lives should have less of a say than those who have found a way to get by inside the tyranny is outrageous. We hope Washington and other allies of the Iraqi people will hear the message from this conference. We are ready to assume responsibility for the transition to democracy.

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Intelligence Online, February 20, 2003  
Kremlin Allays Lukoil's Fears

When George W. Bush was in St. Petersburg on Nov. 22 he gave his word Russian interests in Iraq would be protected if the Baghdad regime were overthrown. (In fact, Paris received the same guarantee). In Moscow, however, the heads of Russian oil companies nonetheless voiced concern over the fate of 300 Russian firms operating in Iraq. The oil groups Lukoil, Slavneft, Tafneft and TNK International buy and re-sell 40% of Iraqi crude under the UN's 'oil for food' program and fear they could lose their control of Iraq's best oil fields in the wake of a conflict.

Vaguit Alekperov, head of Lukoil, held secret talks in London with Ahmed Chalabi, leader of the INC. Baghdad learned of the talks and Saddam Hussein quickly responded by canceling Lukoil's concession on the West Qurna 2 oil field. Recently, however, Russian president Vladimir Putin reassured Alekperov that Lukoil would be able to retain all of its Iraqi fields even after Saddam's departure.

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Knight Ridder Washington Bureau, March 13, 2003  
Families of slain Palestinians receive checks from Saddam  
By Carol Rosenberg

In a graduation-style ceremony Wednesday, the families of 22 Pal-estinians killed fighting Israelis received checks for \$10,000 or more, certificates of appreciation and a kiss on each cheek - compliments of Iraq's Saddam Hussein...The certificates declared the gift from President Saddam Hussein; the checks were cut at a Gaza branch of the Cairo-Amman bank.

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Inter Press Service, April 8, 2003

IRAQ: PENTAGON MOVES ITS FAVORITE INTO POSITION

By Jim Lobe

President Franklin Roosevelt asked Josef Stalin to consider seeking the advice of Pope Pius XII about the shape of post-World War II Europe, the Soviet dictator is said to have replied, "How many divisions does the Pope have?" The same question can now be asked about the State Department, or even the CIA or the British government, which have all argued for months that any post-war Iraq leadership should emerge only as a result of consultation, optimally under UN auspices, among mainly internal forces, as well as exile groups.

The Pentagon, on the other hand, has long favored the installation as soon as possible of an Interim Iraqi Authority (IIA) led by the exiled INC of Ahmed Chalabi, to give an Iraqi face to the occupation authorities.

The White House has been coy. But on Sunday, President George W. Bush's national security adviser, Condoleezza Rice, appeared to side with the State Department, declaring that both internal figures and exile parties should play a role in any IIA.

So it came as some surprise when, as Rice was speaking, the Pentagon flew some 500 INC activists - plus Chalabi himself - from the northern Iraqi safe haven where they had been cooling their heels into the southern US-occupied city of Nasiriyah, where Chalabi quickly met with local dignitaries, apparently to gain their backing.

That this took place on the eve of Bush's Belfast meeting with British Prime Minister Tony Blair was regarded as particularly significant, since Blair had lined up solidly behind the State Department. "Bush agreed that we would not

dream of parachuting people from outside Iraq to run Iraq," one "senior Blair aide" told 'Newsweek' 2 days before.

While senior Pentagon officials insisted the move was not intended to give a leg up to Chalabi in the competition to succeed Iraqi President Saddam Hussein, Gen. Peter Pace, vice chairman of the Joint Chiefs of Staff, described the contingent as "basically the core of the new Iraqi army once Iraq is free".

An INC press release touted the force more precisely as the "First Battalion, Free Iraqi Forces (FIF)", although most of the activists were, according to the 'Washington Post', "so lightly armed they lacked even pistols, let alone assault rifles". Their arrival, however, marked the successful culmination of a 2-week-old campaign by neoconservatives in and outside the administration to get the INC and Chalabi into Iraq before any other group, presumably to pre-empt any moves by the State Department or other opposition groups to claim the media spotlight.

It also marked the fact that, with 250,000 fighting men on the ground, the Pentagon will be calling the shots in Iraq, even in defiance of other bureaucracies that in contrast to the Defence Department, have real experts on Iraqi politics, history, and culture who could prove helpful in carrying out an occupation. "You can call this another aspect of Deputy Defence Secretary Paul Wolfowitz's pre-emption strategy," said 1 administration official. "You can call this a coup d'etat."

Chalabi has long been a favourite of the neo-conservatives, particularly Wolfowitz and the powerful former chairman of the Defence Policy Board, Richard Perle, who have led the drive to war with Iraq since the Sept. 11, 2001 terrorist attacks on NY and the Pentagon.

An extremely controversial figure, Chalabi, a London-based banker, first came to prominence in the West shortly after the first Gulf War when he co-founded the INC, the first effort at building an umbrella for various opposition groups to rally against Saddam Hussein.

His opponents, particularly in the State Department and the CIA, which worked closely with him in the early 1990s to help instigate a coup against Saddam, consider him unreliable. They note that the INC itself has suffered many



defections of promising Iraqis over the past decade due in major part to their complaints about Chalabi's imperious style and authoritarianism. The former head of CentCom, Retired General Anthony Zinni, who also has advised Secretary of State Colin Powell on the Middle East, has been particularly outspoken, referring to Chalabi and his INC colleagues as "silk-suited, Rolex-wearing guys in London".

Chalabi's critics also point to his 1989 conviction for bank fraud in Jordan, from which he hurriedly fled after being tipped off about his indictment, as well as his and the INC's failure to predict the extent of resistance to the US invasion despite their long-standing claims of having thousands of sympathizers in key posts in Iraq ready to rise up once US troops appeared on the horizon. Indeed, Chalabi and his major supporters here were those who most confidently predicted that US soldiers would be greeted with "flowers and sweets" by the Iraqi population as they made their way from Kuwait to Baghdad.

Nonetheless, his backers here have stuck tenaciously behind him. They accuse the State Department and his other foes of representing the interests of the Sunni-dominated governments in the region, especially Saudi Arabia, which, say analysts at Perle's neo-conservative American Enterprise Institute, fears that an Iraqi government headed by Chalabi, a Shi'ite like the majority of Iraqis, may provoke instability among its own Shi'a population. They also insist that Chalabi is devoted to human rights, democratization, and a federal structure for a future Iraq that would provide greater autonomy for the country's disparate regions and groups, a model which also explains, they say, why he is opposed by many of Iraq's neighbors.

On foreign policy, the neo-conservatives in the Pentagon see in Chalabi a reliably ally, particularly in dealing with Syria and Iran.

While Chalabi's networks inside Iraq may be less than what he has claimed - a recent CIA study reportedly found that "overwhelming numbers" of Iraqis were suspicious of Chalabi and the INC - his network of support in Washington and especially the Pentagon goes very deep indeed. Half a dozen Republican senators called this week for the administration to immediately provide millions of dollars to the INC, while on Monday the WSJ, a long-time Chalabi champion,

called on Bush to reject the State Dept's and Blair's advice. The editorial page also doubled the INC force sent to southern Iraq from 500 to 1000.

In addition, the Committee for the Liberation of Iraq, a "citizens' group" chaired by former Secretary of State George Shultz whose membership consists of a "who's who" of neo-conservatives outside the administration, has turned over its website to the INC.

Meanwhile, Secretary of Defense Donald Rumsfeld on Monday suggested that he might even defy Congress, which is leaning toward earmarking \$2.5 billion in relief and reconstruction aid for Iraq to the State Department instead of the Pentagon. "In the last analysis," he told reporters, "it's the president's policy, and whatever is put forward by the Congress by way of money will be expended in a way that the president decides should be expended".

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The Guardian (London), April 14, 2003

Financial scandal claims hang over leader in waiting:  
Pentagon's choice to succeed Saddam was found guilty over  
\$200m bank losses

By David Leigh and Brian Whitaker

...In 1992, Mr Chalabi was tried in his absence and sentenced by a Jordanian court to 22 years' jail on 31 charges of embezzlement, theft, misuse of depositor funds and currency speculation.

Mr Chalabi has always maintained the charges were politically motivated. The exact nature of the charges surrounding the collapse of his Petra Bank in Jordan was known only to a few people, but details have now been obtained by the Guardian. Reports compiled at the time by investigators in London and Jordan, including investigations by the accountants Arthur Andersen, describe how millions of dollars of depositors' money was transferred to other parts of the Chalabi family empire in Switzerland, Lebanon and London, and not repaid.

From relatively modest beginnings when he co-founded Petra Bank in 1977, Mr Chalabi became one of the most powerful and influential businessmen in Jordan. He even acquired the licence from the US to issue Visa cards in Jordan and became well connected in the royal court. London banking

sources say Mr Chalabi's financial empire originally thrived thanks to support from Crown Prince Hassan of Jordan, which enabled Petra to open a string of branches for the first time in the Israeli-occupied West Bank.

Petra also acquired a reputation for currency exchange manipulation. The board minutes, subsequently seized by investigators, recorded a boast by Mr Chalabi that there were no problems in circumventing Jordan's restrictive exchange controls. One London banking source said: "He boasted that there was nothing to worry about. He said he had just transferred \$20,000 for the wife of a top member of the (Jordanian) regime so she could buy underwear."

Members of Mr Chalabi's family also ran a gold dealing company, SCF, in London; an investment company, Socofi, in Geneva; and another bank, Mebco, in Geneva and Beirut, as well as a Washington arm, Petra International. The documents record that Mr Chalabi's interests also included companies in Jordan - Al Rimal and Abhara.

By the time of its crash, Petra was the third-largest bank in Jordan, and the poverty stricken Jordanian government was forced to pay out \$200m to depositors who would otherwise have lost their savings, and to avert a possible collapse of the country's entire banking system. Mr Chalabi left the country and subsequently re-emerged living in style in a London apartment off Park Lane.

The trigger for the bank's failure, according to documents seen by the Guardian, was a decision by the central bank governor, Mohammed Said Nabulsi, to enforce regulations on liquidity ratios, and to tighten up on the outflow of foreign exchange from Jordan. Mr Nabulsi ordered banks to deposit 30% of their foreign exchange holdings with the central bank as part of his efforts to prop up the currency. Petra, apparently alone among the 20 banks asked to make these deposits, was unable to comply. The central bank then replaced Petra's board of directors and investigations began. Two weeks later, in August 1989, Mr Chalabi left Jordan.

The report by Arthur Andersen subsequently found that the bank's assets had been overstated by \$200m. In 3 main areas, there were huge bad debts (about \$80m); "unsupported foreign currency balances at counter-party banks" (about \$20m); and money purportedly due to the bank which could

not be found (about \$60m). Many of the bank's bad loans were to Chalabi-linked companies. The Swiss and Lebanese firms, Mebco and Socofi, were subsequently put into liquidation too.

A much more detailed 500-page Technical Committee Report was subsequently compiled in Arabic on behalf of the Jordanian military attorney-general, and completed on June 10 1990. It accused Mr Chalabi of being the man directly responsible for "fictitious deposits and entries to make the income...appear larger; losses on shares and investments; bad debts...to Abhara company and Al Rimal company". The technical report contains 106 "chapters", each dealing with different specific irregularities or irregular activities. In most of these, Mr Chalabi is clearly named as the person on whose authority the irregular transactions were carried out.

As Mr Chalabi was eventually tried in a military state security court, he cannot be extradited, though if he became Iraqi leader he would be unable to visit Jordan. Mr Chalabi has recently told the press that the late King Hussein of Jordan twice offered him unconditional royal pardons, but he turned them down because he did not believe he had done anything wrong...

Despite this controversy in Mr Chalabi's past, there has been a marked reluctance to dwell on it in sections of the British media. The Daily Telegraph, owned by Conrad Black, who has on one of his boards the prominent Pentagon hawk and Chalabi supporter Richard Perle, published a flattering profile of Mr Chalabi last year, characterising him as "the de Gaulle of Iraq". The article did not refer to his conviction or the collapse of Petra Bank at all. The London Evening Standard last week quoted Mr Chalabi's claim that the bank crash had been caused by intrigue between Saddam and Jordanian officials, and added: "But even the doubters admit his intellect - his knowledge of...medieval Japanese history is exceptional." Mr Chalabi could not be contacted for comment yesterday. An aide said he was meeting tribal leaders.

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<http://www.outlookindia.com/full.asp?fodname=20030414&fname=chlabi&sid=1>

Outlook India, April 14, 2003

Their Man In Baghdad  
By B. RAMAN

...Chalabi, a non-practising Shia and reportedly a close friend of the late Shah of Iran, the former Crown Prince Hassan of Jordan and Col. Oliver North of the Reagan Administration, whose name came to prominence in the 1980s during the exposure of the Iran-Contra scandal... He is widely viewed by the Iraqis and other Arabs as Iraq's Janos Kadar or Babrak Karmal, both of whom were installed in power, in Budapest and Kabul respectively, by the Soviet occupation forces.

The 58-year old Chalabi comes from an aristocratic family of Iraq, which was close to the Hashemite monarchy installed in power by the British after the First World War. His father had served the monarchy as a member of the Council of Ministers and as the President of the nominated Senate set up by the monarchy to give itself a democratic facade. The Chalabi family fled into Jordan after King Faisal II was overthrown in 1958 by a cabal of army officers acting in collusion with the Iraqi Communist Party.

Chalabi, who was 13 when he fled from Iraq, spent his youth in Jordan, Lebanon, the UK and the USA, where he obtained a Master's Degree in Mathematics from the University of Chicago. He started his professional career as a Lecturer of Mathematics in the American University of Beirut. He attracted the attention of the former Crown Prince Hassan of Jordan, who appointed Chalabi, then 32 years old, as one of the founding fathers of a bank called the Petra Bank, which expanded rapidly to emerge as the second largest commercial bank of Jordan.

In August, 1989, Chalabi fell foul of the late King Hussein of Jordan, who had him sacked after the bank had incurred huge liabilities and was on the verge of collapse. This, however, did not affect his personal friendship with Prince Hassan, who allegedly helped him to escape from Jordan before the Police, on the orders of King Hussein, could arrest him for investigation into the alleged mismanagement of the affairs of the bank. It was alleged that during his association with the bank he had embezzled nearly \$70 million and spirited it away in secret Swiss bank accounts. He was tried in absentia by a Jordanian court and

reportedly sentenced to imprisonment on a charge of embezzlement.

His spokesmen, however, strongly denied the allegations of embezzlement and accused the late King Hussein of being an agent of Saddam Hussein's intelligence agency and acting at the instance of Saddam Hussein to defame Chalabi because he had started an underground movement in Iraq to have Saddam Hussein overthrown and restore democracy. They also claimed that the money, which he was alleged to have embezzled, was actually used by him with the knowledge of the King himself and the CIA to fund anti-Saddam Hussein groups inside Iraq. According to sources close to Chalabi, part of the money was also allegedly used to fund Col. Oliver North's travels abroad in connection with the Iran-Contra operation.

After fleeing from Jordan, Chalabi went to Europe and founded the INC in 1992 at a meeting of some anti-Saddam Hussein exiles held in Vienna, Austria. James Woolsey, who became the Director of the CIA, after President Bill Clinton came to office in January, 1993, made the INC the cutting-edge of the CIA's operations against Saddam Hussein. Chalabi allegedly became his blue-eyed boy and the INC became the most favoured recipient of CIA funds meant for the overthrow of Saddam. During his brief tenure of about two years in office, Woolsey strongly held to the belief, which he holds even now that Ramzi Yousef, the principal accused in the case relating to the explosion in the World Trade Center in New York in February, 1993, was an agent of Saddam Hussein's intelligence agency and that the explosion was masterminded by the agency as an act of retaliation for the US role in the Gulf War of 1991.

In the beginning of 1995, Woolsey had to resign as DCI after he came in for strong criticism in the Congress for his alleged mismanagement of the investigation into the penetration of the KGB, the Soviet intelligence agency, and its successor Foreign Intelligence Service of Russia, into the CIA, through Aldrich Ames, a senior CIA officer, who was subsequently found guilty and sentenced to long terms of imprisonment.

The successors of Woolsey as Directors of the CIA (John Deutch and George Tenet) did not reportedly subscribe to Woolsey's theory of Ramzi Yousef being an Iraqi agent and did not share his enthusiasm for Chalabi as the right man

to help the USA in its efforts for a regime change in Iraq. The State Department and the Pentagon too, under Clinton, shared the reservations of the CIA over the utility of Chalabi. There were allegations of Chalabi failing to submit the details of the expenditure incurred by him out of the huge amounts given to him by the CIA when Woolsey was its chief.

Despite this, the Clinton Administration made the CIA fund a 1996 foray by the INC and other anti-Saddam groups into Northern Iraq which ended in a fiasco. Chalabi's forecasts that the Iraqi troops deployed in Northern Iraq would desert en masse and join the INC proved wrong. Saddam managed to win over the KDP, which made a separate peace with him. Differences between the INC and the INA, a group of CIA-backed former Iraqi Army officers, led to their killing each other. General Anthony Zinni, who was the commanding officer of CentCom under Clinton, used to describe this as the Iraqi Bay of Pigs and sarcastically refer to Chalabi as "that silk-suited, Rolex-wearing guy from London."

Following this fiasco, the CIA, with Clinton's approval, cut off its funds to Chalabi. Despite this, Chalabi, who had settled down in the UK, remained a frequent visitor to the corridors of power in Washington DC and claimed to have played an active role in encouraging the Congress to enact the Iraq Liberation Act of 1998 calling for a change of regime in Baghdad.

He staged a spectacular come-back into Washington's good books after the Bush administration came to office in January, 2001. In the 1980s, when he was associated with the Petra Bank in Jordan and before he incurred the displeasure of King Hussein, Chalabi, who was allegedly helping the Mossad, the Israeli external intelligence agency, in the collection of intelligence about Iraq's arms procurements abroad, particularly from the USSR, used to visit Israel secretly.

During those visits, he became close to the late Albert Wohlstetter (died, 1997), who was reputed to be a godfather of the neoconservative movement in the US, which has a strong influence on the West Asian policies of the present Bush administration. Chalabi had earlier come into contact with him in his students days at the University of Chicago, but the friendship became close only after their

meetings in Israel. Through Wohlstetter, he became acquainted with Richard Perle, who was Under-Secretary of Defence for international-security policy under President Reagan, Dick Cheney and Donald Rumsfeld, both of whom took turns in serving Reagan in his White House Staff.

These friendships stood him in good stead and helped him in his comeback. Perle, as the chief of the DPB, a position which he has since resigned, became a strong supporter of Chalabi, but the CIA and the State Department continued to have serious reservations about him. The CIA was reportedly disinclined to resume funding of Chalabi's INC. It is said that Rumsfeld then ordered that the DIA should take him under its wings and fund the INC.

After 9/11, James Woolsey again started peddling his theory of Iraqi involvement in acts of terrorism directed against the USA, a theory which brought him close to the neoconservative establishment despite his having been a nominee of a Democratic administration as DCI. There were indications that neither the CIA nor the FBI shared his views, but this did not prevent Woolsey from emerging as one of the important dramatis personae in the events preceding the US invasion of Iraq. He is tipped to occupy an important post in the US occupation regime in Baghdad to create a new Iraqi intelligence agency, which would be loyal to the USA and protect its national interests.

As a result of these developments, there is now a curious position of the CIA and the DIA operating independently of each other in Iraq. It is said that the CIA continues to fund the KDP, the PUK, the INA, the pro-Teheran SCIRI, and an unnamed group, supported by Prince Hassan of Jordan, which calls for the restoration of the Hashemite monarchy in Iraq. The DIA has been funding Chalabi's INC. The groups funded by the CIA strongly distrust the DIA-backed INC and Chalabi, but till now Rumsfeld has had his way. Chalabi seems to have convinced Rumsfeld and Perle that it was his Shia followers in Baghdad who had come out in the streets and hailed the entry of American troops.

There are already indications of differences in the anti-Saddam Hussein coalition with those opposed to Chalabi accusing him of having secretly signed an agreement with the DIA that a Government headed by him would denationalise the oil industry in Iraq, thereby paving the way for its take-over by US companies and would reimburse to the US the



expenditure incurred by it on the overthrow of the regime from the oil export earnings. Teheran also nurses strong suspicions about Chalabi because of his alleged links with elements opposed to the Islamic Revolution in Iran. It remains to be seen whether Rumsfeld would prevail in getting Chalabi installed as the head of the so-called interim Iraqi authority and if so, how long he would last.

On April 10, 2003, UPI, the American news agency, circulated the following Washington-dated lined report from its correspondent Eli Lake:

"Supporters of INC leader Ahmed Chalabi are accusing the CIA of dis-tributing a classified report critical of Mr Chalabi as part of a politically motivated campaign to discredit him. The CIA has been bad-mouthing Chalabi and the INC for years. What is surprising is that they are still devoting resources to their character assassination effort instead of other more obvious missions," said Randy Scheunemann, president of the Committee to Liberate Iraq, a lobbying group formed last year.

Whatever the stories the agency may be spreading, it's clear CentCom Commander Tommy Franks thinks the INC has an important role to play," Mr Scheunemann said in an interview. Mr Chalabi, the Pentagon's candidate to lead the first interim Iraqi government, is under fire from the CIA, as well as the State Department. The Pentagon air-lifted Mr Chalabi and 700 lightly armed fighters from northern Iraq to the Nasiriyah over the weekend.

The CIA, in a classified report distributed widely within the US government, argues that Mr Chalabi, a favorite of Pentagon civilian leaders, and Mohammed Baqr al-Hakim, the Iranian based leader of SCIRI, have little popular support among Iraqis on the ground.

But behind the scenes, hawks and doves in the Bush administration are fighting a nasty battle over the leadership of the transition authority. Last week congressional appropriators voted to funnel \$2.5 billion to the State Dept for reconstructing the country even though the White House requested the money go to the Pentagon. Senior State Department officials deny having lobbied lawmakers for the money.

An US official familiar with the CIA report told UPI: "This is about the Iraqi interim authority. It discusses the factors likely to affect the legitimacy and acceptability of an Iraqi transitional authority in the eyes of the Iraqi public. In part it looks at Iraqi attitudes towards the Iraqi opposition and how the INC is viewed on the inside." When asked about the CIA report on CBS' "60 Minutes" Sunday evening, Mr Chalabi said it seemed to him the agency "is more focused on me than on Saddam."

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Sunday Tribune (Ireland), April 20, 2003

Washington's puppet in Baghdad: a silk-suited, Rolex-wearing felon;

Ahmed Chalabi may be the US's ideal candidate for leader of Iraq, but he has made enemies all over the world

By MARION McKEONE

...The scion of a wealthy, oligarchic Shi'a family, Chalabi, like Bush, comes from a family that made its money in oil but wielded its influence in politics over 3 generations. Chalabi's grandfather served in 9 Iraqi cabinet positions while his father was a cabinet officer and president of the figurehead Iraqi senate. His mother ran a powerful political salon for Baghdad's elite. But in 1958, the Chalabis' position at the top of the Iraqi power structure was rudely upended when the Iraqi Communist Party led a revolution that toppled King Faisal II. The Chalabis fled to Jordan, then Lebanon before finally settling in the United Kingdom...

In Washington, Team Chalabi is led by Donald Rumsfeld, vice deputy secretary of defence Paul Wolfowitz and Richard Perle, the neocon-servative strategist who resigned as chairman of the Pentagon's defence policy board last month amid allegations of improperly using his role to land himself lucrative commercial contracts. When Perle, Wolfowitz and Rumsfeld are together, Dick Cheney is never far away. Washington sources say Cheney has been pressing Bush to disregard CIA and dept of state soundings on Chalabi. "At the end of the day, and everyone knows this, it's the vice president who will have the last word. If he keeps pushing Chalabi, and there's no reason to think he won't, then he will become the US's man in Baghdad," a senior Republican source said.

Chalabi also has support from the powerful Jewish lobby in Washington, including organisations such as the Washington Institute for Near-East Policy (WINEP). The Jewish Institute for National Security Affairs (JINSA) is also a strong supporter. "We think his leadership would do more to bring stability to the region than any other likely candidate," said Shoshana Bryen, director of special projects. During his exile in Britain, Chalabi was a regular patron of Jinsa events in Washington. Jinsa also counts among its supporters Jay Garner...

In 1985, Wohlstetter (who died in 1997) introduced Chalabi to Perle, then under-secretary of defence for international security policy under Reagan. Perle and Chalabi immediately became close friends and Perle, next to Rumsfeld, is Chalabi's staunchest advocate in Washington...

The AEI, a right-wing think tank, has also thrown its weight behind Chalabi. 6 months ago, it hosted a conference entitled 'The Day After: Planning for a Post-Saddam Iraq'. Chalabi and Perle were the main speakers...

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Intelligence Online, April 18, 2003  
SECTION: BUSINESS INTELLIGENCE AND LOBBYING  
Chalabi's Shady Business Past

...The biggest headaches, as we discovered, involve the Mebco Bank that had branches in Lebanon, the UAE and Switzerland and concerned Ahmed and his 2 brothers, Hazem and Jawad Chalabi. The Swiss branch of Mebco Bank, opened in Geneva in 1984, was closed down in April, 1989 by the Federal Banking Commission for "grave dereliction of duty." This was a rare event at a time when money laundering wasn't a crime in Switzerland. The FBC said Mebco, which employed only 30 staff and had sales of less than SF100 million, was closed because it was "poorly organized, has liquidity problems, inadequate bookkeeping and inefficient management." It had also failed to inform the panel of "loans disproportionate with its equity" that it granted.

Established at 100 Rue du Rhone in Geneva, the Mebco Bank belonged at the time to the Middle East Banking Corporation in Beirut, which was itself owned by the Chalabi family. The Swiss authorities believed Mebco offered illicit loans to companies belonging to the Chalabi family. The collapse of Mebco, identified as a Lebanese bank, led to the

bankruptcy of the Geneva-based financial services company, Socofi, in 1991. It was also owned by the Chalabi family, and its demise led in turn to the collapse of the Catrel firm at Moud in the canton of Vaud which had specialized in the recycling of household garbage.

Officially resident in Beirut at the time, the Chalabi family blamed their tribulations on the war between Iraq and Iran and on Saddam Hussein's hatred of Shi'ites. But in September, 2000 the brothers Hazem and Jawad were given a 6-month suspended sentence by a court in Switzerland.

Washington has mixed feelings about Chalabi. The Pentagon sees him as a potential leader in Baghdad while the State Dept doesn't like that idea. The CIA views him as a banker who helped finance some of its operations in Iraq.

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#### Chalabi's Bid for Power Raises Eyebrows in Amman

...Chalabi left scorched earth behind him when he fled Jordan in 1989, disguised in a Bedouin woman's dress, having been accused of defrauding the bank and playing a lead role what to date remains the largest ever financial corruption scandal in Jordan's history. Chalabi, who refused to return to Jordan to appear before the court in 1994, was found guilty on 2 counts of embezzlement, 2 counts of violation-of-trust and one count of fraud, and sentenced in absentia to 22 years in prison. In addition to a jail term, the court also demanded Chalabi return the \$30 million that were embezzled from the bank.

Petra Bank, which was registered as a Jordanian public shareholding company since 1977, with paid-up capital of 3 million Jordanian dinars, elected Mohammad Touqan as its chairman of the board. After Touqan passed away in 1982, Chalabi, who had been the bank's deputy chairman and general manager, assumed Touqan's position as chairman of the board while continuing to serve as the general manager.

Chalabi remained in his new post until the Economic Security Committee, the government's watchdog overseeing financial activities in the country, issued an order in August 1989 dissolving the bank's board and ousting Chalabi from his managerial and executive functions. Although Chalabi was approved as a member of the oversight committee that was to manage the collapsing bank, he fled the

country. After two and a half years of police investigation and trial, the Jordanian courts issued a verdict indicting Chalabi and another 47 people for their involvement in the scandal.

According to court documents, obtained by menareport.com, a prosecution testimony incriminated Chalabi of adopting a financial plan that went against the commercial interests of Petra Bank, while tailor suited to benefit his personal interests, as well as those of his relatives' who also held key positions at Petra. The court files show how Chalabi and his associates schemed with overseas financial institutions closely affiliated to Petra Bank - among them Mebco Bank in Beirut, Socovi in Geneva, Petra Bank in Washington, Remal Trading Co and London's Investment Group - to facilitate fraudulent loans.

Another testimony heard by the Jordanian court pointed the finger at Chalabi for having deceived both Petra Bank's shareholders and the Central Bank of Jordan (CBJ) through the use of forged documents and fictitious accounts, and by concealing incriminating documents.

Chalabi's accomplices helped him smuggle large sums of money outside the kingdom, under the guise of "investment decisions" that included the purchase of bad debts and by using the bank's cash for speculative gold/commodity and currency trading. The money ended up in Chalabi's bank accounts in London, Geneva, Beirut and Washington...Chalabi burdened Petra Bank with financial guarantees, commitments and loans to "bleeding" companies, and knowingly purchased bonds of financial bank-rupt governments of Sudan and Poland, all of which were paid for in hard currency.

In an attempt to avoid a full-blown liquidity crunch, Chalabi resorted to accepting large deposits from the local banks in Jordan, borrowed large sums of money from foreign banks at high lending rates, as well as borrowing from Jordan's central bank to increase his reserve of local currency. He also applied for large sums of money through letters of credit fronted by his local clients, unbeknown to them, all guaranteed by the central bank.

Court documents also reveal another eyebrow raising incident involving the charter of two aircrafts from the

local airline to carry the bodies of Chalabi's deceased parents from London to Damascus, at the expense of Petra Bank.

Court documents also proved that the years 1980-1989 saw some two million JDs worth of Chalabi's embezzlement acts within the Petra Bank. Additionally, the court files detail a business connection made by Chalabi between Petra Bank and the Sudanese Bank of Khartoum, a joint venture between the Petra bank and local Sudanese partners, which was established in 1984 with \$1.75 million in Petra Bank funds. A condition of the venture was that the Sudanese partners pay Petra Bank a yearly management fee for consultancy and expertise. Between the 1983 and 1986, \$2.62 million were accumulated by Petra Bank. They were however never paid to the Jordanian institution. Instead, these funds were wired to Petra Group - a company who Chalabi was the sole signatory to - through the Geneva-based Socofi bank, also owned by Chalabi.

Throughout his tenure as chairman of Petra Bank, between 1984-1989, Chalabi was able to convince the Central Bank of Jordan of Petra Bank's 'good' financial health despite the losses it was incurring throughout this period. He was able to do so by instructing the bank's financial department to show mock accounts with large, yet fictitious, balances, held with foreign banks outside the kingdom earning interest and thus offsetting the P&L statements.

Investments he made during his time at the bank involved those usually banned by the Jordanian law. He was able to hide these investments, which included the purchase of the Sudanese government's bad debts in 1988 and the Polish governments bad debts one year prior to that. Total losses accrued by Petra Bank by these investments include \$250,000 for the Sudanese purchase and \$2.2 million for the Polish.

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New York Observer, April 21, 2003  
Who Will Trust Our Man in Iraq?  
By Joe Conason

...The first hints that the Chalabi banking scandal ranged far beyond Jordan's borders appeared in Le Temps on April 9. The Geneva daily reported how the sudden crash of the family's Petra Bank in Amman was followed by the failure of other Chalabi financial institutions in London, Geneva and

Beirut, at a huge loss to depositors. Citing sources familiar with the probe that ensued, Le Temps indicated that the Chalabis transferred large sums from those deposits into private companies owned by members of their family.

This unsavory tale was picked up and expanded on April 14 by The Guardian. Previously secret documents obtained by the London daily's reporters, including audits conducted by the Arthur Andersen firm, "describe how millions of dollars of depositors' money was transferred to other parts of the Chalabi family empire in Switzerland, Lebanon and London, and not repaid."

The Chalabi business empire encompassed a gold dealership in London, an investment company in Geneva and another bank, Mebco, with branches in both Geneva and Beirut. Andersen's report found that Petra had overstated its assets by about \$200 million, including at least \$80 million in bad debts. "Many of the bank's bad loans," noted the Guardian, "were to Chalabi-linked companies."

According to Le Temps, Swiss authorities were still trying to clean up the financial mess as late as September 2000, when 2 of Mr Chalabi's brothers were given suspended sentences of 6 months in prison on the charges of "faux dans les titres" (filing false documents) in connection with Socofi, their Geneva investment firm...

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Washington Post, April 27, 2003  
Exile Finds Ties To US a Boon And a Barrier  
By Rajiv Chandrasekaran

When Rafidain Bank managers wanted American troops to protect their branches from gun-toting looters, they went not to US military headquarters but to a private club in a posh Baghdad suburb where they sought an audience with Ahmed Chalabi.

Chalabi, a suave, Iraqi-born banker who has spent the past 45 years in exile, promised he would get right on it. One of his aides raised the issue with a liaison officer from CentCom who is stationed in the club. Another aide, based in Washington, called the Pentagon. A day later, US troops were guarding several Rafidain branches.

In the hurly-burly of postwar Iraq, Chalabi has staked his claim to power with a distinct advantage - an inside track to the US military now in charge of the country. Other deep-pocketed exiles, tribal sheiks, Muslim clerics and Kurdish leaders have sought to establish themselves on the uncharted political landscape here, particularly leaders of the country's 60% Shiite majority. But none other than Chalabi can reach into the Pentagon and get things done.

Chalabi's links to the Pentagon have emerged as his greatest asset and greatest liability as he seeks to build support among ordinary Iraqis for himself and the group he leads, the INC. Widely regarded outside Iraq as the Pentagon's favored candidate to lead this battle-scarred nation, Chalabi wields influence that has been growing since his return to Baghdad 13 days ago precisely because he is viewed as the figure best connected to the occupying power. But his relationship with the US, which has included extensive financial support, also has become a galvanizing force for rising anti-American sentiments across Iraq.

To many here, Chalabi is seen as a Pentagon puppet and an opportunist who is living large, out of touch with Iraqis who stayed in Iraq and weathered fallen president Saddam Hussein's brutality for 3 decades. Posters and graffiti proclaiming "No Chalabi" and "Chalabi is an American stooge" have recently appeared on walls in Baghdad and other cities. Chalabi's ability to address that criticism could determine whether he will assume a leadership role by capitalizing on the head start he has been given by the Pentagon, or whether he will be sidelined by a confluence of new political forces led by Shiite clerics, tribal chieftains or other exile leaders. "This is his chance," said one US official involved in Iraq's reconstruction. "If he plays his cards right, he can come out on top. But he has a lot of work to do."

Mindful of the task, Chalabi has spent almost every waking moment assiduously courting legions of Iraqis, from leaders of tribes with hundreds of thousands of members to individual torture victims. Many are invited to the club for one-on-one meetings in a small lounge. Others show up at the gates unannounced, hoping for a glimpse of the man they are certain will be Iraq's next president. Some come to take the measure of a figure they have only heard about on shortwave radio broadcasts. Some want to curry favor, subtly asking for jobs or cash handouts.



Chalabi said he is not seeking to become Iraq's political leader - at least not right now. His goal, he said in an interview, "is to promote democracy and build a civil society," both of which were forbidden under Hussein's Baath Party rule.

But Chalabi and the INC may quickly begin playing a much larger role. Jay Garner, the retired Army lieutenant general who is serving as Iraq's day-to-day administrator, intends to give former exiles a central role in an interim political authority that will govern the country under American tutelage until elections are held and a permanent government is formed, US officials and former Iraqi exile leaders said.

Chalabi said Garner told him over dinner at the club Thursday night that "the opposition leadership will become the nucleus" of the Iraqi Interim Authority. US and Iraqi officials said Garner is expected to outline that vision for the interim government during a US-sponsored meeting Monday in Baghdad, to which 300 Iraqi political leaders, almost all of them former exiles, have been invited. "We can write our own ticket," Chalabi said with a broad smile.

Garner's staff, which has begun taking up residence in the opulent Republican Palace on the banks of the Tigris River, also has sought to broaden participation at Monday's gathering. The first meeting convened by Garner to discuss the shape of a new government, held two weeks ago near the southern city of Nasiriyah, was not attended by Chalabi or by representatives of SCIRI, a Shiite group with ties to Iran's leadership that has broad support among Iraq's Shiites.

But Adil Abdul Mahdi, an adviser to the council's leader, Mohammed Bakir Hakim, said it is highly likely his group will attend the Monday meeting. Mahdi said the council has had "mostly positive" discussions with Garner's staff over the past few days. "We see the start of a new attitude," he said.

US officials have long attempted to court the group. President Bush listed it last winter in a directive as one of the Iraqi opposition organizations that would split \$92 million to participate in the fight against Hussein. But Hakim has been reluctant to be seen as working too closely

with the US-led transitional government and has wanted assurances that the interim authority would be viewed as having a degree of autonomy.

Hakim's and Chalabi's groups said they have been told by US officials that the interim authority probably will include a council of between 70 and 80 members at the outset, 60 of whom will be selected at a meeting in London in December to serve on a coordinating council. The groups said they also have been led to believe that the leaders of the five largest organizations that opposed Hussein's government would have a leadership role in the interim structure. The five are Chalabi, Hakim, Ayad Alawi of the Iraqi National Accord, Massoud Barzani of the KDP and Jalal Talabani of the PUK. Chalabi said he has invited the 4 other leaders to a meeting on Wednesday to discuss Garner's presentation.

Garner, who heads the Pentagon's Office of Reconstruction and Humanitarian Assistance, "needs a lot of help from Iraqis, and we are going to make sure they get it and they get the job done," Chalabi said. Officials from his organization said they have been working with the Pentagon to assemble a group of Iraqi exiles with administrative and technical skills who will serve as advisers for about 90 days in Iraq's 23 government ministries, working with existing employees to restart operations and redefine their activities in a post-Baath environment.

Former exile leaders said they believe the interim council will double in size as non-exile Iraqis are nominated for seats. But the initial structure does not envision a significant role for those who stuck through Hussein's rule. US officials said that is because it has been difficult to identify promising candidates. "There was no civil society in Iraq under Saddam," 1 official said. "There is no easy place to find these people. Every organization was controlled by the Baathists."

But at least a few Iraqis contend Garner's staff has not been looking hard enough. Saad Jawad, a British-educated professor of political science at Baghdad University, was one of four Iraqis who dared submit a petition to Hussein calling for democracy; he said nobody has asked him or any of the other democratic-minded, anti-Baathist intellectuals he knows to participate. "This is the problem with the Americans," he said. "They have only concentrated on people living outside, and those people don't really represent the

people who live in Iraq, the people who lived through the brutality of Saddam Hussein." The Iraqi people, he claimed, "detest Ahmed Chalabi. He went to live a comfortable life in London while people were suffering here," Jawad said.

In his day-long, back-to-back meetings, Chalabi makes a point of addressing that perception - indirectly. He talks about the quest to create democracy in Iraq. He mentions how he lobbied the Bush administration to go to war to topple Hussein.

Chalabi, 58, has spent much of his life in the West. He was born to a wealthy Shiite Muslim family that left Iraq when he was only 12 years old. He studied mathematics at MIT and earned a doctorate from the University of Chicago.

After a stint teaching at the American University of Beirut, he moved to Jordan in the late 1980s, where he established a bank. The bank eventually collapsed under a swirl of scandal, leading Chalabi to flee to neighboring Syria. In 1992, he was sentenced in absentia by a Jordanian military court to a 22-year prison term on charges of embezzlement and fraud. Chalabi has insisted he is innocent and has sought repeatedly to have the charges dropped, contending the bank's failure was part of a conspiracy orchestrated by Hussein.

He founded the INC in 1992 as an umbrella group intended to bring together the country's disparate exile factions, including Shiites, Sunni Muslims and ethnic Kurds. It initially received substantial funding from the CIA but those ties were effectively severed after both parties traded recriminations over failed attempts to promote an uprising against Hussein. Since then, Chalabi has courted the Pentagon, where he enjoys the backing of Defense Secretary Donald Rumsfeld and his deputy, Paul Wolfowitz.

During the war, one of Chalabi's senior aides was permitted to serve as a liaison officer at CentCom field headquarters in Qatar. Shortly before the war ended, Chalabi flew into southern Iraq on a US military transport plane along with several hundred armed fighters who had been assembled by his group and trained by the US military. Those fighters, known as the Free Iraqi Forces, operate checkpoints across Baghdad's Mansour neighborhood - home to the Hunting Club where Chalabi has taken up residence - a privilege not accorded to any other exile group. Some of the fighters

also have been assigned to US military units, where they serve as interpreters.

Chalabi does appear to be gaining support from some unlikely quarters. On Wednesday, he ventured out of the club to the Kadhimiya neighborhood, which is overwhelmingly Shiite and where some clerics had been denouncing him as an American pawn. There he met with Mohammed Hussein Sadr, one of Baghdad's most prominent Shiite ayatollahs. In his hefty, black turban and flowing black robes, Sadr was skeptical about Chalabi's intentions toward the US, toward devout Shiites, toward neighboring Iran. Chalabi tried to convince him that he supports religious freedom and that he wants good relations with the US and Iran. He insisted, however, that neither country should control or manipulate Iraq. "From what I heard from him, he seemed to be honest and he has an understanding of the new Iraqi situation," Sadr said in an interview.

But just a few blocks away, in a small collection of shops selling cig-arettes and sundry items, there was far deeper skepticism about Chalabi's motives. "He is just a frontman for the Americans," said Kadhim Azzawi, one of the shopkeepers. "He has gotten so much money from the Americans. How can we expect him to do what is in the best interests of Iraq?" "He's not one of us," Azzawi's portly, chain-smoking friend, Mohammed Abbas, piped in. "He has not lived here for years. He doesn't know this country."

A US official involved in the reconstruction effort said Garner and others on his team still are not certain that Chalabi can overcome such negative attitudes. Asked at a news conference Thursday what he thought of him, Garner said: "Mr. Chalabi is a fine man. He is not my candidate. He is not the candidate of the coalition." But an aide to Chalabi insisted Garner said what he did because the Pentagon wants to show Chalabi is operating independently from the Americans. "I'm glad I'm not his favorite candidate," Chalabi said. "I don't want to be the candidate of the US under any circumstances."

Many of his visitors seem to think differently. During an hour-long stretch of meetings, he was besieged with requests to fund repairs at the state-run television station, to select a former diplomat to serve in the country's new foreign service and to help provide security to a neighborhood on Baghdad's outskirts. After each

appeal, he summoned an aide to pass out a copy of a proclamation issued by Army Lt. Gen. David McKiernan, commander of US ground forces in Iraq, which states that the US military "retains absolute authority within Iraq." "I have no authority," Chalabi insisted to the television station directors, after telling them to detail their request on a spreadsheet that could be delivered to Garner's staff. "I am only trying to promote democracy."

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The New York Sun (Editorial), April 28, 2003  
Jordanian Justice

The Hashemite King, Abdullah II of Jordan, yesterday gave an interview to CNN in which he sneered at the leader of the INC, Ahmad Chalabi. The last time America fought a war against Saddam Hussein, back in 1991, Abdullah's father, King Hussein, sided with Saddam, refusing to join the coalition assembled by President George HW Bush. This time around, the King of Jordan - now Abdullah II - is doing what he can to make sure that America loses the peace, by undermining the one man best able to put Iraq on the course to future of freedom, democracy, and rule of law.

"I don't particularly think I've ever met the gentleman, but as you just said, he's wanted for embezzling people's funds in both Jordan, Lebanon. There's a case in the banking system in Switzerland. So he does have a big question mark over his head," Abdullah II said. "But if you look at a potential future for Iraq, I would imagine that you'd want somebody who suffered alongside the Iraqi people. This particular gentleman, I think, left Iraq when he was, I think, 11 or 7. And so, what contacts does he have with the people on the street?"

CNN hasn't exactly covered itself with glory on the Iraqi front, what with the admission of its chief news executive, Eason Jordan, that the network regularly suppressed news of Saddam's atrocities. Mr. Jordan had his reasons for that, but one can only wonder what were the reasons that the network yesterday failed to challenge the Hashemite ruler with the obvious follow-up questions.

Here are some that the network might have put to Abdullah II:

1. You yourself left Jordan before age 10 to attend St. Edmund's School in Surrey, England, and then Eaglebrook School and Deerfield Academy in Deerfield, Mass. Then you went to the Royal Military Academy in Sandhurst, England. You also spent years taking degrees at Oxford, England, and at the Georgetown University School of Foreign Service. Isn't it hypocritical of you to criticize Mr. Chalabi for not suffering alongside the Iraqi people? After all, you weren't exactly suffering alongside the Jordanian people.

2. About that alleged embezzlement. The Jordanian charges against Petra Bank, which you refer to, were made in a special "security court" established under martial law - an emergency measure adopted following the war in 1967. If the charges were so strong, why weren't they made in an ordinary Jordanian court?

3. This special Jordanian security court was established on April 1, 1992. It had its first hearing on April 8, 1992. The following day, April 9, 1992, the court handed down a 223-page decision against Mr. Chalabi. How was it possible for this court to thoroughly and fairly examine matters involving a complex international banking empire and issue a 223-page ruling all in the space of 24 hours? Is this the way the rule of law works in Jordan?

4. Did the timing of the Jordanian security court's attack on Mr. Chalabi and his bank have anything to do with Mr. Chalabi's appearance in a "60 Minutes" segment in early 1992, in which he showed documents detailing the links of your father, King Hussein, to arms purchases by Saddam Hussein's Iraq?

5. After Mr. Chalabi was convicted, he apparently met twice with your father. If these Jordanian banking abuses of which Mr. Chalabi was supposedly guilty of were so severe, why did the king not arrest him?

6. Prince Hassan of Jordan, your father's brother, made a surprise appearance at an Iraqi opposition meeting held in July at London, where he gave a luncheon speech on the historical ties between Iraq and Jordan, the New York Times reported. The meeting was led and organized by Mr. Chalabi, who was in attendance. If Mr. Chalabi was so discredited by this

banking scandal, what is Prince Hassan doing signaling support by attending his meetings?

7. You seem, Your Royal Highness, to be keeping close track of this legal matter. How come you didn't mention that the only time the Petra Bank case went before a serious court, in Hong Kong in 1993, the court found that under British law the whole Jordanian martial law takeover of the bank had been illegal?

8. America's CIA has a long and close collaboration with the Jordanian royal family and its intelligence service. The CIA is known to be a bitter enemy of Mr. Chalabi, preferring to push its own Iraqi opposition figures. Abdullah II, were your comments about Mr. Chalabi made at the behest of the CIA...?

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Yediot Aharonot, May 2, 2003

Saddam's "Successor" Made Secret Visit to Israel

By Smadar Peri, Intelligence Correspondent

On Tuesday afternoon, in a dramatic interruption of the news, Al Jazeera broadcast a panicky item from Baghdad on the arrest of Ahmed Chalabi, president of the umbrella organization of Iraqi exiles. "Chalabi, the Pentagon favorite," the report said, "was arrested by American troops on charges of fraud and disturbing the civil administration." The reaction in Israel was immediate. "We knew this moment would come," said senior intelligence officials, and didn't hide their sighs of relief. But the happiness was premature, and very quickly it turned out that the report of Chalabi's arrest was false. The Iraqi exile, who was flown to Baghdad to lead the Iraqis after Saddam's removal, was still relevant.

3 hours after the AlJazeera report, the rival Abu Dhabi network broad-cast an interview with Chalabi. "Documents from Iraqi intelligence show that the Al Jazeera reporters are agents of the previous regime," Chalabi claimed. He said that Saddam Hussein was alive and that he and the others with him were in possession of bomb belts. "Saddam will choose the most appropriate timing to carry out a large scale terror attack with many casualties." Israeli intelligence did not fall off their chairs on hearing this. "This is Chalabi's way of drawing attention," sources said,

"the Americans will soon understand whom they are dealing with."

Ahmed Chalabi was born 56 years ago to an aristocratic Shiite family in Baghdad. He is a charismatic, secular, amazingly skillful and impatient, a computer, math and financial wizard. He left Iraq in 1956 when his family fled in fear of the regime, completed his studies at the prestigious MIT in the US and was among the founders of the Bank of Petra in Jordan, from where he fled after he was indicted for embezzlement. He was sentenced to 22 years imprisonment in absentia. Chalabi argued in his defense that this was an Iraqi conspiracy and over the years managed to forge connections to powerful people in the US. He heads the INC, the umbrella organization of large opposition groups.

For many years mystery shrouded the reasons the Americans regarded Chalabi so warmly. This was explained by his charisma, his ability to impress and links to powerful people, but the real reason was never made public, until today. Chalabi, so it transpires, was pushed into the Americans' arms by Israeli intelligence.

Chalabi's Israeli link took place 13 years ago. KZ, a Defense Ministry official, revealed details of his first meeting with Chalabi in London this week. "Chalabi immediately projected Middle Eastern warmth. He is very intelligent and surprised me with his great knowledge about us. He knew each of the components of our political gallery, the ministers, the influential MKs, IDF Intelligence and Mossad heads. He also knew about Israel's open and covert relations in the Arab world. Our talk quickly got down to the future relations between Iraq and Jerusalem, after Saddam's fall. Even back then he insisted on drawing up a new political map of the Middle East and announced that Iraq would hoist the banner of democracy."

Chalabi told the Defense Ministry official, KZ, that in Baghdad he had attended the prestigious private school of "Madame Adel," a Jewish woman, and was closely acquainted with the Jewish community. "He was familiar with our customs. When he made his first visit to Israel, we took him on a tour of the Babylon Heritage Center and for meetings with Iraqi Jews. When he saw they retain their customs from Iraq, I saw it was hard for him to contain his emotion."



Maj. Gen. (reserves) Danny Rothschild, who headed the IDF Intelligence research branch, received Chalabi's telephone numbers in London in 1990 and went to meet him in secret. Only very rarely was IDF Intelligence able to make links to a senior Iraqi exile who displayed such great quantities of good will. They discussed Israel's efforts to get information on the fate of the IDF POWs and MIAs. "Chalabi promised us that he could use his contacts in Teheran to check out the Ron Arad matter," Rothschild recounts. "I remember that Chalabi's son came to meet me at the airport and picked me up in his black, fancy Mercedes. The license plate said RPG 7. How did he maintain secrecy when he went around with such ostentatious signs? Gradually I realized that this was an important component in the image Chalabi was trying to project."

Rothschild and Chalabi met in the sumptuous office of the Iraqi exile in western London and spoke for long hours about the future of the region. Rothschild remembers that he wrote a classified report. The information on the Israeli MIAs and POWs, which Chalabi promised through his contacts in Teheran, never materialized, neither in Rothschild's next two meetings with Chalabi.

This did not prevent Israeli security officials from recommending Chalabi to the American administration and connecting him to senior advisers in the White House, the Pentagon and the CIA. As a result of the recommendations, James Woolsey, the former CIA director, gave him his patronage.

In 1992, Chalabi declared the establishment of the INC in London and tried to enlist the American administration into preparing for an operation to topple Saddam. He gathered around him dozens of young people who had fled Iraq and persuaded them to work voluntarily for a "free Iraq." Israelis who visited the offices of the INC were shown the horrors of Saddam's regime and the organization's desire to take immediate revenge against Iraq.

At the same time, reports came in from Jordan, painting an entirely different picture of Chalabi. In 1989, after the Bank of Petra, the third largest in the kingdom, declared bankruptcy, Chalabi fled to Kurdistan in the back of a truck. \$20 million, all of the bank's deposits, disappeared along with him. The Jordanians never forgave him. Last

week, in 3 interviews by King Abdullah, he made it very clear: "The Petra file against Chalabi is still open." King Abdullah also had a sweeping message to the American administration: "I suggest you examine very carefully banks in Geneva, London and Beirut. Chalabi was not only involved in such affairs in Jordan. In all of these places charges were filed against him for financial wrongdoing."

4 weeks ago, when Chalabi showed up in Nassiriya in southern Iraq after 45 years in exile and promised a "new Iraq," a strong message was conveyed from Amman to the Bush administration. "If Chalabi, with your help, fulfills his dream, and is given a central role in Iraq, this will immediately cast a heavy shadow on Jordan-Iraq relations." The Jordanians also reminded the Americans that Jordan is the country closest to Iraq and any move taken on 1 side of the border will immediately effect, either positively or negatively, the other.

The Jordanian royal family also watched with concern the involvement of Israeli security officials in opening the gates of the Pentagon in Washington for Chalabi. The Jordanians even warned the CIA against this "crook with the charismatic smooth image." But the American espionage agencies had their own considerations. "Iraq is closed, Chalabi gives us important intelligence information from Baghdad," senior CIA officials said.

But not everyone in the top American echelons had the same reaction. Loud voices were heard in the White House and in the State Dept over the years against building up Chalabi's status in the Pentagon. Here too, with a certain delay, the Mossad and the IDF Intelligence marked him as a " dangerous fraud." Former Mossad director Shabtai Shavit says: "I didn't bother getting acquainted with Chalabi;" while more recent former Mossad director Ephraim Halevy makes a face when Chalabi's name is mentioned. "This man has no chance," Halevy says, "It's a waste of time."

A senior security establishment official ("don't write my name, why should I get in trouble with Secretary Rumsfeld, who gets a report about every word we say here about Iraq") is willing to reveal, "Despite the pressure put on us, I absolutely refused to meet Chalabi."

Question: Why?

"Because I don't get involved with gangsters. People like him shouldn't be our friends."

Question: And if Chalabi is eventually the next leader of Iraq?

"I have been following him for years. Even if his dream comes true and he manages to get himself a role in Baghdad, he'll be murdered in a month. He won't survive. We shouldn't rely on him."

The secret meetings in London led Chalabi to a string of discrete visits in Tel Aviv. "He came mainly to acquire an impression from up close who are the Israelis and what the State of Israel like," says KZ, who waited for Chalabi at the exit of the El Al plane at Ben-Gurion Airport, who made sure his passport was not stamped and who lodged him under a false name in a 5-star Tel Aviv hotel.

The family file collected by intelligence agencies on Chalabi and his wife describe them as "exiles deluxe." The wife, Leila, is from a respected family in Lebanon, her father was the Lebanese foreign minister. Chalabi's daughter Tamara, a communications student, was also party to his father's activities. "Chalabi did not make concrete requests of us," said a senior security establishment official. "Even after he was unable to get the administration's consent in to train Iraqi exiles in American army camps, he knew, with his honed senses, that Israeli fingerprints on him would be a mark against him in Iraq"

Another senior security establishment source says:  
"Chalabi's and other Iraqi exiles' efforts to get close to us gave me the chills. I immediately remembered our entanglement with the Phalanges in Lebanon. The more we helped them, the greater their appetite grew, and in the end we were trampled."

In 1 of his visits to Israel, Chalabi was hosted in the office of the defense minister at the time, Yitzhak Mordechai. Chalabi, it turned out, had come to ask for Israeli aid in Congress in Washington, to persuade the administration of President Clinton to fund activity of the exiles' National Congress, to train hundreds of volunteers in army bases, prior to a strike to topple the Saddam regime. At the end of these efforts, with the help of his Israeli friends and the Jewish lobby in Washington, Chalabi managed to get \$4 million. In Washington he met with then minister Natan Sharansky, former prime minister Binyamin

Netanyahu, and impressed them with his plans for molding Iraq into a democratic country...

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Guardian, May 8, 2003

Chalabi threatens to expose Al-Jazeera

By Owen Bowcott

Ahmad Chalabi, the exiled financier promoted by the Pentagon as a leader of postwar Iraq, claims to have obtained 25 tons of intelligence documents detailing Saddam Hussein's relationship with foreign governments and Arab leaders. The files, seized by his INC supporters from Ba'ath party offices and secret police stations, may fuel a fresh round of recriminations and score-settling as politicians meeting in Baghdad struggle to agree the terms of an interim administration.

In interviews with Abu Dhabi television and Newsweek magazine, Mr Chalabi has already threatened to use the papers to damage the Jordanian royal family and the satellite television service Al-Jazeera - organisations with which he has had long-running disputes.

The papers were collected from abandoned buildings used by Saddam's Special Security Organisation (SSO) and the mukhabarat intelligence service, from Ba'ath party offices, and from the Iraqi army. "The SSO was the organisation closest to the regime," said a spokesman for the INC in London. "Its members were those running the country and their bodyguards. Some of the documents will be used in the interests of Iraq; some kept for the future government.

"In the case of Al-Jazeera, for example, it has been bombarding Arabs and Iraqis with false news for so long. Now we can put things right. Likewise the Jordanian (royal family) has been leading the campaign against Iraqi opposition politicians. But I don't think there's a plan to go after any other person or country..."

Speaking on Abu Dhabi television, Mr Chalabi read from documents which he claimed showed a number of reporters for the Qatar-based Al-Jazeera were working for Iraqi intelligence. "We will not allow this channel to continue its destructive work, which might lead to civil war in Iraq, through their lies and the spreading of rumours," Mr Chalabi said.

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Newsweek, May 12, 2003

Banker, Schmoozer, Spy

By Christopher Dickey and Mark Hosenball; With Kevin Peraino, Rod Nordland, Melinda Liu and Colin Soloway in Baghdad, Tom Masland in Beirut, Dan Ephron in Tel Aviv, Owen Matthews in Tehran and Michael Hirsh in Washington

In the battered precincts of Baghdad's hunting club, Ahmad Chalabi holds forth on the bright future of his country and the sordid history of his enemies. The Iraqi financier and freedom fighter, just returned to his homeland after 45 years in exile, says he's taken possession of 25 tons of documents from Saddam Hussein's secret police, and he's thinking how best to use them. He and his brothers have been the victims, as he tells it, of many conspiracies by Saddam and by Jordan's late King Hussein. According to Chalabi, even Swiss bankers and Saddam's brother Barzan collaborated on schemes to destroy the family's banking empire abroad. But now Ahmad Chalabi could turn the tables on his many old enemies.

"It's a huge thing," Chalabi told NEWSWEEK. "Some of the files are very damning." And some of the most incriminating, Chalabi implies, could tell a lot about the royal family - in neighboring Jordan. That is where Chalabi built and lost a banking empire in the 1980s, before he was forced to flee and convicted in absentia of fraud and embezzlement. King Abdullah, who has ruled Jordan since 1999, "is worried about his relationship with Saddam," says Chalabi. "He's worried about what might come out." He hints there was an especially close tie - "a subsidiary relationship" - between the then Prince Abdullah and Saddam's infamous elder son, Uday. But Chalabi gives no details. "Jordan is a neighbor," says Chalabi in a tone of polite menace. "We don't want to have some [of the present king's] early indiscretions poison the relation-ship." Yet what could be more poisonous than allegations too vague to refute...?

A NEWSWEEK investigation, with which Chalabi cooperated, shows that his own and his family's financial institutions were shut down by authorities in Switzerland, Lebanon and Jordan because of questionable practices and unsecured loans. The cost to investors and depositors was tens of millions of dollars. Nobody doubts that Chalabi's an

audacious operator: how else can you describe someone who, after an absence from Iraq of nearly half a century, takes over a prime piece of Baghdad real estate--with a small militia of American-trained and -outfitted gunmen at his side--and starts planning to completely remake his country and the politics of the Middle East?

Over the years Chalabi has cultivated Israelis and Iranians, Washington lawyers and Kurdish warlords, journalists, spies, tribal chieftains and congressional aides - whoever it took to serve his purpose of removing Saddam, returning to Iraq and putting himself near the center of power. An Israeli official recalls Chalabi's response when asked why he had set up an office in Tehran: "I'm no novice. I know what these bastards want. But I have no recourse." Now that Chalabi is ensconced at the Hunting Club, the Israeli official says, he "understands democracy and he could be a bridge between the local clans and international trends, but he has too many enemies. I wouldn't like to be his insurance agent." Another old friend, arch neo-conservative Richard Perle, told NEWSWEEK: "I don't know anyone who knows him well who doesn't think highly of him, and I don't know anyone who doesn't know him at all who doesn't speak ill of him."

That goes for many Iraqis inside the country. Nobody in Iraq can be sure what Chalabi's agenda is, or who his real allies are. A high-ranking US military-intelligence officer told NEWSWEEK he was stunned when he began talking to locals, even anti-Saddam locals, about Chalabi's credibility. "It's astonishing how little support he has," the officer said. When a US general asked the officer what he was hearing, the officer told him, "I'm sorry to say it, sir, but I'm afraid we're backing the wrong horse..."

it is clear that the Chalabi family banks would have been in serious trouble regardless of Saddam Hussein's machinations. But Chalabi's extremely close ties to the inner circles of the Jordanian government - at a time when Jordan was becoming increasingly dependent on the Iraqi dictator's good will--surely heightened those risks.

The story begins with Chalabi's father and grandfather, who had been prominent politicians as well as businessmen when a Hashemite monarchy (installed by the British) ruled Iraq from 1921 until a military coup in 1958. Forced into exile, the Chalabis built a banking business abroad, founding

financial institutions in Geneva, Beirut and Amman. In 1977, Ahmad established Petra Bank in Jordan, which grew over the next two years to become the second largest of the 17 banks in the country. In the ultraconservative financial environment of Jordan, Petra stood out for such local innovations as the introduction of ATMs and Visa cards.

But by the late 1980s, according to former Central Bank director Said Nabulsi, Jordan was facing a financial crisis. Much of the country's income had been in the form of contributions by rich Gulf states. Those dried up, yet spending continued, especially on arms deals with lucrative commissions for some government officials. By 1988, the Central Bank's foreign-exchange reserves were exhausted, said Nabulsi, and the Jordanian dinar was forced to devalue by 50%. The effect was to make Jordan ever more dependent on its one loyal Arab benefactor - Saddam Hussein.

At the same time the Chalabi family bank in Switzerland, Mebco Geneva, had come under scrutiny from Swiss regulators. In April 1989 they revoked its license. "The result of this action in Switzerland was to cause a run on the other financial institutions in the group [Mebco Beirut and Petra]," says Chalabi. He claims that by mid-May the situation had been "stabilized." But as Swiss investigators, the Jordan Central Bank and the Lebanese stepped up their inquiries, more and more dubious loans from 1 Chalabi institution to another surfaced on the books.

Chalabi initially thought he could ride out the storm. He was more than just a banker in Jordan; by this time he was the personal benefactor of many of the country's officials. "I made it a policy of Petra to provide loans in small amounts to military officers, NCOs, soldiers, Royal Guards and intelligence officers," says Chalabi. "The royal family, apart from the king, were always in need of cash, as their income and sporadic gifts from the king were always less than what was required to sustain even an upper-middle-class life in Amman. Many of these royals were friends of myself and my family for many generations. They came to me for help to pay for schooling for their children, for medical bills and other expenses."

Chalabi's relations were especially close with the king's brother, Hassan bin Talal, who was then crown prince: "Prince Hassan borrowed money from Petra in his own name to

cover public expenses that were expected of him." In addition to support for the prince's favorite charities, there was money for the tribes, for his guards, for military aides and to cover the expenses of diplomatic trips abroad. Chalabi said he "felt that the heir to the throne was a good banking risk." (Shortly before he died in 1999, King Hussein changed the succession in favor of his son Abdullah.) The total loaned by Petra to Prince Hassan, Chalabi says, "was about \$20 million." Ironically, after Petra was seized by the Jordanian government, that amount was paid back to it "by King Hussein from Saddam's funds," according to Chalabi.

Saddam's influence in the kingdom had grown enormously by the early 1980s, and on at least one occasion he demanded that a suspected opponent be handed over without any trial or court proceedings. The suspect, Hadi al Subaiti, was relinquished and then killed by Saddam's security forces in 1981. Since Chalabi himself was increasingly active in efforts to thwart economic or other assistance to the Iraqi regime by that time, he had reason to be worried. Then Petra Bank was seized on Aug. 2, 1989. Chalabi says both a senior intelligence official and Prince Hassan warned him to leave the country. Chalabi drove across the border to Syria in his own car 5 days later.

Yet none of these political intrigues fully explains the financial leger-demain that Swiss and other investigators were turning up in the various Chalabi institutions. After losing its license, the Chalabis' Swiss bank had to file for bankruptcy. Soon, so did a related family "trading company" called SOCOFI. About \$160 million in claims were filed by angry SOCOFI creditors (many from the Middle East). But according to a secret Swiss bankruptcy report obtained by Newsweek, there was a big hole in the company's balance sheet: about \$100 million worth of outstanding loans to members of the Chalabi family and their companies. This included a \$2 million loan to a Swiss software company run by Ahmad. (Chalabi says his company couldn't repay the loan because it, in turn, was owed money by the failed family bank.) In September 2000, two of Ahmad's brothers pleaded no contest to charges that they had broken the Swiss penal code in connection with SOCOFI.

Under increasing pressure, the Chalabi financial companies collapsed one by one. SOCOFI Geneva folded in early 1990. Then Mebco Beirut, which had actively funded the Shiite



Amal militia during the 1980s while it was waging a war on Palestinian groups. Two more Chalabi family members were charged with fraud, and convicted in absentia. When NEWSWEEK went to the Beirut court last week to pull the records, the main file, No. 37837, was empty and the computer memory supposed to list the documents was blank.

The Chalabis who had run the Beirut bank disappeared from Lebanon, just as those in Switzerland had left the country after the collapse of the banks there. According to the secret Swiss bankruptcy report, even the safe-deposit boxes held by SOCOFI were empty, except for some backup floppy disks. A storage facility supposed to hold valuable Oriental rugs no longer had anything in it.

The big loser, however, was Jordan. When the government seized Petra, it assumed its debts, and the eventual run on the bank cost it, according to Nabulsi, some \$500 million, or 10% of the country's GDP. Chalabi was subsequently tried in absentia in a military tribunal. He was sentenced to 22 years in prison. Jordanian officials say Ahmad Chalabi could receive a new trial and defend himself in court if he went back. But for the moment, he's unlikely to do that. Banking is no longer his game. His business now is the future of Iraq.

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The Washington Post, May 16, 2003  
The CIA And the Coup That Wasn't  
By David Ignatius

US and British intelligence officials expected that when the invasion of Iraq began, division-size Iraqi units might surrender to coalition forces. But those defections never happened, and the mistaken forecast was one of the few real blunders of the Iraq war.

Behind this intelligence failure stands a decade-long effort to encourage a military coup in Iraq. For much of that time, the secret coup plot was known within the CIA by the cryptonym "DBACHILLES." Now, with Saddam Hussein's regime deposed, US and Iraqi sources have provided a detailed account of a coup strategy that never delivered.

"There were suggestions that large parts of the Iraqi armed forces might well come over at the appropriate moment," confirms 1 key intelligence official. "It didn't happen in

the way we hoped or encouraged." This official says that "there may well have been" a systematic effort by Hussein's intelligence services to deceive the US, but the evidence is inconclusive. The botched coup efforts carry some important lessons for the present. They show how easily Iraqi intelligence penetrated these operations. And they illustrate the damage caused by a long-running feud between Iraqi exile groups and their patrons in Washington.

The DBACHILLES debacle began in 1994. The CIA around that time appointed a new head of its Near East Division named Stephen Richter, whose identity was long ago published. He and a former Army officer who headed the agency's Iraq task force believed that a military coup against Hussein was possible.

The CIA's new Iraq team is said to have met soon afterward with Gen. Mohammed Abdullah Shawani, a former commander of Iraqi Special Forces. A Turkmen from Mosul, Shawani had many contacts in the Iraqi military, including several sons still in uniform. Shawani's name has previously been published, too.

As the CIA was drafting its plans, the British encouraged the agency to contact an experienced Iraqi exile named Ayad Alawi, who headed a network of current and former Iraqi military officers and Baath Party operatives known as Wifaq, the Arabic word for "trust."

Complicating the CIA's coup planning was a similar effort in northern Iraq by Ahmed Chalabi's INC. A CIA officer named Bob Baer was dispatched in January 1995 to coordinate the various covert efforts, but they only got more tangled. Chalabi launched his unsuccessful coup in March 1995, and Baer was suddenly summoned home to Washington. [Ed: This wasn't a coup, it was a military operation and Anthony Lake, as NSC adviser, tried to call it off, before it began, fearful that it would get the US entangled in a war with Saddam. The consequence was to encourage one Kurdish group to attack another, rather than focus on Saddam]

The 1995 fiasco only reinforced the CIA's belief in the traditional military coup approach of DBACHILLES. But an Iraqi source argues that by late 1995, some of Shawani's and Alawi's operatives were already controlled by Iraqi intelligence.

Chalabi was so convinced that the military-coup plan had been compromised that he traveled to Washington in March 1996 to see the new CIA director, John Deutch, and his deputy, George Tenet. He told them the Iraqis had captured an Egyptian courier who was carrying an Inmarsat satellite phone to Shawani's sons in Baghdad.

When the CIA officials seemed unconvinced, Chalabi went to his friend Richard Perle, a prominent neoconservative. Perle is said to have called Tenet and urged that an outside committee review the Iraq situation. But the coup planning went ahead.

DBACHILLES collapsed in a blood bath in June 1996. The Post had run a front-page story on June 23 describing Alawi's role in "the latest CIA-backed plan" that was based on "contacts at high levels of the Iraqi military." The Iraqis are said to have begun arresting the coup plotters 3 days later, on June 26. At least 200 officers were seized and more than 80 were executed, including Shawani's sons. Top CIA officials blamed Chalabi for exposing the plot, and the recrimination has persisted ever since.

As the Bush administration began planning its own Iraq policy, it inherited this tormented history. There was still a strong argument for a traditional military coup, with operatives recruited through the Iraqi tribal network. Indeed, in this column I endorsed Alawi and his strategy last year.

In the run-up to war, both Alawi and Shawani played important roles in the coalition's effort to encourage Iraqi officers to surrender or defect. It was, in essence, the same strategy that had been tried unsuccessfully in the mid-1990s, but intelligence operatives moved ahead, regardless. The anticipated defectors included a top Iraqi Defense Ministry official and a top Republican Guard commander. Among the few who were dubious from the start, it's said, was Defense Secretary Donald Rumsfeld. "Rumsfeld always said that you need to be wary of people who say they'll flip for you, because they're probably playing, at a minimum, both sides and saying similar things to Saddam," recalled Deputy Defense Secretary Paul Wolfowitz in an interview a week ago. "Rumsfeld was always skeptical of those claims, and it was justified."

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The New York Sun, May 23, 2003  
How To Lose the Peace

Last night at 11 pm in Baghdad, heavily armed American soldiers in flak jackets and helmets stormed the headquarters of the INC, a pro-American group that has been working for years to bring freedom and democracy to Iraq. "It was just like a movie," our correspondent in Baghdad, Adam Daifallah, reported to us by satellite phone after the raid, which he witnessed firsthand.

The US Army burst into the Hunting Club, where the INC has been based, and ordered the 30 to 35 Iraqis present to lie on their stomachs. "Shut up," they shouted, binding the wrists of the INC officials with temporary handcuffs. One man who wouldn't stop talking had his mouth taped shut. The Iraqis were held for an hour as the American troops searched the compound for illegal weapons.

The raid was apparently carried out on the basis of a tip. But there are any number of people in Baghdad with motivations to cast aspersions on the INC. It could have been a rival faction or even someone still loyal to Saddam Hussein.

The troops sent to carry out the raid were 18-year-olds who hardly knew what the INC was. But they seem to have a better understanding of the principles of international relations than whoever is giving them orders. When our Mr. Daifallah tried to explain to the American GIs that the people they were handcuffing were pro-American, one soldier remarked, "Well, they won't be pro-American anymore, I guess."

No occupation is perfect. American troops performed superbly in liberating Iraq, and the world owes them and their commanders a debt of gratitude. Yet by such actions as last night's raid can the peace be lost. The leader of the INC, Mr. Chalabi, has testified before Congress and met with Vice President Cheney. The INC was authorized by the American government to receive Pentagon funds.

Mr. Chalabi and his allies have fought for years to unseat Saddam at great personal risk. Yet they are thanked by an America that raids their beachhead of freedom as if it were one of Saddam's lairs or a ghetto crackhouse. Given the security problems in Iraq - snipers on the roads between Kuwait City and Baghdad, agents of Iran at work trying to establish an Islamic terrorist state, looting and shooting in the streets - the most charitable description of the decision to send troops to raid the INC compound is that it was just unbelievably boneheaded.

It's unclear at what level of the American military or civilian leadership the decision to raid the INC compound was made. The correct response in the immediate instance would be for someone serious in Washington - President Bush, Vice President Cheney, or Secretary of Defense Rumsfeld - to find out and to order whoever was responsible to apologize to the INC. There may be a role here for some of the leaders of both political parties - like Senators Kyl, Lieberman, or Brownback - who helped pass the Iraq Liberation Act in 1998.

But righting last night's error will require more than an apology. One way to prevent something like it from happening again would be to assign Americans fluent in Arabic and sophisticated about Iraqi politics and history to escort and guide every squad of US troops patrolling Baghdad. But given that there are only perhaps a dozen Americans who would qualify for such a task, the better alternative is for our side immediately to start working more closely with the pro-American, pro-democracy, pro-freedom Iraqis, giving them the authority to rule Iraq, training their free Iraqi security forces.

The American troops would remain under American command, but work with the new Iraqi government. The sooner America ceases to be an occupier in Iraq and starts to be a support for the new Iraqi government, the less likely it is that there will be another disaster like last night's raid on the most pro-American faction in the country.

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Iraqi Leadership Council  
INC Operations Centre

Baghdad, Iraq

Yesterday, on the outskirts of Baghdad in the area of Wahash, one of the debaathification teams of the INC was attacked by two vehicles carrying armed men. A fire fight broke out and two of the INC members were lightly wounded. The INC debaathification team was pursued back to the Hunting Club (the INC's Baghdad headquarters), where another fire fight broke out. In the gun battle, 2 of the attackers were seriously wounded.

Two hours later, the American military arrived at the Hunting Club after hearing reports of the fire fight. They subsequently moved to arrest some 35 members of the INC and confiscate their weapons. The American military liaison to the INC intervened with the US forces and explained that they had just arrested US allies. All INC members were subsequently released.

Said Dr Ahmed Chalabi, "This incident was a regrettable misunderstanding." He continued, "however, what is clear, is that there remain Baathist officials moving about freely and seeking to undermine the Coalition authority and those who would support the objective of a democratic Iraq. There needs to be greater communication between the Coalition and their Iraqi allies in order to prevent such misunderstandings in the future."

For more information contact the INC Press Office on +44 20 7300 6499 or +1 202 530 4814

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**Washington Post, May 26, 2003**  
**Times Battle Over Iraqi Weapons**  
**By Howard Kurtz**

**A dustup between two New York Times reporters over a story on an Iraqi exile leader raises some intriguing questions about the paper's coverage of the search for dangerous weapons thought to be hidden by Saddam Hussein.**

**An internal e-mail by Judith Miller, the paper's top reporter on bio-terrorism, acknowledges that her main source for such articles has been Ahmad Chalabi, a controversial exile leader who is close to top Pentagon officials. Could Chalabi have been using the Times to build a drumbeat that Iraq was hiding wmd?**

**The Chalabi connection surfaced when John Burns, the paper's Pulitzer Prize-winning Baghdad bureau chief, scolded Miller over her May 1 story on the Iraqi without clearing it with him. "I am deeply chagrined at your reporting and filing on Chalabi after I had told you on Monday night that we were planning a major piece on him - and without so much as telling me what you were doing," Burns wrote that day, according to e-mail correspondence obtained by The Washington Post. "We have a bureau here; I am in charge of that bureau until I leave; I make assignments after considerable thought and discussion, and it was plain to all of us to whom the Chalabi story belonged. If you do this, what is to stop you doing it on any other story of your choosing? And what of the distress it causes the correspondent who is usurped? It is not professional, and not collegial."**

**Miller replied to Burns: "I've been covering Chalabi for about 10 years, and have done most of the stories about him for our paper, including the long takeout we recently did on him. He has provided most of the front page exclusives on WMD to our paper." She apologized for any confusion, but noted that the Army unit she was traveling with - Mobile Exploration Team Alpha - "is using Chalabi's intell and document network for its own WMD work...Since I'm there every day, talking to him...I thought I might have been included on a decision by you" to have another reporter write about Chalabi.**

**Reached by phone, Miller said: "I'm not about to comment on any intra-Times communications." Andrew Rosenthal, assistant managing editor for foreign news, said it is "a pretty slippery slope" to publish reporters' private e-mail and "reveal whatever confidential sources they may or may not have." "Of course we talk to Chalabi," he said. "If you were in Iraq and weren't talking to Chalabi, I'd wonder if you were doing your job."**

**According to the New Yorker's Seymour Hersh, Chalabi's INC was a key source of information about weapons for the Pentagon's own intelligence unit - information sometimes disputed by the CIA. Chalabi may have been feeding the Times, and other news organizations, the same disputed information...**

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Washington Post, June 25, 2003  
Embedded Reporter's Role In Army Unit's Actions Questioned  
by Military  
By Howard Kurtz

New York Times reporter Judith Miller played a highly unusual role in an Army unit assigned to search for dangerous Iraqi weapons, according to US military officials, prompting criticism that the unit was turned into what one official called a "rogue operation."

More than a half-dozen military officers said that Miller acted as a middleman between the Army unit with which she was embedded and INC leader Ahmed Chalabi, on one occasion accompanying Army officers to Chalabi's headquarters, where they took custody of Saddam Hussein's son-in-law. She also sat in on the initial debriefing of the son-in-law, these sources say. Since interrogating Iraqis was not the mission of the unit, these officials said, it became a "Judith Miller team," in the words of one officer close to the situation.

In April, Miller wrote a letter objecting to an Army commander's order to withdraw the unit, Mobile Exploitation Team Alpha, from the field. She said this would be a "waste" of time and suggested that she would write about it unfavorably in the Times. After Miller took up the matter with a 2-star general, the pullback order was dropped.

Times Assistant Managing Editor Andrew Rosenthal dismissed the notion that she exercised influence over the unit as "an idiotic proposition." "She didn't bring MET Alpha anywhere...It's a baseless accusation," he said. "She doesn't direct MET Alpha, she's a civilian. Judith Miller is a reporter. She's not a member of the US armed forces. She was covering a unit, like hundreds of other reporters for the NYT, Washington Post and others. She went where they went to the degree that they would allow."

Viewed from one perspective, Miller, a Pulitzer Prize-winning correspondent, nationally recognized expert on WMD and co-author of a bestselling book on bioterrorism, was acting as an aggressive journalist. She ferreted out sources, used her long-standing relationship with Chalabi to pursue potential stories and, in the process, helped the US take custody of 2 important Iraqis. Some military officers say she cared passionately about her reporting without abandoning her objectivity, and some of her critics may be overly concerned with regulations and perhaps jealous of the attention Miller's unit received. "We think she did really good work there," Rosenthal said. "We think she broke some important stories."

Miller declined to be interviewed for this article, saying it was unfair of The Washington Post to have published an internal e-mail of hers last month. She said only that "my past and future articles speak for themselves." In a May 1



e-mail to Times colleague John Burns, The Post reported, Miller said: "I've been covering Chalabi for about 10 years, and have done most of the stories about him for our paper ...He has provided most of the front page exclusives on WMD to our paper."

Miller's role with MET Alpha was controversial within the Defense Department and among some staff members at the Times, where 1 reporter was assigned to check up on whether other embedded journalists followed similar procedures.

The MET Alpha team was charged with examining potential Iraqi weapon sites in the war's aftermath. Military officers critical of the unit's conduct say its members were not trained in the art of human intelligence - that is, eliciting information from prisoners and potential defectors. Specialists in such interrogations say the initial hours of questioning are crucial, and several Army and Pentagon officials were upset that MET Alpha officers were debriefing Hussein son-in-law Jamal Sultan Tikriti. "This was totally out of their lane, getting involved with human intelligence," said 1 military officer who, like several others interviewed, declined to be named because he is not an authorized spokesman. But, the officer said of Miller, "this woman came in with a plan. She was leading them...She ended up almost hijacking the mission."

Said a senior staff officer of the 75th Exploitation Task Force, of which MET Alpha is a part: "It's impossible to exaggerate the impact she had on the mission of this unit, and not for the better." 3 weapons specialists were reassigned as the unit changed its approach, according to officers with the task force.

Several military officers say Miller led MET Alpha members to Chalabi's compound in a former sporting club, where they wound up taking custody of Sultan, who was on the Pentagon's "deck of cards" of the 55 most wanted Iraqis. The April trip to Chalabi's headquarters took place "at Judy's direction," one officer said. Chalabi said in a brief interview that he had not arranged the handoff with Miller in advance and that her presence that day was "a total coincidence...She happened to be there."

A top aide to Chalabi and the INC, Zaab Sethna, said he didn't know whether Miller arrived that day "because she's old friends with Dr. Chalabi or because she wanted to

introduce that team she was working with to the INC." But he said the idea of transferring Sultan to the MET Alpha squad originated in a conversation with Miller. "We told Judy because we thought it was a good story," Sethna said. "We needed some way to get the guy to the Americans." He said his organization had no previous connection to MET Alpha: "We didn't even know of their existence until they showed up with Judy."

Asked why Chalabi didn't simply call his official Pentagon liaison to turn over an important Iraqi, Sethna said they wanted to make sure that Sultan was transported quickly and safely and that he was "very surprised" when MET Alpha agreed to take the prisoner.

In reporting the handover of Sultan and an associate, Khalid Abdullah, Miller wrote that the two men "were questioned by an American intelligence official and then handed over to Chief Warrant Officer Richard L. Gonzales, the leader of a Pentagon Mobile Exploitation Team that has been hunting for unconventional weapons in Iraq." She wrote that Gonzales "happened to be meeting tonight with Mr. Chalabi to discuss nonproliferation issues."

In another case, Miller wrote of her exclusive interview with Nassir Hindawi, a former top official in Iraq's biological warfare program. The interview took place while Hindawi was "in the protective custody of Iraqi opposition leader Ahmad Chalabi," Miller wrote.

On April 21, when the MET Alpha team was ordered to withdraw to the southern Iraqi town of Talil, Miller objected in a handwritten note to two public affairs officers. It said: "I see no reason for me to waste time (or MET Alpha, for that matter) in Talil...Request permission to stay on here with colleagues at the Palestine Hotel til MET Alpha returns or order to return is rescinded. I intend to write about this decision in the New York Times to send a successful team back home just as progress on WMD is being made."

One military officer, who says that Miller sometimes "intimidated" Army soldiers by invoking Defense Secretary Donald Rumsfeld or Undersecretary Douglas Feith, was sharply critical of the note. "Essentially, she threatened them," the officer said, describing the threat as that "she would publish a negative story." An Army officer, who

regarded Miller's presence as "detrimental," said: "Judith was always issuing threats of either going to the New York Times or to the secretary of defense. There was nothing veiled about that threat," this person said, and MET Alpha "was allowed to bend the rules." Times editor Rosenthal strongly disagreed, saying Miller's note sounded routine and that characterizing it as a threat is "a total distortion of that letter."

Miller later challenged the pullback order with Maj. Gen. David Petraeus, commander of the 101st Airborne. While Petraeus did not have direct authority over Col. Richard McPhee, the commander of the 75th task force, McPhee rescinded his withdrawal order after Petraeus advised him to do so. McPhee declined 2 requests for comment. "Our desire was to pull these guys back in," said an officer who served under McPhee, adding that it was "quite a surprise" that the order was reversed. As for MET Alpha's seeming independence, this officer said: "The way McPhee phrased it for [staff] consumption was, 'I know they have gone independent, I know they have gone rogue, but by God at least they're doing something.' But if they're doing something, where's the meat? It didn't pan out."

That wasn't for lack of trying. In early May, Miller reported on MET Alpha's search for an ancient Jewish text that wound up unearthing Iraqi intelligence documents and maps related to Israel. In this case, too, Sethna said, the information was passed from Chalabi's group to Miller. "We thought this was a great story for the NYT," Sethna said. "She discussed it with her team...That came from us."

Asked if MET Alpha had gone astray, Col. Joe Curtin, an Army spokes-man, said that "commanders make decisions based on developing situations" and that the unit had the approval of its headquarters. He said that any lead provided by a reporter is deemed "open source, and we're going to use it." But Curtin said of one MET Alpha foray: "Interrogating prisoners is usually left to military intelligence people who are trained in that art and do it right, under the laws of land warfare."

Miller formed a friendship with MET Alpha's leader, Chief Warrant Officer Gonzales, and several officers said they were surprised when she participated in a Baghdad ceremony in which Gonzales was promoted. She pinned the rank to his uniform, an eyewitness said, and Gonzales thanked Miller

for her contributions. Gonzales did not respond to a request for comment. Like other embedded reporters, Miller agreed to allow military officials to review her stories as a condition of traveling with the unit, and in at least one case wrote that information had been deleted on security grounds.

Miller's coverage of MET Alpha has drawn some critical press scrutiny for optimistic-sounding stories about the weapons hunt, generating headlines including "US Analysts Link Iraq Labs to Germ Arms," "US Experts Find Radioactive Material in Iraq" and "US-Led Forces Occupy Baghdad Complex Filled With Chemical Agents." These potential discoveries did not bear fruit.

After returning from Iraq, Rosenthal noted, Miller and a colleague filed a report skeptical about claims that two trailers found in Iraq served as mobile germ labs. Her reporting was "very balanced," he said, even though she and other embedded reporters in Iraq had a limited perspective while traveling with the troops. "Singling out one reporter for this kind of examination is a little bizarre," Rosenthal said.

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### **TalkingPointsMemo.com, August 30, 2003**

**In the Iraq hawks' version of the events of the last dozen years, a key turning point was the failed CIA-backed coup attempt against Saddam in 1996. The coup was run out of Amman, Jordan; it centered on a group of Iraqi army defectors. And it came apart in a particularly humiliating manner: Saddam's agents used the radios the Agency operatives had given the plotters to radio them back and tell them they'd foiled the coup and that the plotters would be executed. From any perspective it was a pretty low moment.**

**But, again, back to the Iraq hawks' version of events. In early 1996 - a few months before the plot unraveled - Chalabi came to Washington to warn the US that the CIA's coup plot had been compromised and should be called off. Chalabi went to Richard Perle - already the eminence grise behind the INC's shadow war in Washington - who arranged a meeting with then-CIA Director John Deutch, his then-deputy George Tenet, and the CIA's Director of Operations for the Near East, Steve Richter.**

**According to the INC, Chalabi warned the 3 of what he had discovered - that the plot had been compromised. But his warnings went unheeded. That meant the CIA brass was doubly responsible for the plot's eventual**

**failure: Not only was the operation poorly run, but they refused to call it off even when they'd been warned that the plot had been compromised.**

**In September, a couple months after the coup attempt went bust, Deutch was called to testify on Capitol Hill about whether Saddam had bested the US with the thrust into northern Iraq he had just made. (This move back into northern Iraq came after a series of US setbacks earlier in the year and came after Saddam was able to sow division between the 2 main Kurdish factions.) Before Deutch went to testify, Perle went to him and put that earlier meeting to good use, bullying Deutch into, in essence, breaking with the administration on Iraq. "Richard Perle got a hold of him and really busted him up," 1 source familiar with both meetings told me. With the knowledge of the earlier tip-off meeting, this source told me, "Richard had even more ammunition come September." When Deutch appeared before the Senate he broke with the administration's position and agreed that Saddam was, in fact stronger, than he had been before the thrust North.**

**INC sources tell this story as an example of how they used the CIA's incompetence as a tool to advance their own agenda in Washington. In any case, that's their version of events.**

**The CIA had a very different take on what had happened with the 1996 coup debacle. Many at the Agency thought that Chalabi, rather than warning that the plot had been compromised, had in fact been the source of the compromise. The key thing about the 1996 coup attempt, after all, was that it didn't include Chalabi, but rather the rival umbrella group, the INA, an assortment of Sunni military defectors. And Chalabi had a history of scuttling anti-Saddam plans that didn't involve him.**

**Most believed that Chalabi had intentionally compromised the plan, though some thought he might have unwittingly done so or that his group had been infiltrated by Iraqi agents. (These suspicions at the Agency were noted obliquely in this May 16th column by David Ignatius.)**

**Let's make clear that the CIA also wasn't an unbiased observer to all this. The plot had gone south. It was their operation. And they weren't crazy about Chalabi to begin with. It's not unreasonable to question whether these operatives were just looking for a convenient person to blame the whole mess on. Without all sorts of security clearances, it's almost impossible to judge the basis of their suspicions, though senior people at the Agency implied that their evidence was more than circumstantial.**

**However that may be, the fact that many folks at the Agency believed Chalabi had leaked word of their plot and gotten a number of US assets executed helps explain why their distrust and animosity toward him runs so deep. If the CIA is now taking another look at Chalabi's organization,**

**suspecting it may have been infiltrated by or used by Iraqi double-agents, will this earlier incident come in for more attention? It certainly should be. And given the hostility between the CIA and Chalabi, you'd expect they would if for no other reason than bureaucratic payback.**

**But according to one former Agency employee, quite the opposite might hap-pen. The CIA, this source told me recently, is in full circle-the-wagons mode. They've got their hands full a) trying to find some WMD and b) investigating why so many points in their pre-war intelligence analysis seemed to be wrong. Looking back to the mid-1990s might dredge up some facts that would sully Chalabi's reputation. But it would probably bring up many of the Agency's errors too. At the moment, they're trying to keep the self-examina-tion and investigation limited to only the most recent events. They've already got more problems than they can deal with.**

**A real investigation into this long sordid history is what we need. Not just one into the White House's handling of the lead-up to war, but everything. The CIA, the INC, the Clinton administration, the defectors, the WMD evidence or lack thereof. Everything. We've got many of the big players in custody now and lots of the former regime's archives. They may not be telling us what we want to hear about wmd. But there are any number of other ques-tions and mysteries they should be able to clear up. The point wouldn't be to find bad-acting, mistakes or incompetence (though I'm sure we'll find plenty of each), but to get as close as we can get to a reliable understanding of our Iraq policy since the close of the Gulf War. No agency involved in this history is going to be capable of the objectivity and distance required to do the job right.**

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FT, November 28 2003

Saddam's backers to be denied contracts

By Nicolas Pelham

Businessmen seeking to win contracts in Iraq will be vetted for ties to the former regime, Ahmed Chalabi, a prominent member of the US-appointed interim Governing Council said in an interview. Mr Chalabi chairs the Governing Council's Higher Committee for de-Baathification. Formed in September, this has expanded its work from rooting out senior functionaries of the former regime to implementing what he calls "a program of economic de-Ba'athification".

The committee is one of the most powerful in the Governing Council. Although the policy of de-Ba'athification was first instituted by Paul Bremer, the US administrator in Iraq, Mr Bremer last week told a press conference that he

had handed over responsibility for implementation to the committee. The committee says its economic role will be to "collect information about businessmen and merchants to prevent them dealing with Iraq in the future". Mr Chalabi said it would also aim to recover the wealth from "between 10 and 15%" of the Iraqis who he said benefited from the Ba'ath regime.

Critics of de-Ba'athification have attacked the program as revenge-driven. Iyad Allawi, a fellow member of the Governing Council who has also returned from western exile, has called the plan "dangerous", and declared he was boycotting Mr Chalabi's committee. Mr Chalabi's opponents worry that his de-Ba'athification committee has few checks and balances, and that it could be used selectively to favour his associates and undermine business rivals. He insists, however, that the motives for de-Ba'athification are a "moral issue. We will not stand for any committee members making benefits of any person," said Mr Chalabi. He said the de-Ba'athification committee would also examine the restitution of an estimated 500,000 properties he said had been confiscated under the Ba'athist regime. He said the properties included his sister's house, which the family has already recovered and in which Mr Chalabi gave the interview.

Under the de-Ba'athification programme an estimated 20,000 suspected senior Ba'athists, many of them technocrats, have been sacked from the government machinery. This has been widely criticised as contributing in the atrophy of the Iraqi state structure. But Mr Chalabi argued that the policy's impact had been "very light" and said a second wave of de-Ba'athification now being finalised by his committee would be "deliberately harsh", although not a witch hunt. "After the second world war, 200,000 Nazis were interned. Maybe we picked 3000 up," he said. "We are not going after the Ba'ath's 2 million members, we are going after about 70,000 Ba'athists."

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**Newsday.com, February 15, 2004**

**Start-up Company With Connections; US gives \$400M in work to contractor with ties to Pentagon favorite on Iraqi Governing Council**

**By Knut Royce**

**US authorities in Iraq have awarded more than \$400 million in contracts to a start-up company that has extensive family and, according to court docu-**

ments, business ties to Ahmed Chalabi, the Pentagon favorite on the Iraqi Governing Council. The most recent contract, for \$327 million to supply equipment for the Iraqi Armed Forces, was awarded last month and drew an immediate challenge from a losing contender, who said the winning bid was so low that it questions the "credibility" of that bid.

But it is an \$80-million contract, awarded by the CPA last summer to provide security for Iraq's vital oil infrastructure, that has become a controversial lightning rod within the Iraqi Provisional Government and the security industry. Soon after this security contract was issued, the company started recruiting many of its guards from the ranks of Chalabi's former militia, the Iraqi Free Forces, raising allegations from other Iraqi officials that he was creating a private army.

Chalabi, 59, scion of one of Iraq's most politically powerful and wealthy families until the monarchy was toppled in 1958, had been living in exile in London when the US invaded Iraq. The chief architect of the umbrella organization for the resistance, the INC, Chalabi is viewed by many Iraqis as America's hand-picked choice to rule Iraq.

A key beneficiary of both the oil security contract and last week's Iraq army procurement contract is Nour USA Ltd., which was incorporated in the US last May. The security contract technically was awarded to Erinys Iraq, a security company also newly formed after the invasion, but bankrolled at its inception by Nour. A Nour's founder was a Chalabi friend and business associate, Abul Huda Farouki. Within days of the award last August, Nour became a joint venture partner with Erinys and the contract was amended to include Nour. An industry source familiar with some of the internal affairs of both companies said Chalabi received a \$2-million fee for helping arrange the contract. Chalabi, in a brief interview with Newsday, denied that claim, as did a top company official. Chalabi also denied that he has had anything to do with the security firm.

Today security in the oil fields remains problematic; the number of guards is being raised from 6500 under the original contract to 14,500, and so many changes are being made to the contract that the CPA, which governs Iraq, now says it may have to be rebid. Erinys Iraq came into being last May, after the US-led invasion. Saboteurs had started blowing up oil pipelines and attacking other petroleum facilities, plunging Baghdad and other Iraqi cities into darkness. Blackouts and fuel shortages remain endemic. The authority solicited bids on the pipeline security contract in July. Just 2 weeks later, the contract was awarded to Erinys Iraq.

A founding partner and director of Erinys Iraq is Faisal Daghistani, the son of Tamara Daghistani, for years one of Chalabi's most trusted confidants. She was a key player in the creation of his exile group, the INC, which



received millions of dollars in US funds to help destabilize the Saddam Hussein regime before the coalition invasion last year. The firm's counsel in Baghdad is Chalabi's nephew Salem Chalabi.

The seed money to start Erinys came from Nour, formed in May in the US, according to David Braus, Nour's managing director. Nour's Web site says that it is a collaborative "arrangement" involving a Farouki family company, HAIFinance Corp., and a Jordanian venture called the Munir Sukhtian Group. Braus said Nour arrived in Iraq "with an intention of investing funds in the country as opposed to picking up government contracts." But it has nevertheless won government contracts. Nour was the self-described "sponsor" of a consortium of nine companies that won a fixed-price contract of \$327,485,798 to provide the Iraqi army with weapons, trucks, uniforms and other equipment. At least three of those companies, including Erinys, have financial ties to Farouki.

One of the 18 losing bidders, the large Polish defense contractor Bumar PHZ - whose bid was more than \$200 million higher - cried foul, publicly charging that Nour's bid was suspiciously low and that the firm had no experience in the arms trade, as stipulated in the authority's request for bids. Bumar asked the authority to explain how it selected Nour. And Polish prosecutors are now investigating a tiny company that is part of Nour's consortium in the contract, Ostrowski Arms, because it is not licensed to export arms.

Farouki, who founded Nour, is a Jordanian-American who lives in northern Virginia. He and his wife are prominent socialites in the DC area and frequently attended White House affairs during the Clinton administration. Farouki's many companies have done extensive construction work for the Pentagon over the years. The Iraqi contracts appear to be his first ventures into security and military hardware. Though some of Erinys' principals have a background in oil field security work in Africa and Colombia, the company itself had no experience in the field. The Pentagon's request for proposals required competing companies to list five contracts "of the same or similar type to demonstrate previous experiences."

Farouki's businesses received at least \$12 million in the 1980s from a Chalabi-controlled bank in Washington DC. The Jordanian government says that bank was part of a massive embezzlement scheme perpetrated by Chalabi on a bank he owned in Jordan. Chalabi, despite his status in Iraq as a possible future leader of the country, is still wanted in Jordan after being convicted and sentenced in absentia on bank fraud charges, Jordanian officials in Washington said.

In a brief interview in a Baghdad parking lot, Chalabi denied receiving any fees from Erinys. "I have no involvement in Erinys," he said. "I have no

financial relationship with Farouki." Asked about his former bank's loans to Farouki, he replied, "Farouki's my friend." And Farouki, reached by phone recently in Cairo, described Chalabi as a "great patriot." He denied that Chalabi had received any fee or that he has had any role in the company. "There's no basis, no substantiation whatsoever" for those claims, he said. He said that Chalabi was too busy as a statesman and politician to be involved in business activity.

Erinys guards are being recruited from the ranks of the Iraqi Free Congress, the militia loyal to Chalabi's INC, Daghistani acknowledged to Britain's Financial Times in December. This concerns Ayad Allawi, who runs the interior ministry in the US-appointed interim Governing Council. He publicly criticized Chalabi in Iraq in December for allegedly undermining central authority by helping create a private military company for the Erinys contract. Oil field security, Allawi said, should be the responsibility of the state.

Asked how much influence Chalabi had in the decision to award the contract to Erinys Iraq, Sam Kubba, president of the American Iraqi chamber of commerce, a congressional candidate in Virginia and a businessman with extensive connections in Iraq, said, "100%...and you can quote me on that." Laith Kubba, a senior program officer at the National Foundation of Democracy who helped Chalabi found the INC, said Chalabi's influence over CPA contracts was "immense...especially on security contracts." Laith Kubba is a second cousin of Sam Kubba.

Even with the infusion of additional guards, security has been tenuous, with weekly attacks on pipelines and installations slowing oil exports and forcing Iraqis, who sit atop the world's second largest oil reserves, to line up for hours at gas stations. Erinys Iraq's CEO was shot and gravely injured recently, and several employees have been killed.

A veil of secrecy imposed by the authority in the awarding of the contract makes it difficult to reconstruct what happened. The project was probably flawed from the start because of inefficiency by contracting officials and heavy influence from Chalabi and his associates, industry and business officials say.

An industry official who knows and respects Erinys Iraq's senior managers said Chalabi "got his contractor to win that award...Chalabi is backing Erinys big time." This official, whose company has several security contracts in Iraq, said that Erinys initially "had a hard time getting people and a hard time getting equipment" but was now learning from experience. "They [the authority] didn't have a clue" of what was needed, said this official, who considered bidding and drafted an internal plan that would have cost more than three times what the authority wanted to pay. But, he

said, his firm concluded that whatever the CPA was willing to accept was unrealistic and "had no chance of success."

DynCorp, which is training Iraqi police under a \$50-million contract, did make an offer. A DynCorp official said that his company's bid was three times higher than Erinys'. But unlike Erinys' proposal, he said, his firm included helicopter surveillance, which is costly. "There's no way in this godly earth that you can surveil the pipeline with people in vehicles," which Erinys proposed, the Dyn-Corp official said.

Long after awarding the Erinys contract, the authority came to the same conclusion. It recently awarded a \$10-million contract for helicopter surveillance of the pipelines to Florida-based AirScan Inc. And it acknowledges the original contract awarded in August for \$39,454,896 a year over two years and for hiring and training 6500 guards was inadequate. It said it had since modified the contract to provide for the air surveillance and to increase the force. At the same time, the authority acknowledges that so many modifications are being made that it "could require [the contract] to be recompeted."

In brief e-mailed responses to Newsday questions, the CPA insisted that the contract with Erinys was aboveboard and was awarded on technical merit and cost considerations only.

The July 25 authority solicitation for bids provided no detail of what would be required to provide security for Iraq's "multibillion dollar oil infrastructure." It did, however, ask that the bidder submit "a list of five contracts of the same or similar type to demonstrate previous experience." Yet Erinys had never handled a job as large and complicated as this one, and its partner, Nour, has never worked in the security area.

Industry sources and contract experts said Erinys may have bid low because it expected contract modifications to bring in additional fees. "It's the oldest game in the MiddleEast," said a former senior Reagan administration official and businessman who specializes in the region. "...The contractor is insured by his patron. 'Low ball,' he's told. 'Don't worry about it.'"

The official who considered bidding but worried that the authority "didn't have a clue" said that Iraq is a war zone and therefore, "I don't know if 65 million" guards can secure the 4000 miles of pipelines. "You've got to make nice with the local people, go to the local tribal leaders and hire his guys," he said.

Farouki and Nour's managing director, David Braus, referred all questions about the operation to Jonathan Garratt, 1 of Erinys' managers in Baghdad. After an initial early morning call to Newsday when the reporter was not at

the office, he did not return further calls and e-mails. Braus said Chalabi was not involved in Erinys, but added, "In order to operate in Iraq our people down there have had relations with all former opposition groups." He said it was "absolutely untrue" Erinys had hired Iraqi Free Congress militiamen as security personnel.

1 large firm does not believe the contract will be rebid. Kroll, the risk consulting and investigative firm, is negotiating with Nour and Erinys to take over the Iraq operation, sources said. How a Kroll buyout would affect Chalabi is unclear. A US intelligence official said Chalabi was "clearly looking to make money" now that he has returned to Iraq after living in exile for the past five decades. While declining to address the Erinys contract, the official said that Chalabi is "interested in establishing businesses that will benefit him, his associates and his party, the INC."

Chalabi helped influence the Bush administration's decision to invade Iraq even as he remained a fugitive from a 1992 criminal conviction in Jordan on charges of embezzling millions of dollars from his Petra Bank, which collapsed in 1989. Other Chalabi family enterprises, all financially interlocked, also succumbed that year. While Chalabi's banking empire crumbled, it provided millions of dollars in loans to construction firms owned by Farouki, bankruptcy records show.

Farouki's own businesses were going through bankruptcy proceedings in the late 1980s when he borrowed heavily from the Washington-based Petra International Banking Corp, which was managed by Chalabi's nephew Mohamed Chalabi. Farouki's companies had construction projects for the Pentagon and State Department in Europe, the Middle East and Guantanamo Bay, Cuba.

Petra International was an Edge Act bank in Washington that was owned largely by the Petra Bank in Jordan. An Edge Act bank is not permitted to conduct general banking activities but can make international business loans. Mohamed Chalabi is a son of Ahmed Chalabi's oldest brother, Rushdi, who was a cabinet minister in Iraq before the toppling of the monarchy.

Jordanian authorities have complained that much of the Petra funds they claim was siphoned off the Amman bank ended up at Petra International. By May 1989, three months before Jordan seized Petra Bank, the bankrupt Farouki companies owed Petra International more than \$12 million, court records show. Farouki's wife, Samia, and Mohamed Chalabi also were officers of a Virginia firm that folded in 1995, according to public records.

Laith Kubba, who helped his cousin Ahmed Chalabi form the INC but has since had a falling out, said Farouki became part of Chalabi's closely woven business network some time in the '80s. "Back in 1988-91, when I

worked with Chalabi on the INC, I was aware of the people who were his confidants, close to him, and I know Huda Farouki was one of them," Kubba said.

Tom Frank contributed to this article from Baghdad.

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Telegraph UK, February 19, 2004

**Chalabi stands by faulty intelligence that toppled Saddam's regime**

**By Jack Fairweather in Baghdad and Anton La Guardia**

An Iraqi leader accused of feeding faulty pre-war intelligence to Washington said yesterday his information about Saddam Hussein's weapons, even if dis-credited, had achieved the aim of persuading America to topple the dictator.

Ahmad Chalabi and his London-based exile group, the INC, for years provided a conduit for Iraqi defectors who were debriefed by US intelligence agents. But many American officials now blame Mr Chalabi for providing intelligence that turned out to be false or wild exaggerations about Iraq's WMD.

Mr Chalabi, by far the most effective anti-Saddam lobbyist in Washington, shrugged off charges that he had deliberately misled US intelligence. "We are heroes in error," he told the Telegraph in Baghdad. "As far as we're concerned we've been entirely successful. That tyrant Saddam is gone and the Americans are in Baghdad. What was said before is not important. The Bush administration is looking for a scapegoat. We're ready to fall on our swords if he wants."

His comments are likely to inflame the debate on both sides of the Atlantic over the quality of pre-war intelligence, and the spin put on it by President George W Bush and Tony Blair as they argued for military action.

US officials said last week that one of the most celebrated pieces of false intelligence, the claim that Saddam Hussein had mobile biological weapons laboratories, had come from a major in the Iraqi intelligence service made available by the INC. US officials at first found the information credible and the defector passed a lie-detector test. But in later interviews it became apparent that he was stretching the truth and had been "coached by the INC". He failed a second polygraph test and in May 2002, intelligence agencies were warned that the information was unreliable.

But analysts missed the warning, and the mobile laboratory story remained firmly established in the catalogue of alleged Iraqi violations until months after the overthrow of Saddam. America claimed to have found 2 mobile

**laboratories, but the lorries in fact held equipment to make hydrogen for weather balloons.**

**Last week, US State Department officials admitted that much of the first-hand testimony they had received was "shaky". "What the INC told us formed 1 part of the intelligence picture," a senior official in Baghdad said. "But what Chalabi told us we accepted in good faith. Now there is going to be a lot of question marks over his motives." Mr Chalabi is now a member of the Iraqi Governing Council, but his star in Washington has waned.**

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Knight Ridder, February 21, 2004

Officials: US still paying millions to group that provided false Iraqi intelligence

By Jonathan S. Landay, Warren P. Strobel and John Walcott

The Department of Defense is continuing to pay millions of dollars for information from the former Iraqi opposition group that produced some of the exaggerated and fabricated intelligence President Bush used to argue his case for war. The Pentagon has set aside between \$3 million and \$4 million this year for the Information Collection Program of the INC, led by Ahmed Chalabi, said two senior US officials and a US defense official. They spoke on condition of anonymity because intelligence programs are classified.

The continuing support for the INC comes amid seven separate investigations into pre-war intelligence that Iraq was hiding illicit weapons and had links to al-Qaida and other terrorist groups. A probe by the Senate Intelligence Committee is now examining the INC's role.

The decision not to shut off funding for the INC's information gathering effort could become another liability for Bush as the presidential campaign heats up and, furthermore suggests that some within the administration are intent on securing a key role for Chalabi in Iraq's political future.

Chalabi, who built close ties to officials in Vice President Cheney's office and among top Pentagon officials, is on the Iraqi Governing Council, a body of 25 Iraqis installed by the US to help administer the country following the ouster of Saddam Hussein last April. The former businessman, who lobbied for years for a US-backed military effort to topple Saddam, is publicly committed to making peace with Israel and providing bases in the heart

of the oil-rich Middle East for use by US forces fighting the war on terrorism.

The INC's Information Collection Program started in 2001 and was "designed to collect, analyze and disseminate information" from inside Iraq, according to a letter the group sent in June 2002 to the staff of the Senate Appropriations Committee. Some of the INC's information alleged that Saddam was rebuilding his nuclear weapons program, which was destroyed by UN inspectors after the 1991 Gulf War, and was stockpiling banned chemical and biological weapons, according to the letter.

The letter, a copy of which was obtained by Knight Ridder, said the information went directly to "US government recipients" who included William Luti, a senior official in Secretary of Defense Donald Rumsfeld's office, and John Hannah, a top national security aide to Cheney. The letter appeared to contradict denials made last year by top Pentagon officials that they were receiving intelligence on Iraq that bypassed established channels and vetting procedures. The INC also supplied information from its collection program to leading news organizations in the US, Europe and the Middle East, according to the letter to the Senate committee staff.

The State Department and the CIA, which soured on Chalabi in the 1990s, viewed the INC's information as highly unreliable because it was coming from a source with a strong self-interest in convincing the US to topple Saddam. The DIA has concluded since the invasion that defectors turned over by the INC provided little worthwhile information, and that at least 1 of them, the source of an allegation that Saddam had mobile biological warfare laboratories, was a fabricator. A defense official said the INC did provide some valuable material on Saddam's military and security apparatus.

Even so, dubious INC-supplied information found its way into the Bush administration's arguments for war, which included charges that Saddam was concealing illicit arms stockpiles and was supporting al-Qaida. No illicit weapons have yet been found, and senior US officials say there is no compelling evidence that Saddam cooperated with al-Qaida to attack Americans.

The Information Collection Program is now overseen by the DIA, the Pentagon's main intelligence arm, which took over when the State Department decided to give it up in late 2002.

The defense official defended the current support of the INC effort, saying that it has been of some help to the CIA-led Iraq Survey Group, a team that is trying to determine what happened to Iraq's chemical, biological and nuclear weapons programs. INC-supplied informants also have identified insurgents who have been waging a guerrilla war that has claimed the lives of more than 500 US troops and hundreds of Iraqis, he said. "To call all of it (INC intelligence) useless is too negative," said the defense official, who described the Information Collection Program as a "massive" undertaking. "You never take anything at face value," he continued. "When the INC gives information, we absolutely pursue it. You never know what that golden nugget is going to be."

But a senior administration official questioned whether the US should still be funding the program. "A huge amount of what was collected hasn't panned out," he said. "Some of it has turned out to have been either wrong or fabricated."

The senior administration official also sought to justify the initial decision to support the program. Prior to the invasion, US intelligence agencies had no better human sources in Iraq, and had no choice but to rely on the INC, minority Kurdish guerrilla groups and other sources who claimed to have knowledge of Saddam's illegal arms programs, ties to terrorist groups and his military forces, he said. "The evidence now suggests that at some points along the way, we may have been duped by people who wanted to encourage military action for their own reasons," he conceded.

Chalabi apparently is less concerned about the past. "We are heroes in error," Chalabi was quoted as saying recently in Baghdad by The Daily Telegraph of London. "As far as we're concerned we've been entirely successful. That tyrant Saddam is gone and the Americans are in Baghdad. What was said before is not important. The Bush administration is looking for a scapegoat. We're ready to fall on our swords if he wants."



In a related development, US officials said that on top of the Pentagon funds, Chalabi's organization asked the State Department in August for \$5 million in unspent financing that was approved by Congress before the war. The \$5 million has not been released, they said.

The request for the money follows the awarding to the INC of \$3.1 million in April 2003 following the fall of Baghdad, according to a State Department statement. State Department lawyers questioned the decision to turn over the \$3.1 million, said a State Dept official. But senior aides, anticipating an outcry from Chalabi's supporters in the administration and in Congress, opted to release the money, said the official, who spoke on condition of anonymity.

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**Daily Star, March 22, 2004**

**Frances Brooke, the man behind the new Iran-US entente on Iraq  
By Ali Nourizadeh**

**On the eve of his recent trip to Tehran to attend an Iraqi Shiite conference, INC leader Ahmed Chalabi contacted the Iranian Embassy in London. Chalabi spoke with the embassy's adviser for relations with Iraqi opposition groups, Hossein Niknan, who used to be Iran's charge d'affaires in Beirut. The INC leader asked the Iranian diplomat to issue a multiple entry visa for his PR consultant whom he said would be traveling with him to Iraqi Kurdistan through Iran and back again.**

**Under strict orders from Tehran to comply with all Chalabi's requests, Niknan did not hesitate to accede to this one even though the PR man in question was not Iraqi but American, Francis Brooke by name. Brooke, who was traveling with Chalabi, is a well-known American Middle East specialist and is rumored to be close to US National Security Adviser Condoleezza Rice. Chalabi was surprised to see Niknan take such an interest in Brooke's case; the American was granted a special multiple entry visa similar to the one issued to Chalabi himself.**

**When the pair arrived at Tehran's Mehrabad airport, the Iranian authorities not only waived the newly introduced fingerprinting rule - introduced in response to a INS decision to fingerprint all Iranians entering the US - as far as Brooke was concerned, Chalabi felt that his companion was being made even more welcome by immigration officers and Iranian Foreign Ministry officials than he was. Brooke was so warmly received wherever he went in Tehran that journalists who met with Chalabi were intrigued. They noted that Iranian officials - from the departments of security and foreign affairs, the Revolutionary Guards and the presidency - were even more interested in Brooke than in the INC leader himself.**

**A young Iranian journalist who asked a Foreign Ministry official just back from a meeting between Brooke and a senior Iranian National Security official whether Chalabi's public relations consultant had indeed delivered a letter from the US administration to the Iranian leadership said that the Foreign Ministry man replied: "All I can say is that he is an important person who knows many secrets. We believe he is in contact with Washington decision-making circles. We therefore have to use the opportunity of his being in Tehran to convey our point of view to the Bush administration vis-a-vis the war on Iraq – especially since the US government has closed off all other avenues open to us."**

**A few hours later, two reporters - Omid Memarian and Hossein Barmaki from Yas-e-no (a reformist newspaper published by prominent reformist MP and Islamic Iran Participation Front (IIPF) politburo member Mohammad Reza Naimipour) - met with Brooke in clear violation of instructions by the Iranian authorities not to publicize his visit to Tehran and his meetings with senior officials. The contents of this interview revealed that Brooke's visit to Iran was not simply that of a public relations consultant Chalabi had hired to embellish his reputation in the West. Brooke was on a mission; and the effects of his mission quickly became apparent in Iranian policy vis-a-vis the US in general and the way Tehran began viewing the war on Iraq.**

**In his interview with Yas-e-no, Brooke said: "After the collapse of the Soviet Union, the US no longer felt threatened with nuclear annihilation. It became no longer necessary for America to maintain relations with corrupt dictatorships just because of their hostility to communism. The Soviet foe has been replaced by a friendly Russia; China is not perceived by Washington as a threat but as a potential strategic partner. In fact, the gravest threat facing the West is that posed by Islamic fundamentalism. Sept. 11 brought home to us the magnitude of this threat to Western civilization.**

**"We understand that there are two factors that have encouraged the spread of fundamentalism in the Middle East and the Muslim world: the Palestine question and lack of democracy," Brooke continued. "America's most important strategic goals at the moment are to help Arab and Muslim peoples achieve democracy, and to find a just settlement for the Palestine question through the establishment of an independent and democratic Palestinian state.**

**"The overthrow of Saddam Hussein will be just the beginning of this process. A glance at America's traditional allies in the region shows that they do not enjoy the trust of their peoples. That is why we have decided to rethink our alliances. There is a vast gulf between us and the Europeans. America is a country built on revolutionary principles; one of these is**

helping oppressed peoples and fighting colonialism. No country is more justified in talking about democracy than the US," Brooke said. "It is essential that the peoples of the Middle East enjoy the fruits of democracy.

"Europe's experience is different to ours. European history is full of political and religious conflicts. Look at Europe now; in America, we proved that it is possible for people of different religious and ethnic backgrounds to live together. There are no racial and religious barriers preventing people in America from reaching the top in any field of human endeavor. In Europe, by contrast, laws are still in effect that distinguish between indigenous and immigrant populations. In America, once you are naturalized, you will be exactly the same as anyone whose ancestors came there centuries ago. We have an open society and a free press; we are not afraid to discuss our weaknesses openly. We are currently in the process of trying to overthrow the Iraqi regime and helping the Iraqi people establish democracy. This is part of our new strategy in this region."

But what about Iran? he was asked.

Brooke said: "Iraq is the common denominator between Iran - which was attacked by the Saddam Hussein regime - and the US, which wants to unseat the Iraqi leader. Iran has extended valuable help to the Iraqi opposition, and enjoys excellent relations with many opposition leaders such as (KDP leader) Masoud Barzani and Ahmed Chalabi. We cannot deny that Iran enjoys a semblance of democracy, but we hope that this will be further developed into true democracy."

In private meetings, Brooke reassured Iranian officials that the Bush administration is not thinking of attacking Iran or of changing its regime - so long as Iran acts responsibly and cooperates with the US in effecting a smooth transition to democracy in the region.

On March 16, just 2 days after Iran officially rejected America's war on Iraq, the Iranian national security council decided to adopt a position that tallies with US strategy. It quietly decided to participate in American efforts to effect "regime change" in Baghdad. That was how the enigmatic Francis Brooke succeeded in laying the groundwork for a new Iranian-American relationship in the post-Saddam era.

*Ali Nourizadeh, 1-time political editor of the Tehran daily Ettelaat, is an Iranian researcher at the London-based Center for Arab-Iranian Studies and the editor of its Arabic-language newsletter, Al-Mujes an-Iran.*

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UPI, March 29, 2004  
Chalabi's road to victory

**By ARNAUD DE BORCHGRAVE**

**With only 3 months to go before L. Paul Bremer trades in his Iraqi pro-consul baton for beachwear and a hard-earned vacation, the country's most controversial politician is already well positioned to become prime minister. Ahmad Chalabi, the Pentagon's heartthrob and the State Department's and CIA's heartbreak, has taken the lead in a yearlong political marathon. Temporary constitutional arrangements are structured to give the future prime minister more power than the president. The role of the president will be limited because his decisions will have to be ratified by two deputy presidents, or vice presidents. Key ministries, such as Defense and Interior, will be taking orders from the prime minister.**

**Chalabi holds the ultimate weapons - several dozen tons of documents and individual files seized by his INC from Saddam Hussein's secret security apparatus. Coupled with his position as head of the de-Baathification commission, Chalabi, barely a year since he returned to his homeland after 45 years of exile, has emerged as the power behind a vacant throne. He also appears to have impressive amounts of cash at his disposal and a say in which companies get the nod for some of the \$18.4 billion earmarked for reconstruction. A company executive who asked that both his and the company's name be withheld said, "The commission was steep even by Middle Eastern standards."**

**Chalabi is still on the DIA's budget for a secret stipend of \$340,000 a month. The \$40 million the INC has received since 1994 from the US government also covered the expenses of Iraqi military defectors' stories about WMD and the Iraqi regime's links with al-Qaida, which provided President Bush with a casus belli for the war on Iraq.**

**When Chalabi established the Petra Bank in Amman, Jordan, in the 1980s, he favored small loans to military officers, non-commissioned officers, royal guards and intelligence officers. He developed a close rapport with then Crown Prince Hassan who borrowed a total of \$20 million. After Petra went belly up with a loss of \$300 million at the end of the decade, Chalabi escaped to Syria in a car supplied by Hassan - minutes ahead of the officers who had come to arrest him for embezzling his own bank. The Petra fiasco debacle left him sufficient funds to launch INC a few days later.**

**Today, the MIT-trained mathematician says he has the documents that will prove he was framed by 2 Husseins - Saddam and the late king of Jordan - who wanted to put an end to his anti-Iraqi activities. Jordan used to get most of its oil needs from Iraq free or heavily discounted, which explains why King Hussein declined to join the anti-Iraq coalition in the first Gulf War. Sentenced in Jordan, in absentia, to 22 years hard labor for massive bank fraud, Chalabi hints he also has incriminating evidence of a close**

**"subsidiary" relationship between Jordan's King Abdullah and Saddam's depraved, sadistic elder son, Uday, killed last year in a shootout with US troops.**

**Potentially embarrassing for prominent US citizens, Chalabi's aides hint his treasure trove of Mukhabarat documents includes names of American "agents of influence" on Saddam's payroll, as well as a number of Qatar-based al-Jazeera TV news reporters who were working for Iraqi intelligence.**

**The final selection for prime minister will need the assent of the president and his 2 deputies - representing the country's 3 principal ethnic and religious groupings. Standard-bearer for Iraq's 60% Shiite majority and free Iraq's first president will be Abdulaziz Hakim. He is the brother of Ayatollah Mohammed Baqir al-Hakim, killed last year with 90 worshippers when a car bomb rocked the country's holiest Shiite shrine in Najaf. With an Islamic green light from Grand Ayatollah Ali Sistani, Hakim will almost certainly opt for fellow Shiite Chalabi as prime minister.**

**Slated for one of the two vice presidential slots is Adnan Pachachi, a Sunni octogenarian with a secular liberal outlook. He served as foreign minister and ambassador to the UN before the Baathists seized power in a military coup in 1968. Pachachi's nod may also go to Chalabi. For the third leg of the troika, rival Kurdish parties have agreed to unite behind Jalal Talabani, chief of the PUK. His vote, now believed to be favorable, would make it three out of three for Chalabi.**

**Referring to Chalabi, a former US ambassador recently back from an extended trip to Iraq, said, "Anyone who can get the US to invade Iraq must be a very clever politician. As for the people his INC coached in London to disinform the US intelligence community about Saddam's non-existent wmd, you've got to hand it to the guy. Don't blame him. Blame the Pentagon for not seeing through him."**

**If Chalabi's fast track to power is not derailed and he becomes prime minister in July, the president won't be able to fire him unless his two deputies agree. The provisional constitution seems tailor-made for Chalabi to call the shots into 2005. As head of the Governing Council's economic and finance committee, Chalabi has already maneuvered loyalists into key Cabinet positions in the provisional authority - finance, oil, and trade. The Central Bank Governor, the head of the trade bank and the managing director of the largest commercial bank also owe their positions to Chalabi's influence.**

**While in exile in London, he cultivated close contacts with Israeli officials. He has also visited Iran a number of times to confer with leading Ayatollahs in a bid for their support. He was given permission to open an INC office in**

Tehran. His strongest backers in the US are Vice President Dick Cheney, Deputy Defense Secretary Paul Wolfowitz, and neo-con theoretician Richard Perle. All the bases are loaded for a home run by MVP Chalabi. If successful, it will be an additional campaign issue president Bush could have done without. Saddam was good riddance. But was Chalabi a worthy democratic trade?

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Newsweek, April 5, 2004

Chalabi: A Questionable Use of US Funding

By Mark Hosenball and Michael Hirsh

Ahmad Chalabi has never paid much attention to rules. As an international financier, he was convicted in absentia in 1992 of embezzling millions from his own bank in Jordan. In the mid-'90s, the CIA tried to make him its point man in a plan to oust Saddam Hussein, but found he was not controllable, leading to a bitter divorce. "His primary focus was to drag us into a war that Clinton didn't want to fight," says Whitley Bruner, the CIA agent who first contacted Chalabi in London in 1991. "He couldn't be trusted." Most recently, Chalabi and his INC have been accused of passing on hyped or fabricated reports from defectors on WMD that Saddam didn't have - but which provided the casus belli. Like the CIA, the State Department eventually cut off dealings with Chalabi.

Today Chalabi is in Baghdad and wielding considerable influence as a prominent member of the Iraqi Governing Council. He's overseeing de-Baathification, a purge of alleged Saddam loyalists throughout the country. He apparently has no regrets that his WMD warnings have turned out to be inaccurate. What matters, Chalabi suggested recently, is that he finally got the regime change he had long sought. "As far as we're concerned we've been entirely successful," he told a British newspaper. "That tyrant Saddam is gone and the Americans are in Baghdad. What was said before is not important."

Some in Congress disagree. NEWSWEEK has learned that the GAO, Congress's investigative arm, is opening a probe into the INC's use of US government money the group received in 2001 and 2002. The issue under scrutiny is not whether Chalabi prodded America into a war on false pretenses; it is whether he used US taxpayer dollars and broke US laws or regulations to do so. Did Chalabi and the INC violate the terms of their funding by using US money to sell the public on its anti-Saddam campaign and to lobby Congress?

The investigation could easily become a political football. The GAO inquiry was requested by Democratic presidential candidate John Kerry (who when not on the stump is still a working senator) and another prominent critic of

the Iraq war, Sen. Carl Levin of Michigan, ranking Democrat on the Armed Services Committee. A March 3 letter from the senators says the INC's use of US money is "troubling."

Under a written agreement examined by NEWSWEEK, the INC had to abide by certain conditions for use of State Dept funds. The group was permitted to use the money to "implement a public information campaign to communicate with Iraqis inside and outside of Iraq and also to promulgate its message to the international community at large." But the grant terms would "strictly exclude" activities "associated with, or that could appear to be associated with, attempting to influence the policies of the US Government or Congress or propagandizing the American people."

Even so, in 2002 the INC - in an apparent effort to get Congress to continue its funding - submitted to the Senate Appropriations Committee a list of 108 news stories published between October 2001 and May 2002. The INC's document said these stories contained "ICP product" from an INC "Information Collection Program" financed by State. The stories included allegations about Saddam's WMD programs and links to terrorism, as well as INC material supporting innuendo that linked Saddam to the 9/11 attacks. Late last year Chalabi's DC representative, Francis Brooke, told NEWSWEEK that State Department money had been used to finance the expenses of INC defectors who were sources for some of the listed news stories. Brooke said there were "no restrictions" on the use of US government funds to make such defectors available to the news media.

One journalist who dealt with the INC on a defector story told NEWSWEEK that INC contacts indicated some of the defector's expenses were paid with US government funds. Last week another Chalabi spokesman said, "The INC paid some living and travel expenses of defectors with USG funds. None of these expenses was related to meeting journalists." He also said the group "did not violate any US laws."

In 2001, State Department auditors found that the defector program had rung up more than \$465,000 in costs that were "inadequately" or entirely undocumented. A subsequent audit found that the INC had improved its accounting methods. Even so, the State Department decided in summer 2002 that it no longer wanted to pay \$150,000 per month to the INC for "information collection."

In September 2002, funding for the INC defector program was transferred to the DIA. The Pentagon struck a deal whereby secret military intelligence funds, rather than State Department political funds, would be used to restart the \$340,000 monthly payments to the INC for intelligence gathering - a sum the group is still receiving today. But intelligence sources say the rules the DIA set for the use of its money strictly forbid the INC from

publicly releasing any info about its intelligence program without written permission from the Pentagon. Chalabi and his group - who continue to be defended by the Pentagon - were assigned to collect intelligence on Saddam's alleged connections with Al Qaeda, WMD and the whereabouts of Michael Scott Speicher, a US Navy pilot missing since being shot down during the first Gulf War. Defense officials maintain that since the end of the latest Iraq War, information collected by the INC for the DIA has been "useful," including information on Saddam's atrocities, terrorist attacks and Iraqi WMD.

Some critics of Chalabi say he still can't be trusted to supply good information, and he may now be using US funds to help build himself into a political figure. "He has no real political base...Chalabi has always had to spend money to gain loyalty - to rent loyalty," says Bruner, the former CIA officer. A former US intelligence official says Chalabi's use of CIA money in the early '90s was just as dubious. "There was a lot of hanky-panky with the accounting: triple billing, things that weren't mentioned, things inflated...It was a nightmare." (The Chalabi aide calls this a "smear.") The Defense Department, the former intel official says, is "getting rolled like everyone else."

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San Francisco Chronicle, April 22, 2004  
'Human rights shortcomings' in Hussein tribunal  
Concern grows that trial will be seen as a kangaroo court  
By Robert Collier

An Iraqi tribunal created to try Saddam Hussein is gathering force - and so are warnings from human rights groups that a failure to provide impartial justice after long years of savage dictatorship could cause the body to be perceived as a kangaroo court. Some legal experts say they are concerned that the tribunal is being controlled by one Iraqi political faction and will fail to meet the standards of international justice that have been set by high-profile war crimes trials in other countries.

On Tuesday, officials of the INC, a party led by controversial politician Ahmed Chalabi, announced that Chalabi's nephew Salem had been named as director of the tribunal and had chosen a panel of seven judges and four prosecutors to try Hussein and other former regime officials.

The tribunal has "serious human rights shortcomings," said Richard Dickler, director of the international justice program of Human Rights Watch. He noted that the Bush administration had earlier rejected human rights groups' calls for the court to include international experts in war crimes and crimes against humanity. The four war crimes tribunals now operating elsewhere - for the former Yugoslavia, Kosovo, Sierra Leone and Rwanda -



were created by the UN and are largely directed by foreign judges and lawyers. Dicker and other experts say the tribunal may prove unpopular with many Iraqis because it is almost completely controlled by the two Chalabis - who also direct the process of "de-Baathification," in which more than 120,000 former members of the ruling Baath Party were fired from their jobs in government, schools, universities and state-owned companies. That process has come under increasing criticism lately, even from US officials, who say it has been too sweeping and has driven many former Baathists into the guerrilla insurgency.

Ahmed Chalabi, a favorite of Defense Secretary Donald Rumsfeld and his top aides, was given control of both initiatives last year by US administrators, who provided little public explanation of their decisions. "It's interesting that the announcement of the naming of Salem Chalabi was made by the INC, a political party, and not by the Governing Council," Dicker said, referring to the 25-member Iraqi panel that is the country's central government body. "You want this to be distinct from political parties. You want that wall. This way...does not correspond to careful vetting, and it raises... concern on my part."

The Bush administration's decision to have the tribunal run by Iraqis rather than international jurists is controversial because there are no Iraqi judges or legal experts who are known to have any experience with human rights law or the complex legal issues surrounding war crimes, crimes against humanity or genocide. "The CPA and the Iraqi Governing Council should call on UN experts who can draw from similar experiences in other countries to ensure that the best makeup of the tribunal is chosen," Amnesty International said in a December statement. "Anything less would do a great disservice to the cause of justice, not just in Iraq but across the world."

Amnesty also noted that the tribunal permits the death penalty - which Ahmed Chalabi and some other Iraqi politicians have already advocated for Hussein. "It is a great disappointment to see representatives of the Occupying Powers now supporting or professing neutrality on the issue of the death penalty in Iraq rather than encouraging the permanent end of this obsolete and inhuman punishment," the group's statement said.

Some analysts say many Iraqis could be enraged if Hussein receives a flawed trial and is then executed. That could reinforce the growing public suspicion that the US occupation has continued Iraq's long tradition of politicized justice and arbitrary killings. "It's essential that the trials be fair, that the court be independent of political pressure and that it applies the law impartially," said Dicker. "Otherwise, the likelihood is that the trials will be seen as political vengeance in a judicial form." Analysts and ordinary Iraqis say that proving Hussein guilty for his regime's crimes, in which an es-

estimated 300,000 people were killed - is an essential step to enable Iraqi society to break with the past and move toward democratic self-government.

On Wednesday, Salem Chalabi said that one of the first Baath leaders to go on trial - perhaps even before Hussein - would be Ali Hassan al-Majid, a top regime official who earned the nickname "Chemical Ali" for his campaign against the Kurds and the Iranians in 1980s in which chemical weapons were used and more than 180,000 Kurds and Iranians were killed.

Questioning of likely defendants could start in two or three months, though no date has been set for the trial itself, Salem Chalabi said. He added that the names of the tribunal's prosecutors and judges would remain secret until pretrial questioning. Five judges have been assassinated since the fall of Hussein's regime a year ago.

Salem Chalabi said that Hussein's trial would most likely not begin before the November presidential elections in the United States but that evidence-gathering and some indictments should be finished by then. No defense lawyer has yet been appointed to represent Hussein, he said. A key remaining decision that has not been publicly announced is whether Hussein's and al-Majid's attorneys will be allowed to try to prove that the US government was aware of the Iraqi chemical warfare and aided the campaign.

It is known that the administrations of Presidents Ronald Reagan and George HW Bush gave intelligence and other military assistance to the Iraqi armed forces during the 1980-88 war against Iran, which was feared by the West because of its Islamic fundamentalism. Some former US officials have said the CIA was aware of the Iraqi use of chemical weapons. Dicker said such allegations by the defense should not be blocked out of hand. "I wouldn't rule it out as irrelevant political grandstanding," he said.

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**The Hill, April 22, 2004**

**Dictatorship ended, cronyism is doing nicely**

**By JOSH MARSHALL**

As long as everything in Iraq is going to hell in a handbasket, it's nice to step back for a moment and see the ways in which the darlings of the Iraq hawks who paved the way for the war are helping to make a mockery of the ideals and goals we're supposedly fighting for in the country. Allow me to explain.

No doubt, you've heard of Ahmed Chalabi, head of the INC. You may not have heard of his nephew, Salem Chalabi. A few weeks back, Salem headed

up a planning commission that visited Amsterdam and The Hague on a fact-finding mission to study how other countries recovering from dictatorship or civil war had put together war-crimes tribunals in their countries. In preparation for putting together their own tribunal to try Saddam Hussein and other malefactors of the old regime, the Iraqi delegation looked at recent experiences setting up such commissions in the Balkans, Rwanda, South Africa and other countries recovering from various sorts of mayhem and atrocity.

Now, according to wire reports from Tuesday of this week, the Iraqi tribunal has been created. And Salem has been appointed to head the operation as “director general.” He, in turn, appointed the 7 judges and 4 prosecutors who will sit in collective judgment over the various indictees.

The wire stories based this news on the say-so of Ahmed Chalabi’s long-time spokesman, Entefadh Qanbar. And if you’re wondering why Ahmed’s spokesman is suddenly also the spokesman for the war-crimes tribunal, that’s a good question - which we’ll return to in a moment.

Now, whatever you may think of Ahmed Chalabi, the Chalabis are one of Iraq’s wealthiest and most distinguished families. So perhaps it’s no surprise that they’d include among their number the sort of distinguished jurist who’d be appropriate for such a hallowed responsibility.

But Salem turns out to wear many hats and keeps awfully busy. In addition to being a distinguished jurist, he’s also a crackerjack Iraqi reconstruction-contracts rainmaker. After American troops deposed the former regime, you see, Salem put out a shingle offering help to companies trying to land lucrative Iraqi reconstruction deals paid for with US tax dollars. Salem’s shop is called the Iraqi International Law Group. And you can still visit it online at [www.iraqlawfirm.com](http://www.iraqlawfirm.com) .

If you were a company looking to get on the Iraq-reconstruction gravy train, Salem was probably a good place to start. Not only did he have the ear of his uncle Ahmed Chalabi, with his close ties to the Pentagon and his seat on the Interim Governing Council, but his business partner Marc Zell was pretty well-connected, too.

Who’s Marc Zell, you ask? Allow me to explain. Zell is the longtime law partner of Undersecretary of Defense Doug Feith, one of the Bush administration’s prime architects of the drive for war with Iraq. Feith’s Pentagon office, meanwhile, is the 1 charged with doling out Iraqi reconstruction contracts. (Their law firm is called Feith & Zell, though they’ve changed the name while Feith is in government. You can visit them at [www.fandz.com](http://www.fandz.com) )

At this point, I'm going to assume you've heard enough that you're either laughing or crying at the mix of insiderism, cronyism and ridiculousness that Chalabi and his crew are making of the lofty ideals we're supposedly fighting for in Iraq. We may have banished dictatorship and gross human rights abuses from Iraq - at least for the moment, that is - but cronyism and clan dynasticism seem to have weathered the invasion quite nicely.

And, of course, it's not just Chalabi, who could have accomplished little if any of this on his own. It's his friends in the Pentagon - folks like Feith - who have facilitated all these shenanigans and excesses with a mix of American money, guns, and their political control over the American occupation authority.

On that last count, consider the fact that the CPA - which is still the sovereign authority in Iraq - allowed Chalabi to confiscate the archives of the former regime's secret police in order to blackmail his political foes in Iraq and the rest of the Middle East. Just how this advances American interests, Iraqi interests, or the rule of law in Iraq is really hard to fathom.

And why is Ahmed's political spokesman now also the spokesman for the war crimes tribunal set to try Saddam, the guy Ahmed angled the US into overthrowing? That's anyone's guess. But, as you can see, it's rather par for the course.

With the new round of terrorist bombings in Basra yesterday further threatening to pull the new Iraq apart at the seams, we've clearly got more pressing matters to worry about than the bad acts and bad ethics of Chalabi and his various retainers and relatives. But while our enemies in Iraq are sabotaging our efforts with murder and mayhem, our "friends" in the country are undermining our goals by these subtler means.

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Newsweek, May 10, 2004

Intelligence: A Double Game

Has Chalabi given 'sensitive' information on US interests to Iran? He denies it, but the White House is wary

By Mark Hosenball

Ahmad Chalabi, the longtime Pentagon favorite to become leader of a free Iraq, has never made a secret of his close ties to Iran. Before the US invasion of Baghdad, Chalabi's INC maintained a \$36,000-a-month branch office in Tehran - funded by US taxpayers. INC representatives, including Chalabi himself, paid regular visits to the Iranian capital. Since the war, Chalabi's contacts with Iran may have intensified: a Chalabi aide says that since December, he has met with most of Iran's top leaders, including supreme religious leader Ayatollah Ali Khamenei and his top national-security aide,

Hassan Rowhani. "Iran is Iraq's neighbor, and it is in Iraq's interest to have a good relationship with Iran," Chalabi's aide says.

But US intelligence agencies have recently raised concerns that Chalabi has become too close to Iran's theocratic rulers. NEWSWEEK has learned that top Bush administration officials have been briefed on intelligence indicating that Chalabi and some of his top aides have supplied Iran with "sensitive" information on the American occupation in Iraq. US officials say that electronic intercepts of discussions between Iranian leaders indicate that Chalabi and his entourage told Iranian contacts about American political plans in Iraq. There are also indications that Chalabi has provided details of US security operations. According to one US government source, some of the information Chalabi turned over to Iran could "get people killed." (A Chalabi aide calls the allegations "absolutely false.")

Why would Chalabi risk his cozy ties to Washington by cuddling up to Iran's fundamentalist rulers? Administration officials say Chalabi may be working both sides in an effort to solidify his own power and block the advancement of rival Iraqis. A US official familiar with information presented to policymakers said that White House advisers were concerned that Chalabi was "playing footsie" with the Iranians.

Yet Chalabi still has loyal defenders among some neoconservatives in the Pentagon. They say Chalabi has provided information that saved American lives. "Rushing to judgment and cutting off this relationship could have unintended consequences," says 1 Pentagon official, who did not respond to questions about Chalabi's dealings with Tehran. Each month the Pentagon still pays his group a \$340,000 stipend, drawn from secret intelligence funds, for "information collection."

Still, the State Department and the CIA are using the intelligence about his Iran ties to persuade the president to cut him loose once and for all. Officials say that even some of Chalabi's old allies in Washington now see him as a liability. If Chalabi's support in the administration was once an iceberg, says one Bush aide, "it's now an ice cube."

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NBC News, April 28, 2004

Iraq congress members under investigation

Allegations include abduction, robbery, assault, car theft

By Lisa Myers

Members of the INC and its leader Ahmed Chalabi were airlifted into southern Iraq the day Saddam's government fell. Chalabi was President Bush's guest at the State of the Union address. Even today, the INC gets \$340,000 a month from the Pentagon to feed the US intelligence information.

**But NBC News has learned that members of the group are now under investigation by Iraqi police in Baghdad - allegations of:**

- \* abduction**
- \* robbery**
- \* stealing 11 Iraqi government vehicles**
- \* assaulting police by firing on them during a search.**

**An Iraqi police official says 1 doctor claims he was kidnapped at gunpoint: "They bound him, took him to an unknown place and after he got back to his house he discovered they took \$20,000. We caught the suspects and they said they were from the INC."**

**Iraqi authorities tell NBC that 4 INC operatives are under arrest, and an arrest warrant has been issued for the INC's chief of intelligence. The INC confirms its offices were searched six times and eleven cars seized. But officials say they've done nothing illegal. "There is something going on which basically is, what it appears to me, is trying to put political pressure on the INC," according to INC official Mudhar Shawkat.**

**All this comes in the wake of findings that key intelligence on wmd provided by Chalabi's group was false, perhaps even fabricated. In fact, the former head of the weapons hunt, David Kay, questions why a group that provided "fabricated information" is still on the US payroll. "You know, once taken, excused," says Kay. "Twice taken you're an idiot. And I think we're now at the point of we're really an idiot."**

**Tonight, a Pentagon spokesman says he knows nothing about the police investigation but that the 4 million taxpayer dollars going to Chalabi's group is already being reviewed.**

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**NYT, May 18, 2004**

**US to Halt Payments to Iraqi Group Headed by a Onetime Pentagon Favorite**

**By RICHARD A. OPPEL Jr.**

**The US government has decided to halt monthly \$335,000 payments to the INC, the group headed by Ahmad Chalabi, an official with the group said on Monday. Mr. Chalabi, a longtime exile leader and now a member of the Iraqi Governing Council, played a crucial role in persuading the administration that Saddam Hussein had to be removed from power. But he has since become a lightning rod for critics of the Bush administration, who say the US relied on him too heavily for prewar intelligence that has since proved faulty. Mr. Chalabi's group has received at least \$27 million in US financing in**

the past four years, the INC official said. This includes \$335,000 a month as part of a classified program through the DIA, since the summer of 2002, to help gather intelligence in Iraq. The official said his group had been told that financing will cease June 30, when occupation authorities are scheduled to turn over sovereignty to Iraqis.

Internal reviews by the US government have found that much of the information provided as part of the classified program before American forces invaded Iraq last year was useless, misleading or even fabricated.

A Pentagon official said Monday night said he was not able immediately to confirm the status of the Pentagon's relationship with Mr. Chalabi's group. On April 27, Secretary of Defense Donald Rumsfeld, asked at a news briefing about whether the payments to Mr. Chalabi's group were going to end, said, "To my knowledge, that's not been determined."

The official of Mr. Chalabi's group said the classified program had originally been scheduled to end Sept. 30, 2003, but was extended twice - to Dec. 31, 2003, and then again, to June 30, 2004. The official said he did not know why the government decided not to extend the program again.

In recent months, Mr Chalabi, once viewed as a potential leader of postwar Iraq, has been at odds with the Bush administration on a series of policy questions. He has criticized Lakhdar Brahimi, the UN official who is organizing an Iraqi government to take control of the country on July 1 and whose efforts have been embraced by the White House. He has also been at the center of a battle between the Governing Council and American occupation authorities over who should investigate corruption allegations in the UN oil-for-food program for Iraq.

The official of the INC defended the group's intelligence-gathering, saying its role providing weapons intelligence had been overblown and that it had helped capture 1500 insurgents, mostly loyalists of Saddam Hussein. Michael Rubin, who spent 8 months in Iraq as an adviser to the CPA, the occupation administration, and is now a resident scholar at the American Enterprise Institute, a conservative research center in Washington, said: "The truth of the matter is that the INC-provided information rolled up a lot of insurgent cells that were targeting American soldiers. It stopped bombings and terrorist attacks that were aimed at US troops. That program saved a lot of lives."

But Mr Chalabi's critics characterize him as a political opportunist. On Sunday, Sen. Joseph Biden, the ranking Democrat on the Foreign Relations Committee, described Mr. Chalabi as a "darling of the vice president and of some of the civilians in the Defense Dept," adding that Mr. Chalabi is "a

problem" and "not part of the solution. There seems to be an unwillingness to break from him," Mr. Biden said on NBC's "Meet the Press."

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NYT, May 20, 2004

Officials Seize Files of Top Iraqi Leader Once Backed by US  
By DEXTER FILKINS and KIRK SEMPLE

The offices and home of Ahmad Chalabi, the Iraqi politician once favored by the Pentagon but now at odds with the American authorities, were raided by the authorities today and computers and documents were seized. Witnesses said the raiding party involved about 100 American and Iraqi law enforcement officers, including officials believed to be from the FBI and the CIA. A spokesman for the American occupation authorities said that the CPA and its top official, L. Paul Bremer III, had not been involved in the raids, and he referred all questions to the Iraqi police, which, the spokesman said, had planned and conducted the operations. Mr. Bremer, the spokesman said, "did not know the operation was occurring today" and was notified only after it had been completed. He did not confirm witness accounts that American troops were involved.

Reporters who entered the office compound after the raid found a scene of destruction. Computers had been seized, furniture had been overturned, doors broken down and framed photographs of Mr Chalabi smashed. Aides to Mr. Chalabi said members of the raiding party had helped themselves to food and beverages from the refrigerator. "My house was attacked," Mr. Chalabi said during a televised news conference in Baghdad. "We avoided by a hair's breadth a clash with my guards." He held up a framed picture with its glass cracked - the work of the raiding party, he said - and accused the soldiers and the police of ransacking and "vandalizing" his office.

Mr. Chalabi blamed the American occupation authorities for ordering the raid, saying they were angry about his recent criticism of the coalition authority and the Bush administration's plans for the transition back to Iraqi governance. He enumerated several possible reasons for the raids, including differences with American authorities over how to conduct an investigation into corruption in the UN's oil-for-food program in Iraq, and over how much power the Iraqis should assume when the country regains sovereignty on June 30. "When America treats its friends this way, then they are in big trouble," he said. "My relationship with the CPA now is nonexistent."

According to Mr Chalabi's aides, the searchers were looking for two men close to the Iraqi politician, one of whom is Mr. Chalabi's security chief and presides over a vast intelligence network. "Bremer," said one Chalabi aide, "has lost his mind." Dan Senor, chief spokesman for Mr. Bremer, said the



raids had been aimed at "individuals" who work for the INC but had nothing to do with the investigations into the oil-for-food program.

Whatever the purpose, the raids illuminated a huge rupture in what had been the Bush administration's most important personal and political relationship in Iraq. Mr Chalabi, a longtime exile leader and now a member of the Iraqi Governing Council, played a crucial role in persuading the administration that Saddam Hussein had to be removed from power. But he has since become a lightning rod for critics of the Bush administration, who say the US relied on him too heavily for prewar intelligence that has since proved faulty.

In recent weeks, the relationship has further soured as Mr Chalabi has openly criticized Mr Bremer and has advocated a more expansive definition of the sovereignty which Iraq will assume on June 30, including full Iraqi control of its armed forces and oil revenue. In recent months, Mr. Chalabi has also criticized Lakhdar Brahimi, the UN official who is organizing an Iraqi government to take control of the country on July 1 and whose efforts have been embraced by the White House. And he has objected to Mr Bremer's efforts to leave the governing council out of an investigation of alleged corruption in the UN oil-for-food program for Iraq. Aides close to Mr. Chalabi say the animosity between him and Mr. Bremer has grown so severe that the Iraqi has taken to skipping Iraqi Governing Council meetings that Mr. Bremer attends.

The INC disclosed earlier this week that the American government had decided to halt monthly \$335,000 payments to the group. Mr. Chalabi's group has received at least \$27 million in US financing in the past four years, an INC official said this week. That includes \$335,000 a month as part of a classified program through the DIA, since the summer of 2002, to help gather intelligence in Iraq. Internal reviews by the US government have found that much of the information provided as part of the classified program before American forces invaded Iraq last year was useless, misleading or even fabricated. The official from Mr Chalabi's group said the classified program had originally been scheduled to end Sept. 30, 2003, but was extended twice — to Dec. 31, 2003, and then again, to June 30, 2004. The official said he did not know why the government decided not to extend the program again.

Salem Chalabi, nephew of Mr. Chalabi and head of the Iraqi war crimes tribunal, told AP that his uncle had told him by telephone that Iraqi and American authorities "entered his home and put the guns to his head in a very humiliating way that reminds everyone of the conduct of the former regime." Ali Sarraf, the finance director of the INC, described a tableau of brutality. "We offered them the keys and they showed us guns," he said. "They kicked the door down." Standing amid the debris in the organization's offic-

es, he said: "Bremer is panicking. This is about settling things with Dr. Chalabi."

Dexter Filkins reported from Baghdad for this article and Kirk Semple contributed reporting from New York for this article.

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**CBS News, May 20, 2004**  
**America's 'Best Friend' A Spy?**

In the latest setback for a man once seen as the possible leader of a free and democratic Iraq, Iraqi police backed by US troops raided the Baghdad home and offices of Iraqi politician Ahmad Chalabi. American soldiers and armed US civilians could be seen milling about Chalabi's compound in the city's fashionable Mansour district. Some people could be seen loading boxes into vehicles. Aides said documents and computers were seized without warrants.

A senior coalition official said several people were arrested and that arrest warrants were issued for "up to 15 people" on allegations of "fraud, kidnapping and associated matters."

Senior US officials told 60 Minutes Correspondent Lesley Stahl that they have evidence Chalabi has been passing highly-classified US intelligence to Iran. The evidence shows that Chalabi personally gave Iranian intelligence officers information so sensitive that if revealed it could, quote, "get Americans killed." The evidence is said to be "rock solid." Sources have told Stahl a high-level investigation is underway into who in the US government gave Chalabi such sensitive information in the first place.

In addition, sources told Stahl that 1 of Chalabi's closest confidantes - a senior member of his organization, the INC - is believed to have been recruited by Iran's intelligence agency, the Ministry of Information and Security (MOIS) - and is on their payroll.

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**Fox News, May 20, 2004**  
**US Raids HQ of Iraqi Politician Ahmad Chalabi**

...American officials in Iraq have complained privately that Chalabi - a long-time Pentagon favorite - has been interfering with a US investigation into allegations that Saddam Hussein's regime skimmed millions of dollars in oil revenues from the controversial UN-run oil-for-food program.

Once favored by the American government as the possible new leader of Iraq, Chalabi has also recently come under suspicion because he has been

openly criticizing the US for its plans to transfer power to the Iraqi people at the end of June. Entifadh Quanbar, an INC spokesman in Washington, told Fox News that soldiers raided Chalabi's home because he has been outspoken about the oil-for-food investigation and Iraqi sovereignty. Quanbar said the raid was a politically motivated attempt to intimidate Chalabi.

Fox News learned that Chalabi has alleged he has files pertaining to the oil-for-food program, though it wasn't immediately clear whether any of those documents were seized in Thursday's raid. The US-led CPA has asked Chalabi to turn over all his oil-for-food files to the Board of Supreme Audit, the official auditing body, Fox News learned. Chalabi claims L. Paul Bremer, the top US civilian administrator in Iraq, has been withholding funds he was supposed to be given to investigate the scandal-scarred program, though CPA officials say he was never promised such funds and does not have the power to conduct such an investigation, sources told Fox...

Another official, Qaisar Wotwot, said the operation was linked to Chalabi's recent comments demanding full Iraqi control of oil revenues and security after the June 30 transfer of power. "It's a provocative operation, designed to force Dr. Chalabi to change his political stance," he said.

Chalabi has complained recently about US plans to retain control of Iraqi security forces and maintain widespread influence over political institutions after power is transferred from the CPA to an Iraqi interim administration. Musawi said Chalabi "had been clear on rejecting incomplete sovereignty...and against having the security portfolio remain in the hands of those who have proved their failure."

However, US and coalition officials have recently accused him of undermining the investigation into the oil-for-food program. The US-backed investigation has collected more than 20,000 files from Saddam's regime and hired American accounting firm Ernst & Young to conduct the review.

Chalabi has launched his own investigation, saying an independent probe would have more credibility. He took an early lead in exposing alleged abuses of the oil-for-food program and has been trying to force the coalition to give him the \$5 million in Iraqi funds set aside for the probe to pay for his effort. The move has been strongly resisted by Bremer. Chalabi's backers have hired a competing American accounting giant, KPMG, to do its audit, but they want Bremer's administration to pay the bill out of the Iraqi funds, mostly seized Saddam assets and Iraqi oil sales, the CPA controls. The UN is conducting its own investigation, led by former Federal Reserve chairman Paul Volcker.

**From an American Friend Who Witnessed the Humiliating Raid Against Chalabi (With thanks to Harold Rhode)**

Hi folks,

I wanted to let everyone know that I am safe in Iraq after what was a very eventful day yesterday. As most of you know, I work closely with Dr. Chalabi in Iraq, assisting the INC as a financial advisor. Yesterday, as I was sitting in my nightshirt and shorts, getting ready to face the day, my guard came in and told me that Dr. Chalabi's guards were being arrested. Yelling to my friend and housemate Francis, I raced over to Dr Chalabi's house to find a confrontation between the Iraqi Police (IP), guarded by the US military and advised by plain clothed "advisors" to the IP. Two Americans demanding to know who was in charge of this operation, startled them. Suddenly some of the American "advisors" disappeared into their cars. The US military were fine - just obeying orders. After a back and forth with the IP and the US military, one unarmed IP was allowed inside to search for the persons forwhom they had warrants.

It is helpful to understand that these "warrants" are coming from a special court established by Paul Bremer and reporting directly to him. The judge used to be a translator at the CPA Ministry of Justice and was imposed on the court by the CPA. His first charge was against Aras Kareem, the head of INC intelligence. According to the arrest warrant, he was charged with stealing eleven vehicles that belonged to the Ministry of Finance. Those eleven vehicles had been parked on INC property for protection and the MOF had taken the keys with them. The temporary offices of the MOF (its permanent building was damaged in the war) had no room for the vehicles. The MOF sent a letter to the judge saying there was no basis for the charges. The judge threatened the MOF lawyer with imprisonment if the MOF did not withdraw the letter. He also refused to take the letter from Aras's lawyer. Even yesterday, when they came to arrest several people (none of course were at Dr. Chalabi's house), their investigation was so poor that they did not even know the last names of the people they were trying to arrest. They tried to arrest 1 of Dr. Chalabi's drivers just because his first name was Kamaran - a common Kurdish name. It would be like going to an office with a warrant to arrest Mike and arresting anyone with that first name.

After the police left (with nothing) I went over to China House - the INC office - where this time there was no pretense of arresting anyone. The plain-clothed American advisor without ID said they were seizing the building. I asked to see the warrant but none was available and no one would admit to being in charge. Under the watchful eye of these advisors, the IP ransacked the office, shooting Dr Chalabi's picture, overturning furniture, looting what they could carry off and spewing garbage everywhere. Dr. Chalabi had a

group picture of his father - about 50 persons in total. The police had smashed the glass and punched a hole through the face of Dr. Chalabi's father. We forget that Iraqis have long histories and long memories. That this police officer would recognize the face of Dr. Chalabi's father in a sea of faces is illustrative of the roots of the invasion of his office.

Paul Bremer's imperious manner has resulted in a tremendous loss of American and Iraqi lives. His subversion of Iraq's nascent judicial system to silence a political opponent not only undermines Iraqi democracy but ours as well. I am okay in Baghdad, but angry.

Peg

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Daily Telegraph, May 21, 2004  
Billion-dollar timebomb puts Chalabi at risk  
By Robin Gedye

Ahmad Chalabi is in possession of "miles" of documents with the potential to expose politicians, corporations and the UN as having connived in a system of kickbacks and false pricing worth billions of pounds. That may have been enough to provoke yesterday's American raid. So explosive are the contents of the files that their publication would cause serious problems for US allies and friendly states around the globe.

Late last year and several months before Paul Bremer's CPA became involved, Mr Chalabi had amassed enough information concerning corruption in the oil-for-food scandal to realise that he was sitting on explosive material. It was information that would lead to the publication in a Baghdad newspaper in January of a list of 270 businessmen, politicians and corporations, of whom many were alleged to have received money in the form of kickbacks from Saddam's regime. The list published in the newspaper al-Mada included British, Russian and French politicians, among them Benon Savan, who ran the UN's oil-for-food programme. "The Iraqi regime, like all dictatorships, kept meticulous records with countless cross-references," said a source close to Mr Chalabi.

"The UN's oil-for food program provided Saddam Hussein and his corrupt and evil regime with a convenient vehicle through which he bought support internationally by bribing political parties, companies, journalists and other individuals of influence," said Claude Hankes-Drielsma, a British strategy consultant who was hired by Mr Chalabi. "I first became aware of the extent of the UN's oil-for-food problem last December when I was shown a list of non-end users who purchased crude oil through the UN approved program. While the list included many bona fide oil traders, there

were many names that raised questions. It suggested a pattern of buying influence through those with political influence within their own countries."

On Dec 5, 2003, Mr Hanks-Drielsma wrote to Kofi Annan, the UN secretary-general, strongly urging the UN to "consider appointing an independent commission to review and investigate the oil-for-food program". On Feb 2 he followed his letter to Mr Annan with one to Hans Corell, under-secretary for legal affairs and legal counsel at the UN, outlining the potential scandal. He also had a meeting with Jeremy Greenstock, Britain's special envoy to Iraq. Mr Corell responded by asking him to "produce the evidence".

On the basis of this challenge, the Iraq Governing Council decided it would have to appoint an internationally-renowned firm of accountants, together with legal advisers. KPMG were duly appointed by the finance committee of the IGC and the UN was informed on March 3.

Some three weeks later, "Mr. Bremer decided to intervene", said Mr Hanks-Drielsma, informing the IGC that he would not release funds from the Iraqi Development Fund to meet the cost of the investigation unless the contract was put out to tender. "He also without discussion or consultation put an arbitrary upper limit of \$5 million" on the funds. The contract was put out to tender the next day while KPMG had to stop its work. Within 2 weeks, on April 9, the CPA put out its own invitation to tender for a parallel investigation.

Meanwhile, on April 18, the IGC reviewed the submitted tender proposals and decided that KPMG's proposal was, after all, the most suitable. Last Thursday Mr Bremer's CPA announced that it had appointed the accounting firm Ernst and Young to lead its investigation, in apparent conflict with KPMG. KPMG, which had also bid for the CPA contract, said that it was forced to drop out because the CPA refused to agree to adequate legal protection in an investigation with immense potential for litigation. Ernst and Young refused even to confirm that it had won the contract. Meanwhile KPMG is still waiting for its \$5 million to begin work.

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Washington Post, May 21, 2004  
Standing of Former Key US Ally in Iraq Falls to New Low  
By Robin Wright

A year ago, as US troops swept toward Baghdad, Ahmed Chalabi and about 400 hastily assembled fighters were secretly airlifted into southern Iraq to rally other Iraqis and begin a march toward Baghdad to help topple Saddam Hussein, an operation that won the concurrence of US officials all the way up to Vice President Cheney's office. Chalabi had predicted that he would

become Iraq's Spartacus, cutting a wide swath through Iraq and mobilizing vast numbers behind him, according to US officials.

It marked the high point in Chalabi's checkered career - and in his relationship with the US. But it did not last long. "It was the moment of truth for Chalabi, and it was literally a moment. It was over almost the minute it happened," said a senior US official who worked with Chalabi and served in the US-led coalition in Baghdad. "Compared to de Gaulle's march to Paris, Chalabi's march to Baghdad was a stone that went into the water without a splash." US officials point to that early April 2003 covert operation as the turning point in their dealings with the charismatic US-educated banker and convicted felon - a relationship that was always controversial but, nonetheless, has dramatically changed both Iraq and the Middle East over the past year.

Instead of being the warrior-king who liberated town after town, "he was jeered more than cheered. Iraqis were shouting him down. It was embarrassing," said another US official familiar with Chalabi's first public appearance in the Iraqi heartland after 45 years in exile. "We had to help bail him out."

Since then, Chalabi's standing has gradually eroded, until yesterday, when a US-backed raid on his compound marked a new nadir. Although Chalabi has always been a divisive figure, even quarters that once strongly supported him were distancing themselves yesterday. Many administration officials would not speak on the record yesterday because of the contentious relations some had with him. "The vast majority of reports of his proximity to and influence on administration policy have been greatly exaggerated," said a senior administration official involved in Iraq policy who knows Chalabi. "The reality is that he was among a wide variety of Iraqi figures who made the case to an array of American officials over a period of time for the liberation of the Iraqi people."

Yet no Iraqi leader has had more to do with the US intervention in Iraq than Chalabi, from charming Congress into authorizing almost \$100 million to back his fledgling INC in the late 1990s and convincing Washington about Hussein's weapons of mass destruction in 2002 to pressing for war last year, say both his supporters and critics. "He was impressive in Washington because, amongst a feckless crew of Iraqi exiles, he was the one who stood out for his intelligence and organizational abilities and his courage. But Ahmed has a fatal flaw. He's too clever by half, and he's challenged by the truth, which has been the repeated pattern of his undoing," said Martin Indyk, a former assistant secretary of state and NSC staff director who dealt with Chalabi when the Clinton administration was exploring how to oust Hussein.

When he arrived in Baghdad, after US troops liberated the Iraqi capital, Chalabi almost immediately began rubbing US officials the wrong way by asserting himself - and becoming a rival authority, US officials say. One of his aides declared himself "mayor" of Baghdad. His supporters established what US officials called "Chalabi cantons," complete with roadblocks and tolls. And loyalists sent out word that Iraqis should report to the INC before returning to work.

His agents were also faster than US troops at getting to Iraq's intelligence headquarters, where they took thousands of sensitive files, which the INC has refused to return to the new intelligence ministry, US officials say. Supporters were implicated in commandeering the property of former Baath Party officials, from homes to upscale cars.

But with strong support from Washington, Chalabi continued to play an important role in Iraq as the US-led coalition grappled with finding local leaders in an effort to shape postwar Iraq. "He won the confidence of the neo-conservatives, plugged into their wavelength and articulated a vision that was identical to the one they had. What he said about Baathism, wmd, terrorism, Saddam and the future of the Middle East was indistinguishable from what they believed," the senior US official said.

Chalabi was among the 25 Iraqis selected last summer for the Iraqi Governing Council, but relations continued to fray. The US failure to find wmd during the summer and fall further undermined his credibility - and irritated the Bush administration. INC intelligence and defectors played a major role in building the case against Hussein, US officials say.

"Now it's demonstrable that he told the US government a lot of things that were not true," said Pat Lang, former head of Middle East intelligence at the DIA. At the UN last year, Secretary of State Colin Powell presented the US case for war, which included information on mobile labs for the production of chemical or biological weapons based on data from a defector provided by the INC, data that the US has since conceded were untrue.

But Chalabi, a Shiite Muslim educated at MIT and the University of Chicago, has been unrepentant. "We are heroes in error," he told the Daily Telegraph of London in February. "As far as we're concerned, we've been entirely successful. That tyrant Saddam is gone and the Americans are in Baghdad. What was said before is not important."

Throughout much of its relationship with him, the US has been willing to shrug off Chalabi's past as a convicted felon disliked and mistrusted by many in the Arab world. In 1992, Chalabi, whose family fled Iraq when he was a teenager, was sentenced in absentia by Jordan to 22 years in prison on 31 counts of embezzlement and other bank fraud charges.



**But Chalabi's close relationship with Iran, the only neighboring state that regularly deals with him, is now a further cause of concern in Washington. The INC chief has always been a master at balancing the two foes, but US officials have recently cited fears that Chalabi's ties could endanger US operations in Iraq.**

**As US and UN officials work to form an interim Iraqi government, US officials have increasingly been frustrated by Chalabi's maneuvering to ensure that he and some of his Governing Council allies retain strong positions. Washington fears that he will try to undermine whomever UN envoy Lakhdar Brahimi names, possibly next week.**

**Chalabi insisted yesterday that he is still "America's best friend in Iraq," although he later told reporters that he is severing ties with the US-led coalition government and now wants to see Iraq liberated. "Let my people go," he said. "It is time for the Iraqi people to run their affairs."**

**Researcher Julie Tate contributed to this report.**

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**NYT, May 21, 2004**

**Chalabi's Seat of Honor Lost to Open Political Warfare With US  
By DAVID E. SANGER**

**By all appearances, Ahmad Chalabi reached the pinnacle of influence in Washington four months ago, when he took a seat of honor right behind Laura Bush at the president's State of the Union address. To all the world, he looked like the Iraqi exile who had returned home victorious, a favorite of the Pentagon who might run the country once the American occupation ended. In fact, as Mr. Chalabi applauded President Bush, his influence in Washington had already eroded.**

**The intelligence about unconventional weapons that his INC helped feed to senior Bush administration officials and data-starved intelligence analysts – evidence that created the urgency behind the march toward war - was already crumbling. Intelligence officials now argue some of it was fabricated. The much-discussed, much-denied effort by Pentagon officials to install him as Iraq's leader had already faded.**

**By Thursday morning, when his home and office were raided by the Iraqi police and American troops seeking evidence of fraud, embezzlement and kidnapping by members of his INC - and perhaps an explanation of his dealings with Iranian intelligence - Mr. Chalabi was already engaged in open political warfare with the Bush administration.**

Now he says that with the liberation of Iraq, the US should get out of the way. "My message is let my people go, let my people be free," he said, clearly angry that his bedroom had been invaded and that his computers and papers had been confiscated. "We are grateful to President Bush for liberating Iraq, but it is time for the Iraqi people to run their affairs."

It was an outburst that followed a long winter and spring of growing tensions. Mr. Chalabi has denounced the American plan to let the UN choose an interim government for Iraq. Just three days ago, the Pentagon announced that it would terminate his organization's \$335,000-a-month contract with the DIA. Over the years, the INC has received about \$33 million from the State Dept, according to a new GAO report. In addition it got \$6 million from the DIA. In return, Mr. Chalabi provided intelligence on weapons that one senior American intelligence official described earlier this week as "useless at best, and misleading at worst." Other officials say Mr. Chalabi's group was more accurate in identifying the whereabouts of former Saddam Hussein loyalists.

The raid was a remarkable reversal for a man who, in lunches with politicians, secret sessions with intelligence chiefs and frequent conversations with reporters from Foggy Bottom to London's Mayfair, worked furiously to plot Mr. Hussein's fall.

His biggest success came in 1998. That year a group of influential conservatives wrote an "Open Letter" to President Bill Clinton calling for "regime change" in Iraq to become the official policy of the US. Those signing the document included many of the men who came to dominate the top ranks of the Bush administration three years later: Donald Rumsfeld, Paul Wolfowitz, Douglas Feith, Richard Armitage, Elliott Abrams and Zalmay Khalilzad, among others.

Their entreaty helped propel an act of Congress that Mr. Clinton endorsed. And the letter stated clearly that the US should "recognize a provisional government of Iraq based on the principles and leaders of the INC that is representative of all the peoples of Iraq."

That never became official policy, but it clearly cemented Mr. Chalabi's position as a favorite. The act allowed millions of dollars to flow to the INC, although many in the Clinton administration doubted Mr. Chalabi's ability to lead an overthrow of Iraq. Many of Mr Clinton's top advisers dismissed him. "Saddam isn't going to be overthrown by a bunch of guys with briefcases in London," Samuel Berger, then the national security adviser, once said. Others noted his conviction for defrauding his bank in Jordan twelve years ago; Mr. Chalabi and his supporters say he was framed.

**But those doubts were largely forgotten when the signatories of the 1998 letter came to power in 2001. Mr. Chalabi became a frequent visitor to the Pentagon and the White House, even though he was snubbed by the CIA and the State Department. He became a master of the art of the leak, giving new currency to the suspicions about Mr. Hussein's weapons.**

**But he also made many enemies. Richard Perle, one of his strongest supporters here, another signatory of the letter, and a highly influential figure in defense circles, alluded to that Thursday after calling the raid on the INC operations "bizarre." "It is far from obvious how we advance American interests by acting against someone who shares our values and is highly effective," Mr. Perle said in an interview. "They have gone in recent days, at the CIA and the State Department, from saying he has no influence in Iraq to a panic that he is really quite effective and could emerge with great influence" when the occupation ends. He predicted that "the crude nature of this action will actually have the reverse effect, and bolster Ahmad."**

**Among Mr. Chalabi's other vociferous defenders over the last three years have been Vice President Dick Cheney and Mr. Wolfowitz, the deputy secretary of defense, who could often be overheard describing Mr. Chalabi's love of both the Iraqi people and the land he left at age 13. But both men were careful never to state outright what role they thought Mr. Chalabi should play, beyond a confidence he would rise to the top.**

**Mr. Chalabi in recent months has veered between tepid defenses of the case he made against Mr. Hussein and increasingly vitriolic descriptions of the American occupation. "We are heroes in error," he told the London Daily Telegraph in February, when asked whether he had fed faulty intelligence to the US and Britain to stoke the case for war. "As far as we're concerned we've been entirely successful. That tyrant Saddam is gone and the Americans are in Baghdad. What was said before is not important. The Bush administration is looking for a scapegoat." Mr. Chalabi said later that he had been misquoted.**

**Quoted accurately or not, he became more concerned that he was becoming that scapegoat and broke with the administration when it seemed clear that he and other leading members of the Governing Council might be frozen out of the interim government that the UN is expected to create with American guidance to take over on July 1. Mr. Wolfowitz told Congress on Tuesday that it was the imminent transfer of sovereignty that led to the Pentagon's decision to end the contract with Mr. Chalabi's group.**

**Mr. Chalabi had no doubt what his role was: the man who led the liberation of Iraq. In an interview last winter, when he was leading an effort to keep the Iraqi Governing Council in power even after a new Iraqi government**

took office, Mr. Chalabi argued that he and others on the council "are the ones that opposed Saddam Hussein for all those years and, allied with the US, overthrew him." "Now the US wants to overthrow us?" he asked.

Reacting to that, Sheik Ghazi Marshal Ajil al-Yawar, another council member who is its president today, shook his head and said: "They think they are entitled to a role because they believe they overthrew Saddam Hussein. It was the US that overthrew Saddam while we were eating TV dinners."

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LA Times, May 21, 2004

A Dangerous Dreamer

Spurned by the US, Chalabi emerges as a Shiite firebrand

By Andrew Cockburn

The raid by US and Iraqi forces on "the China House," as Ahmad Chalabi's headquarters in Baghdad is known locally, may seem to many as merely the coup de grâce on a washed-up politician. After all, it has seemed for some time that Chalabi's days as a potent player in Baghdad and Washington were over. UN envoy Lakhdar Brahimi has made it known that Chalabi, who currently sits on the Iraqi Governing Council, will not figure in the Iraqi administration he is assembling for a June 30 transfer of power. And just this week the Pentagon revealed that it is at last suspending Chalabi's \$340,000 monthly subsidy.

That's not all. The discrediting of Chalabi's prewar "intelligence" on Saddam Hussein's WMD and terror links has wrecked his once-warm relations with the US media. And his senior aides are under investigation for robbery and kidnapping, the official reason for Thursday's raid. The raid was not insignificant; it was an indication of just how seriously the US occupation authorities consider Chalabi a threat to their plans for the future of Iraq.

In recent months he has been adopting an increasingly strident tone in denouncing both the US occupation and the UN role in Iraq. He has recently compared American officials bringing former Iraqi generals to Fallouja to "putting the Nazis back in power" and has derided Brahimi as "an Algerian with an Arab nationalist agenda."

Less publicly, he has been putting together a sectarian Shiite bloc with the aim of immediately destabilizing whatever arrangement Brahimi unveils in 10 days' time. Many fear Chalabi could, for example, champion a move for a separate Shiite state, or indeed, foment anti-Sunni demonstrations. This is indeed a far cry from the days when Chalabi posed as the champion of liberal Iraqi democracy for US supporters, though Iraqis who know him are less surprised at the cynical turnabout. As one Iraqi who has known and worked with Chalabi in the past observes: "His dream has always been to

be a sectarian Shia leader. Not in the religious sense, but as a political leader." Leading fellow sectarians in opposition to the US and UN plans would be a vital step in realizing this dangerous dream.

No one should take Chalabi and his ambitions lightly. This is the man who for years waged a determined struggle to draw the US into war with Iraq - even as he was abandoned and derided by his original sponsors at the CIA - and he ultimately succeeded.

Following last year's invasion, Chalabi's fans among the neocon faction in the Pentagon - who supported him despite his conviction for fraud and embezzlement in Jordan - were of course unable to impose him as ruler upon a post-Saddam Hussein Iraq.

The overwhelming majority of Iraqis regarded him as a carpetbagger and an American stooge. In response, even as he worked quickly to restore the Iraqi fortune abandoned by the Chalabis when they fled the 1958 revolution (he has reclaimed family properties and made profitable deals including, allegedly, trading oil), Chalabi began to burnish his credentials as a Shiite leader. While attempting to cloak himself in the robe of Grand Ayatollah Ali Sistani, he also, for example, deployed his nephew Salem, a US-trained lawyer, to inject as much of the credo of Shiite Islam as possible into the interim constitution.

Following the horrifying bombings at a recent Shiite religious festival in Karbala, which were clearly intended to incite Shiite-Sunni conflict, a Chalabi aide went on Iraqi radio uttering barely concealed threats of civil war against the Sunnis. As many in Iraq shrank from the prospect of civil war, Chalabi gave the appearance of encouraging it.

As it became more evident that Brahimi had the total backing of Washington in excluding Chalabi from office, Chalabi's promotion of sectarian politics, from which Iraq has traditionally been free, became even more pronounced. He initiated a "Supreme Shiite Council," modeled on a similar institution created during the bloody Lebanese civil war of the 1970s and 1980s. Among its leading lights were Seyyid Mohammed Bahr Uloum, a fellow member of the Governing Council, who for years has been close to Chalabi. (Chalabi helped fund the mortgage of his house in London in the early 1990s.) Also involved in Chalabi's group were two other more obscure members of the Governing Council, and, more significantly, both Iraqi Hezbollah and a faction of the Shiite Dawa party. These Dawa adherents helped link Chalabi to the rising star of Shiite extremism, Muqtada Sadr.

Sooner or later, Sadr is going to be killed, one well-informed Iraqi told me,

which would leave thousands of his supporters adrift, looking for a new leader. If Chalabi plays the role of victim (of the Americans) he can take on that role.

Many people, including Saddam Hussein and members of the CIA, have counted Chalabi out at various times over the years. By now, his former allies in Washington must realize that he has the skills and resources to cause enormous damage in pursuit of his ambition. As his former associate notes, "he is a gambler, ready to bring it all down."

The irony is, of course, that having a US gun to his head, as his nephew reports happened during the raid, will only further burnish his credentials among those Shiites he aims to lead into a divided Iraq.

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NY Post, May 22, 2004

Jordan Tip Exposed Chalabi As Iran 'Spy'

By Niles Lathem

Jordan's King Abdullah fueled the US move against Iraqi leader Ahmed Chalabi by providing bombshell intelligence that his group was spying for Iran, The Post has learned. An explosive dossier that the Jordanian monarch recently brought with him to White House sessions with President Bush detailed Mafia-style extortion rackets and secret information on US military operations being passed to Iran, diplomats said. That new information led to the Bush administration's decision to stop its \$340,000-a-month payments to Chalabi's INC and back an aggressive Iraqi criminal probe into his activities.

The file was compiled by Jordan's intelligence service, which has had an interest in Chalabi since the 1990s, when the Iraqi exile leader was convicted in absentia for embezzling millions of dollars. The scandal stemmed from the collapse of the Bank of Petra, which Chalabi controlled, the diplomatic officials said...

Among the charges being pursued is that INC members on the government's "de-Baathification committee" instead ran a scheme in which they demanded payoffs from ex-Baath Party members. In return, those Baathists were allowed to avoid arrest or to stay off lists the INC was preparing of people banned from jobs in the new Iraqi government, sources said. Chalabi aides running the new government's Finance Ministry are also accused of ripping off \$22 million from the Iraqi Treasury when Iraq issued new currency late last year, US officials said.

King Abdullah's dossier provided critical confirmation of US intelligence gathered elsewhere that the INC was playing a double game with Ba'athists

and that Chalabi and his security chief were passing sensitive information to Iran. That was when the Bush administration decided to break all ties with Chalabi, sources said...

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AP, May 22, 2004

Chalabi turning to politics for survival

Forsaken by his longtime US backers, Ahmad Chalabi is casting off his "outsider" image and reinventing himself as a "man of the people," trying to rally fellow Shiite Muslims to his side to ensure political survival.

Chalabi, once the darling of a Pentagon that groomed him as a possible successor to Saddam Hussein, is now embroiled in a public battle with the US-run occupation authority. He has become a vociferous critic of Washington's Iraq policies - a change of roles that has left him with little choice but to try and endear himself to the Iraqis he says he wants to serve. "I only act from an Iraqi national perspective," he told a TV interviewer Friday, a day after Iraqi police backed by American soldiers raided his Baghdad home and offices. "I consider what happened to me as a medal from the people of Iraq. It is the final piece of evidence that discredits rumors that I am with the Americans."

However, Chalabi's endeavors to find a constituency after decades outside Iraq were dealt another blow when a senior Iraqi official alleged Saturday that the Shiite politician's security chief, Araz Habib, was wanted by Iraqi and coalition authorities for alleged links to Iran's intelligence service. Habib, a Shiite Kurd, was being sought under an arrest warrant because "he has relations with the Iranian government" and "works for the Iranian intelligence," the official said on condition of anonymity.

Chalabi, a key member of the US-picked Iraqi Governing Council, has said Habib was named in 1 of 7 warrants shown to him when Iraqi police raided his home. He did not disclose the charges against Habib, who has not been detained, but praised him as being "brave, tireless" and "competent." "The CIA has a very big grudge against Araz for the past decade because he is successful and they are not," Chalabi said. Chalabi's aide, Haidar Musawi, called such allegations part of a "dangerous game" played by the coalition "to hide their failures" in Iraq.

The allegations against Habib are the latest in a series of complaints by the Americans against Chalabi, whose network of Iraqi exiles in the INC provided the Bush administration, and some news organizations, with reports on Saddam's purported wmd programs. Those weapons were cited by the US and Britain as the primary justification for the Iraq war. When no significant weapons stocks were found, Chalabi became a liability.

He also was vulnerable because his reputation was never as high within the State Department and CIA as in the Pentagon. His critics in Washington are becoming more vocal in bringing up his wheeler-dealer reputation, including his 1992 conviction in Jordan in a banking scandal. Chalabi, who was sentenced to 22 years in prison, has denied the charges.

In recent weeks, US officials in Washington and Baghdad have complained privately that Chalabi was interfering with a US inquiry into money skimmed from the UN oil-for-food program by pursuing his own probe.

Chalabi's vigorous campaign to purge former members of Saddam's Baath party appears to have backfired. The Americans are now seeking out former regime officials for their expertise in key roles, such as security.

With the US distancing itself from Chalabi as its image in Iraq plunges, he hopes to use Washington's criticism to enhance his stature among Iraqis, many of whom saw him as an American puppet. Sources close to the Governing Council say Chalabi has been trying to set up an exclusively Shiite political party. Already, he has successfully persuaded most Shiite council members to act as a bloc independent from Sunni Arabs and Kurds on the council. "He is looking for a foothold in a country where he has no popular base," said Mahmoud Othman, 1 of the council's 5 Kurdish members. "He has been moving closer to the Shiites and anyone who does this must also have ties with the Iranians."

Chalabi's contacts with Iran have left some in the Bush administration suspicious about his intentions. Chalabi has denied claims that he gave sensitive information to Iran about the US occupation in Iraq. It is too early to tell whether Chalabi has been successful in expanding his popular base. A demonstration called by his supporters to protest the raids drew only a few hundred people Friday.

Although the Governing Council issued a statement condemning the raids, it avoided mentioning the CPA and included no demand for an apology - as some members wanted. Chalabi hopes his anti-coalition outbursts this week will find resonance, as many Iraqis are disenchanted with the US-led occupation and fear the sovereignty due to be handed back to Iraq on June 30 will be limited.

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Newsday, May 24, 2004  
Chalabi denies passing secrets to Iran  
By Knut Royce



Struggling to save his political future in Iraq, Ahmad Chalabi dominated the major news shows yesterday with bitter denunciations of the CIA for allegedly spreading what he claimed were false reports that he and his political organization had passed sensitive US secrets to Iran. Yet even as Chalabi, once the Pentagon's favorite Iraqi politician, was defending himself, there were reports that his problems are only worsening. An intelligence source confirmed to Newsday reports in Time and Newsweek that the FBI had launched an investigation into who in the administration had passed the classified material to his INC.

Sticking to an unwavering line on the Sunday talk shows, Chalabi said he would be willing to testify before Congress and to bring "all our documents," while challenging CIA director George Tenet to do the same. "We have never provided any classified information from the US to Iran...Neither I nor anyone in the INC..." he told CNN's Late Edition with Wolf Blitzer. "That is a charge being put out by George Tenet. I say, let him bring all his charges, all his documents. We also will bring all our charges and all our documents to the US Congress, and let Congress have hearings and resolve this issue."

Chalabi was so focused on blaming the CIA that when NBC's Tim Russert on "Meet the Press" showed him a Newsday article published Saturday reporting that the DIA, not the CIA, had recently concluded that Iran had used the INC to pass disinformation to the US, he responded: "These are allegations that are put forward and directed by the CIA."

In Iran, Foreign Ministry spokesman Hamid Reza Asefi told a news conference his country has had "continuous and strong dialogue" with Chalabi and the INC, but said they have never passed on "confidential information. Spying charges are unfounded and baseless," he said.

Responding to Chalabi's claim that the CIA has been spreading false reports of Chalabi's alleged spying activity, a US intelligence official, speaking on condition of anonymity, said, "That's ridiculous." Separately, a CIA official, also insisting on anonymity, said, "If Mr. Chalabi is willing to lay out the true facts before Congress, that would be a welcome development."

An aide to a senior Republican senator, who asked that he not be further identified, said it was unlikely congressional committees would honor Chalabi's request for hearings. "That's not what Chalabi is looking for," the aide said. "He's looking for a platform."

Several lawmakers pledged to investigate the charges against Chalabi. Sens. Dianne Feinstein (D-CA) and Chuck Hagel (R-NB), both members of the Senate Intelligence Committee, said they would ask the intelligence agencies for a report on the allegations. "This is a very, very serious

charge," Hagel said on CNN's "Late Edition." "There is no way the Senate Intelligence Committee is not going to be in this." "I think [Chalabi's] a charlatan. I think he's a manipulator," Feinstein said. "He has tremendous personal motives for his own empowerment. And I think the fact that we fell victim to these manipulations is unfortunate." Hagel said both the Clinton and Bush administrations should have heeded warning signs about Chalabi's credibility. "There were a number of us who warned this administration about him," Hagel said. "But the fact is, there were some in this administration, some in Congress who were quite taken with him."

Senator Pat Roberts, chairman of the Senate Intelligence Committee, noted that his committee's coming report on prewar assessments in Iraq will include criticism of Chalabi. "There is a school of thought, especially by the CIA, that Mr. Chalabi's intelligence input was not that good, and that's probably an understatement," Roberts said on "Face the Nation."

Newsday, quoting intelligence sources, reported last week that the administration believes that Chalabi's top security aide, Aras Karim Habib, is an Iranian agent. An arrest warrant was issued for Habib when Iraqi police, reportedly accompanied by FBI agents, raided Chalabi's home and offices last week. He is currently a fugitive. Asked on "Fox News Sunday" why Habib was on the run if he is innocent, Chalabi said, "In Iraq there is no justice. There is Abu Ghraib prison...We don't want anybody to be subjected to Abu Ghraib."

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Washington Post, May 28, 2004  
Making Do With Lemons  
By David Ignatius

If you're stuck with lemons, make lemonade. That folk wisdom applies to US policy in Iraq, which is as seedy and sour as any foreign policy challenge America has encountered in decades. We certainly aren't making champagne there, but how are we doing in the lemonade business?

As we head into the final month before the handover of sovereignty to the Iraqi people, I'd like to offer the contrarian thought that the Bush administration in the past few weeks has been meeting the lemonade test fairly well. It is correcting earlier errors of judgment and putting policy on a reasonable glide path. That doesn't mean the plane won't crash after June 30. But President Bush's recent moves haven't been as foolish or feckless as some commentators have suggested.

The best example is the decision to jettison the Pentagon's former darling, Ahmed Chalabi. The longtime Iraqi exile is a remarkable man - one of those stubborn, self-motivated missionaries who by the force of their personali-

ties bend the shape of history. Without his advocacy for regime change in Iraq, I suspect Saddam Hussein would still be in power.

But watching Chalabi on the TV talk shows last weekend after his headquarters had been raided in Baghdad, indignantly demanding a congressional showdown between himself and CIA Director George Tenet, it seemed that his ambition had overwhelmed his judgment. He apparently believed he could mobilize his supporters in Washington to attack the administration that had helped fund his operations but had now turned against him.

Chalabi posed three problems for US lemonade makers. The first was that by steering many economic portfolios to his allies, he had gathered too much power over the nascent Iraqi economy.

The second problem is Chalabi's Iranian connection. He has never made any secret of his close ties with Tehran, but the issue became more serious after reports that Chalabi's intelligence chief, Aras Habib, was suspected of being an Iranian agent. Support for this allegation comes from former CIA officer Bob Baer, who told me that he was informed by colleagues in 1994, when he was part of the agency's Iraq Operations Group, that the US government had solid intelligence that Habib was secretly being paid and controlled by the Iranians and was informing them about American covert activities in Iraq. Baer said that in 1999 he passed a warning about Chalabi's Iranian connections to Douglas Feith, who later became the Bush administration's undersecretary of defense. Chalabi has denied providing intelligence to Tehran, and Habib has disappeared.

You have to wonder what Chalabi's neoconservative enthusiasts were thinking backing a man who had been so closely allied with an Iran that arguably poses the biggest strategic threat to Israel. If there's a logic here, it eludes me.

I suspect that Chalabi's ultimate transgression was pushing to position himself as the political representative of Iraqi Shiites - the key constituency in the new Iraq. That was a sensible strategy for Chalabi, but it increasingly put him at odds with US policy - and made him a kind of up-market, secular version of the hotheaded young Shiite mullah, Moqtada Sadr.

Heading toward the June 30 transition, US officials apparently felt it was important to let Iraqis know that Chalabi wasn't America's man. By cutting off his Pentagon funding (and conniving in the raid on his headquarters) they probably hoped to open space for other Shiite leaders who will emerge in the transitional government to be named soon by UN special envoy Lakhdar Brahimi.

The secret to making Iraqi lemonade is maintaining Grand Ayatollah Ali Sistani's support for a transition jointly supervised by the US and the UN. Despite Chalabi's efforts to derail that process, both Brahimi and US occupation chief L. Paul Bremer seem to be making the relationship work. The best evidence has been Sistani's acquiescence while US troops pummeled his enemy Sadr.

Iraqi lemonade will be a mix of different flavors and local solutions. It will mean adapting US policies to the political realities of Sunni Fallujah and Shiite Najaf. It will mean including recycled lemons who served in the old Iraqi army and bureaucracy; it will mean accepting advice from lemonade tasters in France, Germany and elsewhere. The concoction won't be sweet, and it may yet explode in the bottle. But this is the messy art of the possible, and the Bush administration at least is learning from its mistakes.

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Sunday Times / The Australian, May 31, 2004  
Counterfeit trail led to Chalabi

THE thick, black smoke that drifted over the prosperous Mansour suburb of Baghdad last January had nothing to do with the bomb blasts and rocket fire that shook the Iraqi capital almost daily. In special furnaces built into an old warehouse complex near the former headquarters of the Mukhabarat intelligence service, Iraqi workers were burning money. The coalition's decision to introduce a new Iraqi currency could scarcely have been avoided. No one wanted banknotes bearing the face of Saddam Hussein. Yet the operation to exchange and destroy countless old Iraqi dinars was an invitation to fraud.

The way judge Zuhair Maleki related the story last week, a routine investigation into a giant currency fiddle eventually led to a heavily guarded Baghdad compound belonging to Ahmad Chalabi, the former London banker whose high-level US connections had eased him into a prominent role on the interim Iraqi Governing Council. As the chief investigative judge of Iraq's central criminal court, Maleki was in charge of a curious case involving 1 of Chalabi's minions. Sabah Nouri, described by Maleki as a "former driver and smuggler with no qualifications", had been appointed to head an audit committee at the Iraqi finance ministry, which fell under Chalabi's council wing.

When evidence emerged that old dinars sent for burning were being switched with counterfeit bills – and that the genuine dinars were being represented in exchange for more dollars – Nouri apparently set off in hot pursuit of culprits. This seemingly innocuous investigation into alleged currency fraud ultimately led Iraqi police to kick down the door to Chalabi's home, rousing him from his bed and provoking a startling political row over

whether the man the Pentagon once regarded as its best friend in Iraq was spying for Iran. The tangled tale of Nouri's currency shenanigans and Chalabi's supposed dealings with Tehran reflects much that has gone wrong with the coalition effort in Iraq.

Under the pressure of the approaching June 30 deadline for the handover to civilian rule in Baghdad, Iraqi factions are scrambling for power almost as furiously as rival branches of the US administration are blaming each other for the mess. No one seems to agree on who is friend or foe.

According to Maleki and other sources, Nouri responded to reports of the currency fiddle by storming into several Baghdad banks and seizing female tellers suspected of skimming profits. Nouri "roughed up the girls, abused them verbally and dragged them out of the banks", said Maleki. "He violated and exceeded his powers." When Maleki followed up complaints that the bank tellers had been kidnapped, the scam began to unravel. After weeks of further investigation, the judge concluded that Nouri and other Chalabi aides had in fact been running the counterfeit currency switch. When 15 arrest warrants were issued, the most prominent name on the list was Aras Habib, Chalabi's security chief, who is now in hiding. The charges included murder, kidnapping, fraud, forgery, extortion and stealing government property.

On Saturday, two of the judge's bodyguards were wounded in an attempt to shoot him at a petrol station. "Twice a pistol was pointed at me and twice my bodyguards hurled themselves at me to protect me," said the 38-year-old judge, who escaped with nothing worse than a broken tooth. He declined to speculate on the reason for the attack.

The investigation into Chalabi's INC initially seemed unlikely to trouble President George W. Bush – allegations of corruption are endemic in post-war Iraq – yet the presence of US military personnel at the raid on Chalabi's home signalled a breach in Washington's relations with the man dubbed the Savile Row Shi'ite.

Within hours, anonymous US intelligence officials were alleging at private briefings that the 59-year-old Iraqi had passed US secrets to the hardline Shi'ite regime in Tehran and that Habib was in the pay of Iranian intelligence. Chalabi shrugged off the allegations, but they made embarrassing reading for the Pentagon neo-conservatives who had promoted him as a suitable successor to Saddam. At the CIA and the State Department, officials who had long been contemptuous of Chalabi's links to the Pentagon could barely contain their glee. "He's made a monkey of the neocons," claimed 1 former official.

**Worse was to follow. Some of Chalabi's critics accused him of conspiring with Tehran to push the US into war with Iraq. His now-discredited claims about Iraqi wmd were alleged to have been dreamt up by the Shi'ite ayatollahs to trick the US into getting rid of Saddam, the hated Sunni strongman who had waged a 10-year war on Iran. "Ahmad Chalabi may go down as 1 of the great conmen in history," Newsweek magazine declared.**

**Yet, as the week wore on, the idea that the West had fallen victim to a Shi'ite scam was losing much of its steam. If Chalabi was really manipulating the US, it was also clear that certain senior American officials had been willing to be manipulated. In making the case for war against Iraq, they overlooked evidence that Chalabi had lied...**

**In 1998 the so-called "neo-cons" sent a letter to then president Bill Clinton urging regime change in Iraq. Among the signatories were Donald Rumsfeld and Paul Wolfowitz. Within 3 years Chalabi's new neo-con patrons were running the Department of Defense. After the attacks of September 11, the CIA was eclipsed - the Pentagon was in charge.**

**There was no serious suggestion at that stage that Chalabi was secretly working for Tehran. On the contrary, his contacts with the ayatollahs were well known in Washington. In the late 90s Chalabi opened an INC office in Tehran and joked that US money was paying for it in technical contravention of US sanctions. He once told Robert Baer, a former CIA agent who worked with the INC: "Iran is the key to Iraq's future and the key to my future."**

**All this was recorded in CIA files when the Pentagon despatched Chalabi to Iraq last year to mop up after the fall of Saddam. The way Chalabi had predicted it, this should have been a triumphant homecoming, with hordes of grateful Iraqis showering flowers on American tanks. Of course it was nothing of the kind.**

**At about the time Chalabi was establishing his new base at the Baghdad Hunting Club, a former watering hole for the Baathist elite, a nervous Iraqi nuclear scientist named Mahdi Obeidi was thinking about digging up his garden. Obeidi had presided over Saddam's efforts to construct a nuclear centrifuge that would process uranium fuel. When the program was forced to shut down after Saddam's humiliating defeat in Kuwait, Obeidi lied to UN inspectors about destroying nuclear-related plans. Instead he buried them under a tree.**

**The strange fate of Obeidi's hidden cache speaks volumes about Washington's relationship with Chalabi and the interagency struggles that have hamstrung the coalition effort. When Saddam's statue fell and US troops marched into Baghdad, Obeidi waited with mounting anxiety for soldiers to**

knock on his door. When 2 weeks passed and nothing happened, Obeidi called David Albright, a former UN nuclear expert he knew from inspection visits. He explained that he wanted to give up his nuclear treasure in return for safe passage to the US. He was frightened that he might be shot by US soldiers or murdered by returning exiles bent on revenge.

Albright finally persuaded a CIA contact to intervene. But the contact insisted on 1 condition. He knew Chalabi was chasing former officials of Saddam's regime. He feared for Obeidi's safety – and for the WMD evidence that might be uncovered – if Chalabi got there first. "I wanted none of Chalabi's people around this," Albright said, "and the US military was using Chalabi's people as scouts. So that meant no US military either."

The CIA secretly contacted Obeidi, who led agents to his rose garden and dug up 200 blueprints for gas centrifuge components, 180 documents describing their use and a few critical parts. It was an important find that the neo-cons interpreted as evidence that Saddam had operated a hidden nuclear program.

That is not how Albright or any other nuclear expert saw it. "Obeidi had put together everything that would be needed if the order came to restart the centrifuge program," he said. "He had a bunch of classified centrifuge designs that he'd got from the Germans in the late 1980s. You just don't throw that stuff away." So Obeidi buried the plans in his garden and waited for an order that never came. After 1991 there was no Iraqi nuclear program – which was not what Chalabi's men had told the Pentagon and not what US Secretary of State Powell had told the UN as the US prepared for war.

The story took a farcical turn when the Pentagon finally caught up with Obeidi and, blissfully unaware of the CIA's operation, bundled him off to a "rathole jail" at Baghdad airport. Obeidi was eventually given asylum in the US, but the CIA analysts were left embarrassed.

For the weapons inspectors who had long been doubtful of the INC's intelligence, the Obeidi episode came as no surprise. "The information provided by Chalabi was so specific it appeared to be very credible," said Joseph Cirincione, author of a WMD report for the Carnegie Endowment for International Peace. "He would tell people, 'You go to this facility, and in the third building, first corridor, second door, there's a refrigerator with anthrax in it.' Well, inspectors went to those facilities, and there wasn't even a third building, or a corridor, or a door."

Whether or not Chalabi's intelligence was inspired or provided by Tehran, Cirincione and others believe there were compelling reasons for Bush administration officials not to believe it. The return of UN inspectors to Iraq in late 2002 provided ample evidence that defectors introduced by the INC

had consistently lied about or exaggerated what they claimed to have seen. Albright blames "war fever" for a suspension of the administration's judgment about Chalabi and his WMD intelligence. "There was a predilection to believe this stuff," he said.

However much Tehran wanted to be rid of its belligerent Iraqi neighbour, it barely seems conceivable that it would have preferred the Americans in charge. After September 11, the neo-cons dreamt not only of toppling Saddam but of spreading democratic reform across the Middle East. Tehran was – and remains – a prime target for US reformist pressure.

Saddam had been muzzled and leashed after his abortive adventure in Kuwait. Why on earth would Iran want to upset a stable status quo and entice the US to Baghdad?

The key to Chalabi's Iranian flirtations may have more to do with religion than fanciful rings of spies. As a secular Shi'ite with no natural constituency in Iraq, Chalabi has long been in danger of being marginalised by the creation of a civilian government. Once it became clear that Chalabi could not rely on the Pentagon to usher him to power, he reached out to the one political figure without whom none of the others can govern Iraq: Grand Ayatollah Sistani, leader of the country's Shi'ite majority.

Both the Americans and the British have found Chalabi useful in dealing with Sistani. He has also earned the Pentagon's praise for helping track down Saddam loyalists. And Chalabi was scarcely alone in warning of wmd.

Little of this suggests the work of a traitor. Rather, it seems to reflect the scrambling of a veteran political operator determined to cling to whatever coat tail might lift him to power.

Chalabi's confrontation with Washington may even have strengthened his hand in Iraq. He is no longer the neo-con lapdog, parading his dodgy documents up and down Capitol Hill. Instead he is becoming a Shi'ite populist whose appeal will be enhanced by American accusations of treachery. He is beginning to turn into a strongman. The key to understanding Chalabi is that he does not work for either Tehran or Washington. He has always worked for himself.

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NYT, June 2, 2004

Chalabi Reportedly Told Iran That US Had Code  
By JAMES RISEN and DAVID JOHNSTON



**Ahmad Chalabi, the Iraqi leader and former ally of the Bush administration, disclosed to an Iranian official that the US had broken the secret communications code of Iran's intelligence service, betraying one of Washington's most valuable sources of information about Iran, according to US intelligence officials.**

**The general charge that Mr. Chalabi provided Iran with critical American intelligence secrets was widely reported last month after the Bush administration cut off financial aid to Mr. Chalabi's organization, the INC, and American and Iraqi security forces raided his Baghdad headquarters.**

**The Bush administration, citing national security concerns, asked The New York Times and other news organizations not to publish details of the case. The Times agreed to hold off publication of some specific information that top intelligence officials said would compromise a vital, continuing intelligence operation. The administration withdrew its request on Tuesday, saying information about the codebreaking was starting to appear in news accounts. Mr. Chalabi and his aides have said he knew of no secret information related to Iran and therefore could not have communicated any intelligence to Tehran.**

**American officials said that about six weeks ago, Mr. Chalabi told the Baghdad station chief of Iran's Ministry of Intelligence and Security that the US was reading the communications traffic of the Iranian spy service, one of the most sophisticated in the Middle East.**

**According to American officials, the Iranian official in Baghdad, possibly not believing Mr. Chalabi's account, sent a cable to Tehran detailing his conversation with Mr. Chalabi, using the broken code. That encrypted cable, intercepted and read by the US, tipped off American officials to the fact that Mr. Chalabi had betrayed the codebreaking operation, the American officials said. American officials reported that in the cable to Tehran, the Iranian official recounted how Mr. Chalabi had said that one of "them" — a reference to an American — had revealed the codebreaking operation, the officials said. The Iranian reported that Mr. Chalabi said the American was drunk.**

**The Iranians sent what American intelligence regarded as a test message, which mentioned a cache of weapons inside Iraq, believing that if the code had been broken, US military forces would be quickly dispatched to the specified site. But there was no such action. The account of Mr. Chalabi's actions has been confirmed by several senior American officials, who said the leak contributed to the White House decision to break with him.**

**It could not be learned exactly how the US broke the code. But intelligence sources said that in the past, the US has broken into the embassies of for-**

eign governments, including those of Iran, to steal information, including codes.

The FBI has opened an espionage investigation seeking to determine exactly what information Mr. Chalabi turned over to the Iranians as well as who told Mr. Chalabi that the Iranian code had been broken, government officials said. The inquiry, still in an early phase, is focused on a very small number of people who were close to Mr. Chalabi and also had access to the highly restricted information about the Iran code. Some of the people the FBI expects to interview are civilians at the Pentagon who were among Mr. Chalabi's strongest supporters and served as his main point of contact with the government, the officials said. So far, no one has been accused of any wrongdoing.

In a television interview on May 23, Mr. Chalabi said on CNN's "Late Edition" that he met in Tehran in December with the Iranian supreme leader, Ayatollah Ali Khamenei, and the Iranian president, Mohammad Khatami. He also said he had met with Iran's minister of information. Mr. Chalabi attacked the CIA and the DCI, George Tenet, saying the agency was behind what Mr. Chalabi asserted was an effort to smear him. "I have never passed any classified information to Iran or have done anything — participated in any scheme of intelligence against the US," Mr. Chalabi said on "Fox News Sunday." "This charge is false. I have never seen a US classified document, and I have never seen - had a US classified briefing."

Mr. Chalabi, a member of the Iraqi Governing Council, said, "We meet people from the Iranian Embassy in Baghdad regularly," but said that was to be expected of Iraqi officials like himself. Some defenders of Mr. Chalabi in the US say American officials had encouraged him in his dealings with Iran, urging him to open an office in Tehran in hopes of improving relations between Iran and Washington. Those defenders also say they do not believe that his relationship with Iran involved any exchange of intelligence.

Mr. Chalabi's allies in Washington also saw the Bush administration's decision to sever its ties with Mr. Chalabi and his group as a cynical effort instigated by the CIA and longtime Chalabi critics at the State Department. They believe those agencies want to blame him for mistaken estimates and incorrect information about Iraq before the war, like whether Iraq possessed wmd. One of those who has defended Mr. Chalabi is Richard Perle, the former chairman of the DPB. "The CIA has disliked him passionately for a long time and has mounted a campaign against him with some considerable success," Mr. Perle said Tuesday. "I've seen no evidence of improper behavior on his part. No evidence whatsoever." Mr. Perle said he thought the CIA had turned against Mr. Chalabi because he refused to be the agency's "puppet." Mr. Chalabi "has a mind of his own," Mr. Perle said.

**American intelligence officials said the FBI investigation into the intelligence leak to Iran did not extend to any charges that Mr. Chalabi provided the US with incorrect information, or any allegations of corruption.**

**American officials said the leak about the Iranian codes was a serious loss because the Iranian intelligence service's highly encrypted cable traffic was a crucial source of information, supplying Washington with information about Iranian operations inside Iraq, where Tehran's agents have become increasingly active. It also helped the US keep track of Iranian intelligence operations around the world.**

**Until last month, the INC had a lucrative contract with the DIA to provide information about Iraq. Before the US invasion last year, the group arranged for Iraqi defectors to provide the Pentagon with information about Saddam Hussein's government, particularly evidence purporting to show that Baghdad had active programs to develop wmd. Today, the American intelligence community believes that much of the information passed by the defectors was either wrong or fabricated.**

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**NYT, June 3, 2004**

**Polygraph Testing Starts at Pentagon in Chalabi Inquiry**

**By DAVID JOHNSTON and JAMES RISEN**

**Federal investigators have begun administering polygraph examinations to civilian employees at the Pentagon to determine who may have disclosed highly classified intelligence to Ahmad Chalabi, the Iraqi who authorities suspect turned the information over to Iran, government officials said Wednesday.**

**The polygraph examinations, which are being conducted by the FBI, are focused initially on a small number of Pentagon employees who had access to the information that was compromised. American intelligence officials have said that Mr. Chalabi informed Iran that the US had broken the secret codes used by Iranian intelligence to transmit confidential messages to posts around the world.**

**Mr. Chalabi has denied the charge. On Wednesday, his lawyers made public a letter they said they had sent to Attorney General John Ashcroft and FBI Director Robert S. Mueller III repeating Mr. Chalabi's denials and demanding that the Justice Department investigate the disclosure of the accusations against Mr. Chalabi. The lawyers, John J.E. Markham II and Collette C. Goodman, said in the letter, "The charges made against Dr. Chalabi - both the general and the specific ones are false." They also said,**

**"We ask that you undertake an immediate investigation to find and hold accountable those who are responsible for these false leaks."**

**Officials would not identify who has taken polygraph examinations or even who has been interviewed by FBI counterespionage agents. It could not be determined whether anyone has declined to submit to a polygraph test. No one has been charged with any wrongdoing or identified as a suspect, but officials familiar with the investigation say that they are working through a list of people and are likely to interview senior Pentagon officials. The FBI is looking at officials who both knew of the codebreaking operation and had dealings with Mr. Chalabi, either in Washington or Baghdad, the government officials said. Information about codebreaking work is considered among the most confidential material in the government and is handled under tight security and with very limited access.**

**But a wider circle of officials could have inferred from intelligence reports about Iran that the US had access to the internal communications of Iran's spy service, intelligence officials said. That may make it difficult to identify the source of any leak.**

**Government officials say they started the investigation of Pentagon officials after learning that Mr. Chalabi had told the Baghdad station chief of Iran's intelligence service that the US was reading their communications. Mr. Chalabi, American officials say, gave the information to the Iranians about six weeks ago, apparently because he wanted to ensure that his secret conversations with the Iranians were not revealed to the Americans. But the Iranian official apparently did not immediately believe Mr. Chalabi, because he sent a cable back to Tehran detailing his conversation with Mr. Chalabi, American officials said. That cable was intercepted and read by the US, the officials said.**

**Mr. Chalabi and his supporters argue that the accusations against him are part of a CIA-inspired campaign to discredit him. His backers have been dismayed that the Bush administration recently divorced itself from Mr. Chalabi and his group, the INC. They contend that the move was instigated by the CIA, which they say is now wielding intercepted Iranian communications as a weapon against Mr. Chalabi.**

**Richard Perle, the former chairman of the Defense Policy Board and an influential Chalabi supporter, said Wednesday that the notion that Mr. Chalabi would compromise the American codebreaking operation "doesn't pass the laugh test." Mr. Perle said it was more plausible that the Iranians, knowing already that the US was reading its communications, planted the damning information about Mr Chalabi to persuade Washington to distance itself from Mr. Chalabi. "The whole thing hinges on the idea that the Baghdad station chief of the MOIS commits 1 of the most amazing trade craft errors**

I've ever heard of," Mr. Perle said, referring to Iran's Ministry of Intelligence and Security. He said it defied belief that a seasoned intelligence operative would disclose a conversation with Mr Chalabi using the same communications channel that he had just been warned was compromised. "You have to believe that the station chief blew a gift from the gods because of rank incompetence," Mr. Perle said. "I don't believe it, and I don't think any other serious intelligence professional would either."

Mr. Chalabi is not a focus of the inquiry, but senior law enforcement officials said he could be investigated in the future. They said a decision on that could be left to the new Iraqi government...

In a telephone interview on Wednesday, Mr. Markham, one of Mr. Chalabi's lawyers, said that Mr. Chalabi had been subjected to increasing "adverse comments" by American officials as his disagreements with the Bush administration over the future of Iraq had intensified. Nevertheless, Mr. Markham said, Mr Chalabi "is very happy to come to the US to appear before Congress or be interviewed by legitimate investigative agents in this matter." The lawyers' letter said that "Dr. Chalabi would never endanger the national security of the US. Those responsible for such leaks, however, we submit are the same individuals within the US government who have undermined the President's policies in Iraq and efforts to bring democracy and stability to that country, and are using Dr. Chalabi as a scapegoat for their own failures that have cost this country dearly in the past year in Iraq," the letter said.

Last month, American and Iraqi forces raided Mr. Chalabi's Baghdad compound and carted away computers, overturned furniture and ransacked his offices. The raid was said to be part of an investigation into charges that Mr. Chalabi's aides, including a leading lieutenant, had been involved in kidnapping, torture, embezzlement and corruption in Iraq. It is still unclear what the connection might be between that raid and the continuing counterintelligence investigation of the possible leaks of secrets to Iran.

Richard A. Ooppel Jr. contributed reporting for this article.

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Washington Post, June 3, 2004  
On Hill, Rice Pledges Probe Of Alleged Chalabi Leak  
By Walter Pincus and Dana Priest

National security adviser Condoleezza Rice yesterday promised Congress a full investigation into allegations that an Iraqi politician supported by the Pentagon told Iran the US had broken the code it used for secret communications, and US officials said the revelation destroyed an important source of intelligence.

**In a closed-door damage assessment on Capitol Hill, National Security Agency officials said the disclosure cut off a significant stream of information about Iran at a time when the US is worried about the country's nuclear ambitions, its support for terrorist groups and its efforts to exert greater influence over Iraq. "It's a very important ability, to be able to intercept their communications," said Sen. Dianne Feinstein, who attended two briefings on the matter yesterday. "A very valuable tool the United States had was taken away."**

**Iraqi politician Ahmed Chalabi, whose exile group received more than \$40 million in US payments over the years, denied yesterday that he disclosed secrets to Iran, and he demanded that the Bush administration investigate the source of the leak about the investigation of him.**

**In a letter to Attorney General John Ashcroft and FBI Director Robert S. Mueller III, Chalabi's attorneys said the leak came from "the same individuals within the US government who have undermined the President's policies in Iraq...and are using Dr. Chalabi as a scapegoat for their own failures."**

**The allegations against Chalabi have hit as controversy grows over his role in helping to supply the US with intelligence about Iraq before the war, and over his efforts to position himself politically in Iraq after the invasion. Chalabi is accused of providing Iraqi defectors to the US who in turn provided false assertions that Saddam Hussein possessed wmd. He is also criticized for convincing civilian Pentagon leaders that Iraqis would peacefully welcome US forces as liberators. Until recently, the DIA paid Chalabi's group \$340,000 a month for information.**

**Yesterday's Capitol Hill briefings came as Bush administration officials confirmed earlier reports that they are investigating allegations that Chalabi shared intelligence about the US with Iran.**

**An investigation by the FBI was launched several weeks ago, officials said, after the US intercepted a secret message from an Iranian intelligence agent in Baghdad who told his superiors in Tehran that Chalabi had revealed that Americans had cracked Iran's encryption code. The communication said a drunken American official gave Chalabi the information. At least 5 news organizations were tipped off to the inquiry over the past week but had held off publishing or broadcasting stories at the request of national security officials. The Washington Post was not among them.**

**The FBI is working to find out who first revealed that the US had broken the code, and whether Chalabi was involved in passing on the information to Iran, officials said. Most of the officials interviewed for this article would**

**speak only on the condition of anonymity because the investigation involves classified information.**

**One intelligence official said the FBI was conducting polygraph examinations. But senior officials at the Pentagon said they knew of no one there who had been interviewed by the FBI or who had been requested to submit to an interview. They also said the FBI had not informed top Pentagon authorities of plans to question any Defense Department employee in Washington. A senior government official said yesterday that the investigation is "focusing on a person in Baghdad." Another official said "my sense is the FBI has a pretty good idea" who gave Chalabi the information.**

**As for how many might have known that Iran's code may have been broken, the senior government official said the number could be large. "Every day, hundreds and even thousands of people read intelligence reports," the official said. "These people can deduce from reading intelligence reports that we're reading the mail of another country."**

**Another question yesterday was who leaked word of the intercepted Iranian message referring to Chalabi to reporters in Washington. "Only a handful of people knew about this specific intercept, and most of them were in the White House," one US official said. "A few senior people at the Pentagon had been briefed on it. But very few people in the US government had actually seen the piece of paper describing the intercept."**

**US intelligence officials said the disclosure of the codebreaking would mean Tehran's security agencies will redo their codes and that for some time, perhaps years, American intelligence will not be able to read the transmissions.**

**The Bush administration considers Iran a potential threat to stability in the Middle East and is particularly worried about its efforts to develop nuclear weapons. Iran has been accused by nonproliferation officials at the UN of misstating details of its nuclear program and pursuing enrichment technology more aggressively than it admits.**

**The National Security Agency will now have to painstakingly try to break the new codes. Another technique is for the CIA to attempt to steal codebooks.**

**US officials who have supported Chalabi defended him yesterday. And some officials raised the possibility that the incident could be an attempt by Iran to discredit Chalabi and remove him from contention as a future leader of Iraq. "As a secular Shia and a democrat, he's a threat to Iran, which wants to see an Islamic government in Iraq," one official said. "Maybe these two Iranians were trying to set Chalabi up, knowing that the**

Americans would react viscerally if they suspected he had compromised codes."

The official also confirmed a report in this week's Time magazine about a National Security Council paper drafted in April on "marginalizing Chalabi." The official said that officials at the White House, the State Department and the CIA were upset with Chalabi because he opposed UN envoy Lakhdar Brahimi's mission to help form an interim Iraqi government and some US policies in Baghdad. The paper was brought up in a meeting of top administration officials, "but everybody got calmer heads and said, 'This is dumb. We should not do this. We don't want to make an enemy of him,' " the official said.

Rice discussed the allegations in a series of closed meetings yesterday on Capitol Hill. In one session, Rice told the legislators that the FBI is investigating the matter, with a particular focus on who may have provided the codebreaking information to Chalabi. "Everyone in the room took it very seriously," said Sen. Mark Dayton (D-Minn). After hearing Rice, Sen. Chuck Hagel said: "We need to get the facts. These are pretty serious charges." In an appearance on ABC's "Good Morning America," Rice said, "I can't comment on intelligence matters, but I can say that we have had a relationship with Mr. Chalabi in the past that's been strained recently."

In Najaf, Chalabi told AP allegations that he leaked highly classified information were "false" and "stupid." "Where would I get this from?" he asked. "I have no such information. How would I know anything about that?"

A senior administration official yesterday said that after the message about Chalabi was sent to Iran, the Iranians then transmitted an encrypted message in the same channel describing the location of an arms cache in Iraq, perhaps expecting the US to follow up on it and thus confirm the code was broken. No action was taken by US officials, who were hoping that their codebreaking would remain secret.

Richard Perle, the former chairman of the Defense Policy Board and a longtime supporter of Chalabi's, said yesterday he found it "impossible to believe" that Chalabi is accused of informing the Iranians about US codebreaking and the station chief "would use a compromised code to report to Baghdad when he could convey it in 2½ hours by car." Perle added: "It would be a tragedy if we jettisoned an Iraqi leader on such a hairy story."

*Staff writers Helen Dewar, Bradley Graham and Thomas Ricks in Washington and Rajiv Chandrasekaran in Baghdad contributed to this report.*



**Coded Cable In 1995 Used Chalabi's Name  
Intercepted Iranian Message Involved Plot to Kill Hussein  
By Walter Pincus and Bradley Graham**

**Ahmed Chalabi, the Iraqi politician suspected by US authorities of having told Iran this spring that its secret communications code had been broken, was involved in an intercept episode nine years ago, according to senior administration officials. Officials yesterday recounted an incident in early 1995 when Chalabi's name turned up in an encrypted Iranian cable reporting a purported CIA-backed plan to assassinate Saddam Hussein, then Iraq's president. The message was intercepted by US intelligence and caused a major political stir in Washington.**

**Similarly, it was an intercept several weeks ago of another Iranian message - this one from an agent in Baghdad to his superiors in Tehran saying Chalabi had told him that US intelligence was able to read Iran's secret cables - that has triggered a major counterintelligence probe and concern about Washington's future ability to monitor Iranian developments.**

**A US law enforcement source said yesterday that FBI investigators, trying to determine the source of the leak, had interviewed at least one Defense Department employee in Baghdad and had administered a polygraph test. More tests were planned, some involving officials at the Pentagon, said the source who demanded anonymity because the investigation is secret. But several senior defense officials said yesterday that they knew of no one at the Pentagon who had yet been approached by investigators.**

**FBI spokeswoman Debbie Weierman said the investigation is still at its early stage. Noting that Chalabi is a British citizen, she said law enforcement officials are trying to determine "to what extent he is covered by US law barring disclosure of US classified information." Chalabi, whose exile group has received more than \$40 million in US payments over the years, has denied that he disclosed secrets to Iran and demanded that the Bush administration investigate the source of the leak about the investigation of him.**

**The 1995 incident arose at a time when Chalabi was in northern Iraq, working with CIA backing against Hussein. The CIA case officer working with Chalabi at the time was Robert Baer. Exactly who came up with the assassination idea is subject to some dispute. One US official interviewed yesterday, who was familiar with the event, credited Baer with pushing the plan. Baer has denied this. In his book "*See No Evil: the True Story of a Ground Soldier in the CIA's War on Terrorism*," published in 2001, he wrote that the plot to kill Hussein was phony, concocted by Chalabi in hopes of enticing Iranian support for his Iraqi opposition efforts.**

To prove to the Iranians he had Washington's support to go after Hussein, Chalabi forged a letter on National Security Council stationery that asked him to contact the Iranian government for help, Baer wrote. The letter said Washington had dispatched to northern Iraq an "NSC team" headed by Robert Pope, a fictitious name. In a meeting with Iranian intelligence officers, Chalabi left the letter on his desk while he took a phone call in another room, knowing the Iranians would read it, Baer wrote.

What happened next has not been previously reported. The Iranian intelligence officers sent an encrypted message to Tehran about Chalabi's supposed plot, officials said yesterday. The US intercepted the transmission. US intelligence had broken Iran's secret communications codes during that period as well. The contents of the 1995 intercept became the basis of a report that circulated fairly widely in Washington intelligence and law enforcement circles, an official recalled. The result was not only deep distrust within the CIA for Chalabi but also an FBI investigation of Baer.

The concern of investigators, as Baer recounted in his book, was that he was in violation of presidential orders and US law that prohibited assassinations. Baer passed a polygraph test, but it would be almost a year before he and his team were cleared. Nevertheless, Baer's career was damaged and never recovered.

Shortly after the intercept, Chalabi's militia forces and Kurdish fighters went ahead with an attempted coup, launching a three-city strike against Hussein's troops. But the offensive quickly foundered. The White House, having warned Chalabi not to proceed because Iraqi intelligence had learned of the operation, declined to provide air power to help him. Hussein's troops crushed the attackers, leaving the CIA angry that it had funded such a fiasco and infuriating top officials in the Clinton administration.

Taken together, the intercept and the foiled revolt marked a turning point in the CIA's relationship with Chalabi, an official said. The events explain to a large extent why the CIA later cut Chalabi off from funding and refused to administer money appropriated for his organization in the late 1990s that was aimed at bringing about Hussein's fall. CIA authorities knew the funds were headed for Chalabi, and they would not work with him any further, the official said.

For many years, Chalabi has made no secret of his contacts with leaders in Iran. He has described his ties as purely expedient, reflecting Iran's strategic significance in the region. One of Chalabi's top lieutenants, Aras Karim Habib, who served as the INC's intelligence chief, has long been considered by the CIA as a paid agent for Iranian intelligence, according to senior intelligence officials. He has denied that allegation.

Chalabi's attorney, John J.E. Markham II, said yesterday that his client has denied passing sensitive or classified information to the Iranians and is more than willing to tell that to anyone in the US government. "We have not been contacted by anyone from the Department of Justice, the FBI or the CIA," he said.

*Staff writers Steve Coll, Allan Lengel and Susan Schmidt contributed to this report.*

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LA Times, June 4, 2004

US Only Wounded Itself When It Betrayed Chalabi

By Danielle Pletka (op-ed)

The recent reports detailing the alleged perfidy of Ahmad Chalabi actually say much more about his accusers in the US government than they do about Chalabi himself. They reveal Washington as a faithless friend and its agencies as more concerned with carrying out vendettas than with pursuing the real enemies of the US.

But that is starting at the end of the story. The beginning is far different: Once, in the early 1990s, Chalabi was a trusted associate of the CIA, the key player in a unsuccessful coup to overthrow Saddam Hussein and, as head of the INC, one of the few effective Iraqi politicians in exile. Later, abandoned by the CIA, Chalabi was supported, albeit reluctantly, by the State Department.

Today, however, Chalabi is being accused by unnamed administration officials of a laundry list of treachery, including revealing classified information to the government of Iran. From CIA co-conspirator to traitor in a few short years appears to be a stunning fall from grace. But, in this case, appearances are deceiving. The truth is that those who are now accusing him are the same people who have viewed him as an enemy for many years. They are the people inside our government - at State, in the CIA and elsewhere - who oppose the administration's policy in Iraq and who see Chalabi as its personification.

Chalabi himself never changed. He was very consistent: He wanted the overthrow of Hussein. When the CIA dumped him, he went to Congress; when Congress lost interest, he went to the Pentagon. He has never taken no for an answer, never accepted the premise that it was better to accept a tyrant in Iraq than risk destabilizing the Middle East. In so doing, he earned himself the undying hostility of a variety of powerful Washington players.

Throughout the 1990s, Chalabi was regularly accused of malfeasance by his enemies. He was convicted in absentia in Jordan of embezzling funds from the bank he ran. Those charges have never been documented. Then State Department officials accused his organization of playing loose with US money. In every instance he was exonerated by the department's own Inspector General.

The latest charges have been dizzying. The INC has been accused of providing bad intelligence on wmd. INC officials in Iraq are being investigated for a variety of crimes. Chalabi himself, according to unnamed sources, was supposedly obstructing an investigation of the UN oil-for-food program. And now he is accused of spying for Iran.

But the charges don't ring true. Wasn't Chalabi, as chairman of the Iraqi Governing Council's finance committee, the moving force behind the oil-for-food investigation? (Yes, he was.) And since when is it the job of intelligence sources to vet the information they pass to the US? Isn't that the CIA's brief? Of all the charges, passing secrets to Iran is the most serious. It is gravest, obviously, for the American who supposedly told Chalabi that we had broken Iranian codes. That person is governed by US laws, and if he exists, he should be prosecuted.

Chalabi, on the other hand, is a foreigner and owes us no fealty (although it is worth noting that he denies the charges). That he has been close to the Iranians has been well known for years; the US even paid for his offices in Tehran. So there's no great surprise there.

But when you think about it, why would he pass secrets to Iranian intelligence in Baghdad? Why would that station chief then use the very codes Chalabi told him were compromised to pass the news back home? And why would we openly break with Chalabi unless we wished to confirm to the Iranians that the codes had indeed been compromised? It makes no sense. In the end, little of this storm over Chalabi will matter to the man himself. As a target of American harassment, he has renewed his credibility in the eyes of his people. Rather, it is upon itself that the US has inflicted a terrible wound.

There were all too few Iraqis who were willing to risk life and limb to topple Hussein; and there were even fewer who believed in Western democratic values. Chalabi was one. As we search the region for others who will help us spread democracy and help us rid the Middle East of its many kings and presidents-for-life, we will discover that the word has spread: The US is a faithless friend.

**You've probably noticed that Richard Perle and a few others are still making regular appearances on chat shows and in quotes in newspaper articles about the Chalabi story. He, Gingrich and a few others even marched over to the White House a couple weeks ago and demanded an end to the investigations into Chalabi. And this has raised an intriguing question: with so many friends on the inside, if Chalabi were really as guilty as people say, wouldn't some of those folks go to Perle and the others and tell them to back off, if only in the interests of his own credibility?**

**It's a good question. And to some, it suggests that on the inside there's much more debate than we might imagine over whether the charges against Chalabi are true. To try to figure out what might be going on I talked to several folks over the last few days who have a very good view into not only what folks in the intel community make of this stuff but what the prime neo-cons and/or Iraq hawks at the Department of Defense think too. So what did I hear?**

**From what I can tell, they all think Chalabi is guilty as sin. They may have questions about how Chalabi got the information - here there is some inter-agency skirmishing. But none seem to seriously question that he passed it on.**

**Yes, Chalabi still has a few diehards. I guess we might call them 'dead-enders'. Whether they're just in denial or, shall we say, more heavily invested in Chalabi than we understood, I just don't know. But as nearly as I can tell, with the exception of these few Chalabi dead-enders - most, but not all, of whom aren't in government - even those inclined toward sympathy to Chalabi think the charges are true.**

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**Daily Telegraph, June 6, 2004**

**Iraqi judge orders arrest of American aide to Chalabi**

**By Colin Freeman, Charles Laurence and Damien Mcelroy**

**An arrest warrant has been issued for Ahmed Chalabi's right-hand man in Baghdad, the American consultant Francis Brooke, who tried to stop the recent raid on the politician's headquarters in the Iraqi capital.**

**In the latest in a series of damaging blows for Mr Chalabi, an Iraqi judge said that Mr Brooke had obstructed the Iraqi police. He is believed to have returned to Washington, leaving his former master to tackle claims that his INC passed American secrets to Iran. "He stopped the raid by telling the police they didn't have the legal power to do it because he was an American and they were Iraqis," said Judge Zuhair Al-Maliky, of the central criminal court in Baghdad." As a result, the raid didn't go as planned. The**

warrant is for interfering with the work of the Iraqi police in their legitimate business.

America has recently withdrawn its support from Mr Chalabi, who was once its favored candidate to run post-Saddam Hussein Iraq. The FBI is investigating claims that Mr Chalabi passed classified information to Iran, allegations that he denies. The inquiry was launched after US intelligence officers intercepted a message sent by Iranian spies in Baghdad to Teheran. The message allegedly reported how Mr Chalabi told the Iranians that Washington's code-breakers had cracked their communications channels – information Mr Chalabi said had been let slip by a "drunken American".

Mr Brooke, who is an evangelical Christian, has worked with Mr Chalabi since 1990 - first as a consultant paid by the CIA and most recently as a consultant for BKSH and Associates, a company run by Charlie Black, a Republican Party veteran. Reports from Iran suggest that Mr Brooke acted as an intermediary between Washington and Teheran, passing letters between the two governments, which do not have bilateral relations. Yesterday, Mr Brooke could not be reached for comment, although a colleague in Baghdad said that the arrest warrant was part of a politically-motivated campaign to discredit Mr Chalabi and his followers.

Mr Brooke has boasted of engineering the war on Iraq by providing America the evidence it was seeking on WMD. "I'm a smart man," he told The New Yorker magazine last week. "I saw what they wanted, and I adapted my strategy."

Among the records held by Mr Chalabi in his Baghdad HQ - which were stripped during a raid last month - he claimed to have material relating to the scandal-hit oil-for-food program run by the UN during Saddam's rule. Last night, it emerged that on the same day as the raid, computer files belonging to the British consultant investigating the oil-for-food scandal were destroyed by hackers and a back-up databank in his Baghdad office wiped out. Claude Hankes Drielsma, a British businessman and long-time acquaintance of Mr Chalabi, accused America and Britain of mounting a "dirty tricks" campaign to obstruct his inquiry. "I think you have to expect this to happen with events of the magnitude of those we are dealing with," he said.

His report on oil-for-food, written for the international accounting company KPMG, was due to be released in three weeks but its publication has been delayed for at least three months, he said. "This report would have been even more damning than anticipated. This would not sit comfortably with the political agenda in Washington or London. I believe that what Washington wants is to keep the lid on things until after the presidential

**election. The White House believes that the report will be detrimental to President Bush's re-election campaign."**

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**Washington Post, June 7, 2004**

**Chalabi Aide Denies Obstruction**

**Iraqi Warrant Reportedly Issued on Charges of Impeding Raid**

**By Michael Dobbs**

**A top American aide to controversial Iraqi politician Ahmed Chalabi said yesterday that he is eager to answer allegations that he obstructed Iraqi justice by interfering with a police raid on the headquarters of the INC in Baghdad. Francis Brooke, who has functioned as Chalabi's unofficial lobbyist in Washington for much of the past decade, was commenting on reports from Baghdad that an Iraqi judge issued a warrant for his arrest after a confrontation between Brooke and an Iraqi police officer. He said he had no information to confirm the report, which first appeared in the London Sunday Telegraph.**

**The Telegraph quoted an Iraqi judge, Zuhair Maliky, as accusing Brooke of interfering with the work of the Iraqi police during the raid last month on Baghdad headquarters of Chalabi's group. Brooke is alleged to have told the police that they did not have the legal authority to enter the offices "because he was an American and they were Iraqis."**

**Although it was conducted by Iraqi police, the raid on Chalabi's hq was widely seen as signaling a rupture in relations between the Iraqi politician and his patrons in Washington, who viewed the INC as an important intelligence source. The Pentagon recently stopped paying the INC a monthly subsidy of \$342,000 after charges that Chalabi had shared intelligence information with Iran. US and Iraqi officials were unable to confirm the Telegraph report, and the Iraqi judge who is said to have issued the arrest warrant for Brooke could not be reached.**

**Brooke, who returned to Washington from Baghdad over the weekend, said that he found it difficult to believe that an Iraqi judge could issue a warrant for his arrest without the approval of the US occupation authorities. If the report turned out to be true, he said, he would fight to clear his name. "I am not guilty," Brooke said. "But if this is true, I hope to have a fair venue to defend myself."**

**Brooke said he protested the raid on Chalabi's headquarters to US officers whose troops sealed off the street. He said he had little contact with Iraqi police officers at the scene, other than a police captain who said he wanted to "apologize" to Chalabi for the incident. Chalabi, calling from Baghdad**

yesterday, said, "Francis didn't obstruct anyone. He just wanted to find out who was in charge."

*Staff writer Robin Wright contributed to this report.*

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NYT, June 25, 2004

**Iraqis, Seeking Foes of Saudis, Contacted bin Laden, File Says  
By THOM SHANKER**

Contacts between Iraqi intelligence agents and Osama bin Laden when he was in Sudan in the mid-1990's were part of a broad effort by Baghdad to work with organizations opposing the Saudi ruling family, according to a newly disclosed document obtained by the Americans in Iraq.

American officials described the document as an internal report by the Iraqi intelligence service detailing efforts to seek cooperation with several Saudi opposition groups, including Mr. bin Laden's organization, before Al Qaeda had become a full-fledged terrorist organization. He was based in Sudan from 1992 to 1996, when that country forced him to leave and he took refuge in Afghanistan.

The document states that Iraq agreed to rebroadcast anti-Saudi propaganda, and that a request from Mr. bin Laden to begin joint operations against foreign forces in Saudi Arabia went unanswered. There is no further indication of collaboration.

Last week, the independent commission investigating the September 11 attacks addressed the known contacts between Iraq and Al Qaeda, which have been cited by the White House as evidence of a close relationship between the two. The commission concluded that the contacts had not demonstrated "a collaborative relationship" between Iraq and Al Qaeda. The Bush administration responded that there was considerable evidence of ties.

The new document, which appears to have circulated only since April, was provided to The New York Times several weeks ago, before the commission's report was released. Since obtaining the document, The Times has interviewed several military, intelligence and US government officials in Washington and Baghdad to determine that the government considered it authentic.

The Americans confirmed that they had obtained the document from the INC, as part of a trove that the group gathered after the fall of Saddam Hussein's government last year. The DIA paid the INC for documents and other information until recently, when the group and its leader, Ahmad Chalabi,



fell out of favor in Washington. Some of the intelligence provided by the group is now wholly discredited, although officials have called some of the documents it helped to obtain useful.

A translation of the new Iraqi document was reviewed by a Pentagon working group in the spring, officials said. It included senior analysts from the military's Joint Staff, the DIA and a joint intelligence task force that specialized in counterterrorism issues, they said. The task force concluded that the document "appeared authentic," and that it "corroborates and expands on previous reporting" about contacts between Iraqi intelligence and Mr. bin Laden in Sudan, according to the task force's analysis. It is not known whether some on the task force held dissenting opinions about the document's veracity.

At the time of the contacts described in the Iraqi document, Mr. bin Laden was little known beyond the world of national security experts. It is now thought that his associates bombed a hotel in Yemen used by American troops bound for Somalia in 1992. Intelligence officials also believe he played a role in training Somali fighters who battled Army Rangers and Special Operations forces in Mogadishu during the "Black Hawk Down" battle of 1993.

Iraq during that period was struggling with its defeat by American-led forces in the Persian Gulf war of 1991, when American troops used Saudi Arabia as the base for expelling Iraqi invaders from Kuwait. The document details a time before any of the spectacular anti-American terrorist strikes attributed to Al Qaeda: the two American Embassy bombings in East Africa in 1998, the strike on the destroyer Cole in Yemeni waters in 2000, and the September 11 attacks.

The document, which asserts that Mr. bin Laden "was approached by our side," states that Mr. bin Laden previously "had some reservations about being labeled an Iraqi operative," but was now willing to meet in Sudan, and that "presidential approval" was granted to the Iraqi security service to proceed. At the meeting, Mr. bin Laden requested that sermons of an anti-Saudi cleric be rebroadcast in Iraq. That request, the document states, was approved by Baghdad.

Mr. bin Laden "also requested joint operations against foreign forces" based in Saudi Arabia, where the American presence has been a rallying cry for Islamic militants who oppose American troops in the land of the Muslim pilgrimage sites of Mecca and Medina. But the document contains no statement of response by the Iraqi leadership under Mr. Hussein to the request for joint operations, and there is no indication of discussions about attacks on the US or the use of unconventional weapons.

The document is of interest to American officials as a detailed, if limited, snapshot of communications between Iraqi intelligence and Mr. bin Laden, but this view ends with Mr. bin Laden's departure from Sudan. At that point, Iraqi intelligence officers began "seeking other channels through which to handle the relationship, in light of his current location," the document states.

Members of the Pentagon task force that reviewed the document said it described no formal alliance being reached between Mr. bin Laden and Iraqi intelligence. The Iraqi document itself states that "cooperation between the two organizations should be allowed to develop freely through discussion and agreement."

The heated public debate over links between Mr bin Laden and the Hussein government fall basically into three categories: the extent of communications and contacts between the two, the level of actual cooperation, and any specific collaboration in the September 11 attacks.

The document provides evidence of communications between Mr. bin Laden and Iraqi intelligence, similar to that described in the September 11 staff report released last week. "Bin Laden also explored possible cooperation with Iraq during his time in Sudan, despite his opposition to Hussein's secular regime," the September 11 commission report stated. The Sudanese government, the commission report added, "arranged for contacts between Iraq and Al Qaeda. A senior Iraqi intelligence officer reportedly made 3 visits to Sudan," it said, "finally meeting bin Laden in 1994. Bin Laden is said to have requested space to establish training camps, as well as assistance in procuring weapons, but Iraq apparently never responded." The September 11 commission statement said there were reports of further contacts with Iraqi intelligence in Afghanistan after Mr. bin Laden's departure from Sudan, "but they do not appear to have resulted in a collaborative relationship," it added.

After the September 11 commission released its staff reports last week, President Bush and Vice President Dick Cheney said they remained convinced that Mr. Hussein's government had a long history of ties to Al Qaeda. "This administration never said that the 9/11 attacks were orchestrated between Saddam and Al Qaeda," Mr. Bush said. "We did say there were numerous contacts between Saddam Hussein and Al Qaeda. For example, Iraqi intelligence officers met with bin Laden, the head of Al Qaeda, in the Sudan. There's numerous contacts between the two."

It is not clear whether the commission knew of this document. After its report was released, Mr Cheney said he might have been privy to more information than the commission had; it is not known whether any further information has changed hands. A spokesman for the September 11 commission

declined to say whether it had seen the Iraqi document, saying its policy was not to discuss its sources.

The Iraqi document states that Mr. bin Laden's organization in Sudan was called "The Advice and Reform Commission." The Iraqis were cued to make their approach to Mr. bin Laden in 1994 after a Sudanese official visited Uday Hussein, the leader's son, as well as the director of Iraqi intelligence, and indicated that Mr. bin Laden was willing to meet in Sudan. A former director of operations for Iraqi intelligence Directorate 4 met with Mr. bin Laden on Feb. 19, 1995, the document states.

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NYT, July 9, 2004

Defectors' Reports on Iraq Arms Were Embellished, Exile Asserts  
By JIM DWYER

Shortly after President Bush declared war on terrorism in the fall of 2001, the INC, the exile group led by Ahmad Chalabi, sent out a simple, urgent message to its network of intelligence agents: find evidence of outlawed weapons that would make Saddam Hussein a prime target for the US.

Inevitably, that request reached Muhammad al-Zubaidi, himself an Iraqi exile who had been working to undermine Mr. Hussein for 24 years from posts in Jordan, Syria, Lebanon and northern Iraq. Under the playful name of Al Deeb - Arabic for The Wolf - Mr. Zubaidi, now 52, served as a field leader for about 75 to 100 people who collected information on the machinations of Iraq's police state.

Over the next three months, Mr. Zubaidi and his associates gathered statements from defectors who said they had knowledge of Mr. Hussein's military facilities and who had fled Iraq for neighboring countries. In short order, that same group of defectors took their stories to American intelligence agents and journalists. The defectors spoke of a nation pocketed with mobile weapons laboratories, a new secret weapons site beneath a Baghdad hospital, a meeting between a member of Mr. Hussein's government and Osama bin Laden - accounts that ultimately became potent elements in Mr. Bush's case for war. Those accusations remain unproven.

In fact, Mr. Zubaidi said in interviews last week in Lebanon, the ominous claims by the defectors differed significantly from the versions that they had first related to him and his associates. Mr. Zubaidi provided his handwritten diaries from 2001 and 2002, and his existing reports on the statements originally made by the defectors.

According to the documents, the defectors, while speaking with precision about aspects of Iraqi military facilities like its stock of missiles, did not

initially make some of the most provocative claims about weapons production or that an Iraqi official had met with Mr. bin Laden. The precise circumstances under which the stories apparently changed remains unclear. The defectors themselves could not be reached for comment.

Mr. Zubaidi contends that the men altered their stories after they met with senior figures in the INC. Mr. Zubaidi, who acknowledged that he had a bitter split with the INC in April 2003, said officials of the group prepped the defectors before allowing them to meet with the American intelligence agents and journalists. "They intentionally exaggerated all the information so they would drag the US into war," Mr. Zubaidi said. "We all know the defectors had a little information on which they built big stories."

Yesterday, Nabil Musawi, one of Mr. Chalabi's deputies who met with the defectors, said that Mr. Zubaidi's assertions were "childish," and bore no relation to reality. He said it was not the role of Mr. Zubaidi or his associates to do full debriefings of the defectors. Nor was it the responsibility of the INC to grade the reliability of each defector, he said. "Whether the defector failed or succeeded, it meant nothing to us," Mr. Musawi said, speaking by phone from Jordan. "There's no question we wanted to indict the regime, but I wish we had someone clever enough to sit down and come up with stories."

For a short time last year, Mr. Zubaidi was in the spotlight, immediately after the old government was toppled in April 2003. Acting in the power vacuum of those early days, he tried to form a civil administration in Baghdad with himself as the executive, an effort that lasted about two weeks before he was taken into custody by the US military for 12 days and ordered to desist. He later was arrested again and held for about five months. He said he believed his former colleagues at the INC were behind his jailing, an assumption Mr. Musawi says is not true.

Since February, Mr. Zubaidi has been living quietly outside Beirut. He said he had not publicly discussed details of his role in locating defectors until he was contacted by The New York Times last month. He agreed to be interviewed at length, and to make available any records that had not been confiscated by the American military forces.

Francis Brooke, an adviser to Mr. Chalabi in Washington, said yesterday that Mr. Zubaidi had been an effective agent but maintained that he had never raised concerns about the credibility of the defectors. "Sounds to me like the guy is a loony," Mr Brooke said. "Who knows who he is working for now? He was working closely for us. He never indicated anything to me like that. It's completely inconsistent with any other knowledge I have of how things worked."

**Mr. Zubaidi said he decided to speak out not because of bad feelings against individuals, but to correct the record. "I'm not trying to defame those people, although they betrayed the cause," Mr. Zubaidi said. "Now they are bearing the consequences. I'm a witness. This is something for history."**

**Mr. Brooke said the INC's quest to obtain information on outlawed weapons in Iraq became more pressing after the September 11 terror attacks. On Sept. 20, with the Pentagon hallways still reeking of smoke and disaster, Mr. Chalabi met with the Defense Policy Board, a group of private citizens that advises the secretary of defense. The clear consensus was that Mr. Hussein had to be removed from power in Iraq, in the interests of stabilizing the region and thwarting his support for terrorists, according to Mr. Brooke, who accompanied Mr. Chalabi to the Pentagon.**

**For the INC, which was created in 1992 with US financial support, the attacks presented an opportunity to define their cause - overthrowing Saddam Hussein - within the newly redrawn agenda of the US. Mr. Brooke, an American citizen who works in Washington, said he moved quickly to seek fresh details from the group's agents on terrorism and wmd. "I say to everybody, and that includes everybody in my intelligence network, now is a real good time for information on those two subjects," Mr. Brooke said. He instructed them, he said, to "highlight it, put it in red and send it to me right away."**

**Mr. Zubaidi said he and his associates got that message. "My role during the process was to bring in the person, to write reports of what he said, and to give my personal information and opinion about what they were saying."**

**Among the first, and most important, defectors was Adnan Ihsan Saeed al-Haideri, a civil engineer who left Iraq in November 2001 and made his way to Syria. There, Mr. Zubaidi said, he had a chance encounter with one of Mr. Zubaidi's associates in a travel agency, and they struck up a conversation. Mr. Saeed had run into legal problems with Iraqi officials, he said, and was eager to move his family to Australia, where his brother lives. Over a period of weeks, Mr. Zubaidi said, Mr. Saeed disclosed that he had contracts with the government's Military Industrial Organization that involved building and repairing concrete shelters and wells, which he believed were for biological, chemical and nuclear weapons. He provided several hundred pages of documents, and had gone to school with an INC official who vouched for him.**

**Mr. Saeed, while financially comfortable, needed logistical help getting out of the Middle East because of problems with his travel documents, Mr. Zubaidi said. Mr. Saeed paid his family's way to Bangkok, according to Mr. Zubaidi. He was accompanied by Mr. Zubaidi's associate, who was interviewed in Damascus last week but asked that he not be named. After several days**

in Bangkok, two INC officials arrived from London and spent about a day with Mr. Saeed. Their purpose, Mr. Brooke said, was to put the defector at ease before interviews with a reporter from The Times and a freelance television journalist who had worked occasionally for the INC but was filming Mr. Saeed for the Australian Broadcasting Corporation.

During his sessions with reporters, Mr. Saeed mentioned for the first time the facility underneath the hospital, according to both Mr. Zubaidi and his associate. Like other defectors, Mr. Saeed recounted his story to American intelligence agents. In Mr. Saeed's case, the White House specifically mentioned his account in a background paper that accompanied a speech by Mr. Bush.

Inspectors from the US government tried to find the facility in the hospital that Mr. Saeed described but could not, according to David Kay, who was appointed by Mr. Bush to lead the search for outlawed weapons. "It wasn't there, didn't pan out, so people took that to mean that nothing else he said was true," Mr. Kay said yesterday by telephone. He said that the war and uncontrolled looting created a "margin of error" about a number of suspected sites, but the hospital was not disturbed.

Mr. Musawi, one of the INC officials who prepared Mr. Saeed for his interview, said that he could not have coached Mr. Saeed because his information was far too technical. "What can you coach a chemical engineer who specializes in concrete sealing?" he asked.

Also in November 2001, Mr. Chalabi's group arranged for press interviews with an Iraqi Army LTG to whom Mr. Zubaidi had spoken. A reporter for The Times flew to Beirut to meet with the general, Jamal al-Ghurairy, who said groups of Islamic terrorists were training on an airplane fuselage to simulate hijackings. "We were training these people to attack installations important to the US," Mr. Ghurairy said. During the interview, the general acknowledged his own involvement in the execution of thousands of Shiite Muslim rebels after the Persian Gulf war of 1991.

Before Mr. Ghurairy met with the reporter, Mr. Zubaidi had tried to get him to write out his account, but the general held out, according to a report provided by Mr. Zubaidi and dated Nov. 11, 2001. In that report, Mr. Zubaidi said that Mr. Ghurairy "played sick. He was being evasive so that he would get guarantees for facilitating his trip" to Europe or the US. Mr. Musawi, who had flown from London to Beirut to take part in the session, "assured him that we will secure their trip as soon as possible to any destination they want," the report stated. Mr. Zubaidi did not have a high opinion of the general's probity. He wrote of Mr. Ghurairy, "He is an opportunist, cheap and manipulative. He has poetic interests and has a vivid imagination in making up stories."

In February 2002, a third defector, Harith Assaf, a major in the Iraqi intelligence service, was filmed by the CBS News program "60 Minutes" speaking about mobile biological weapons laboratories that he said were put into seven refrigerated trucks. Mr. Assaf also described a meeting between a member of the Iraqi government and Mr. bin Laden in Afghanistan. When Mr. Zubaidi objected and tried to stop the interview, Mr. Musawi, who had come with the television crew from London, said he insisted that it continue. "I told him, 'It's not your call. I'm allowing the story to be told,' " Mr. Musawi said.

Mr. Zubaidi said that the major, Mr. Assaf, had not revealed the purported bin Laden meeting and the mobile laboratories during discussions that had begun three months earlier. His diary entry for Feb. 11, 2002, says: "After the interview, an argument with Nabil about their way of working, especially the connection with bin Laden." In a follow-up story in March 2004, "60 Minutes" reported that Mr. Assaf had been deemed unreliable by American intelligence. In addition, the commission investigating the 9/11 attacks has said that while there were reports of contacts between Iraq and al Qaeda, they did not appear to have "resulted in a collaborative relationship."

Mr. Musawi said the risk to the INC of coaching defectors was considerable, because it had enemies in Washington. If a story was quickly disproved, he said, "We would look pretty stupid." Despite this, Mr. Kay said that during the hunt for weapons last year, a number of the defectors admitted they were lying after being put through a polygraph test. "Some of them claimed to have been coached by the INC, and some of them claimed to have been coached on how to pass polygraphs," Mr Kay said. Mr Zubaidi said, "I don't want to criticize US agencies, but it's strange that the US with all its powerful agencies, the CIA, could not manage to know the truth from the lies in these people."

*Samar Aboul-Fotouh contributed reporting from Syria and Lebanon for this article.*

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Washington Post Staff, August 10, 2004  
Questions Follow Chalabis' Warrants  
Both Question Motives, Vow to Fight Charges  
By Robin Wright

Counterfeiting charges against Ahmed Chalabi and murder charges against his nephew provoked a dizzying array of questions yesterday among both Iraqis and US officials - and even fueled some suspicion that the warrants may have been designed in part to affect the country's politics at a pivotal moment in its transition. An Iraqi judge charged the two men simultaneous-

ly Sunday when both were out of the country. The warrants came a week before a national conference in which Chalabi was widely expected to make a play to revive his troubled political career.

Officials in Baghdad and Washington were unsure what exactly was going on. "If you're dealing with political figures, it's hard to say politics is not part of the equation. But then again, to say there is somehow a conspiracy that has been orchestrated over some time is grasping at straws. It's hard to substantiate," said a senior State Department official familiar with the charges.

Both men yesterday pledged to fight the allegations. Ahmed Chalabi, a former Pentagon favorite, charged that the CIA and followers of Saddam Hussein are out to discredit him. "There are also non-Iraqis involved...Tenet and his organization are after me. Tenet is gone, but I can tell you this process is continuing," he told Agence France-Presse from Iran. The CIA dismissed the charges as "ridiculous."

In an e-mailed statement, Chalabi called the judge, Zuhair Maliki, an unqualified magistrate put in place by the US: "He has consistently attempted to manipulate the justice system...He has pursued a political vendetta against the INC," the political party Chalabi formed when he was in exile.

Salem Chalabi, who is wanted for questioning in the killing of a Finance Ministry official investigating the Chalabis, said he never met the man. The charges reportedly allege Chalabi threatened Haithem Fadhil if he did not drop the inquiry into whether homes and property belonging to former Iraqi officials were confiscated by the Chalabis and their supporters. "I don't have any recollection of meeting him. I've never been in his office. I don't own any properties in Iraq. I stay at a friend's house. These allegations, to say the least, are ludicrous," Chalabi told AP in London. He said the charges had political motives with ominous implications about the future of Iraq.

The controversy began on Sunday when Maliki issued warrants against the Chalabis, both US-educated former exiles well connected in Washington. Ahmed Chalabi, who sat with first lady Laura Bush at the State of the Union address this year, was once envisioned by some US policymakers as a potential successor to Hussein. But he has fallen into disfavor after wmd that were alleged to be in Iraq failed to materialize. He was also one of 25 members of Iraq's now-disbanded Governing Council but was notably excluded from the new interim Iraqi government selected by US and UN officials. He was criticized this spring for allegedly informing Iran that US intelligence had cracked Tehran's encryption codes.

Salem Chalabi gained prominence as head of the tribunal prosecuting Hussein. "The fact that [the warrant] was leaked means that there is some ele-



ment of a smear campaign against me and therefore against the tribunal," he told Agence France-Presse.

But Maliki stood firm yesterday, vowing to ask for international assistance to bring the Chalabis to justice. They "should focus on the accusations, rather than the personality of the judge," Maliki told AP in Baghdad. "My advice to them is to find good lawyers."

The extent of the evidence against the Chalabis is unknown, even to top US and Iraqi officials. Both critics and supporters of Ahmed Chalabi note his earlier conviction for fraud at one of Jordan's largest banks, for which he was sentenced in absentia to 22 years of hard labor and a \$100 million fine. Yet the charges come at an interesting political juncture, US and Iraqi officials say. Failing to rally significant support, Chalabi has recently tried to build a base among followers of radical cleric Moqtada Sadr who are now battling the US-led multinational force. The shift of allegiances, from the US to the largest militia challenging the US-backed government, reflects the transformation of Chalabi, who has a reputation as a wily political survivor, the officials said. Interim Iraqi Prime Minister Ayad Allawi, who has his own long rivalry with Ahmed Chalabi, vowed over the weekend to crack down on Sadr's Mahdi Army.

The warrant also comes on the eve of the national conference, which will bring together a thousand prominent Iraqis to select a 100-member council to oversee Allawi's government. Iraqi and US officials had expected Chalabi to try to win a council leadership position, which could pit him against Allawi in elections next year. "This is Allawi establishing political control and taking decisive action on many fronts to show he's in charge. He's tying up loose ends and not leaving things to chance," said Henri Barkey, a professor at Lehigh University who served on the State Department's policy planning staff from 1998-2000. "Chalabi has been flirting with Shiite extremists, so Allawi's message is that he's not going to let anyone create mischief." Whatever the next legal steps, Chalabi's political future is in question, officials say.

More perplexing are the murder charges against Salem Chalabi, say US and Iraqi officials, who describe him as a stark contrast to his flamboyant uncle. A quiet lawyer who once worked for Clifford Chance, an international law firm, he was handpicked by the US-led occupation to prosecute Hussein.

The Bush administration publicly opted to stay out of the brewing legal drama. "Iraq is a sovereign nation now. They're moving forward on building a free and peaceful and stable future," White House press secretary Scott McClellan said. "This latest investigation, that is a matter for Iraqi authorities to handle...The rule of law is part of the new Iraq, and so we would expect there to be due process."

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**Aljazeera + Agencies, August 2004  
Chalabi family sues Jordan**

Jordan is reacting angrily to news that the family of Ahmad Chalabi is suing it for allegedly conspiring with Iraq to murder him and destroy his family business. "The litigation against Jordan is baseless and fraudulent," Jordanian MP Muhammad al-Kharabasha told Aljazeera. "Chalabi is aware that Jordan has an open judicial system and its ruling is liable for appeal... he should come forward and defend his case if he has witnesses or evidence to support it."

Chalabi, a former exile once touted by US defence officials as a possible leader of Iraq after Saddam Hussein's fall, made headlines in Iraq recently after a US-appointed Iraqi judge issued a warrant for his arrest on counterfeiting charges.

He was convicted in Jordan in 1992 of stealing funds from the family's Petra Bank business, which then had a subsidiary branch in the US. The 53-page lawsuit filed in US District Court in DC claimed that beginning in 1989 the Jordanian government tried to ruin the family's Petra Bank business in order to deter Chalabi from speaking out against Jordan's illegal weapons dealings with Iraq.

On 11 July, Chalabi's daughter alleged that her father's defence team had not been able to access documents that she claimed would exonerate her father. It also charged the Central Bank of Jordan and the kingdom of Jordan with obstruction of justice, fraud and for orchestrating a plot to have Chalabi kidnapped and killed by Saddam's intelligence agency. "We intend to show that Saddam and the government of Jordan were so afraid that we would succeed that they pounced on the bank, ruined it, and then falsely blamed my father by claiming he had stolen millions of dollars from it," Tamara Chalabi said in a news conference.

But al-Kharabasha calls such accusations flights of fantasy. "I have heard his daughter saying there were documents and evidence in support of her father's case but were not accessible before toppling Saddam's regime. But what is the relationship between Saddam and Chalabi's case? When Chalabi fled away from Jordan, he did not go to Iraq. He fled directly to the US and other European countries," he told Aljazeera.

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**Washington Post, August 12, 2004  
In Iraq, Strategic Failures  
By Jim Hoagland**

**George W. Bush and John Kerry have been trading questions about their past views and actions on Iraq. Their campaign exchange is worse than pointless - it is a distraction from the debate they should be having about Iraq's present and future. Such a debate might force Bush to recognize that he is losing his moral and pragmatic bearings in Iraq as his administration dilutes its commitment to democracy and the rule of law there. And it might force Kerry to spell out a clear, realistic alternative to the current miasma, if he has one.**

**The candidates' obligations and options are not equal, of course. The president's decisions are not couched in the tactical subjunctive, as are Kerry's promises. Iraq, the US and for that matter the rest of the world all live with the consequences of Bush's words - if he sticks to them.**

**Last fall the president gave three stirring speeches in which he vowed to end sixty years of reflexive American support for repression by Arab governments: Morality and pragmatism required Washington to support democracy in the region. Iraq would be the model. But Bush's priorities seem to be different today, as his administration engages in or condones cynical maneuvering designed not to create democracy in Baghdad but to create political cover at home and fear and turmoil in Tehran.**

**Simultaneous US military assaults on Shiite rebels in Najaf, a new and brutal power play in Baghdad against that ever troublesome Shiite politician Ahmed Chalabi, and the temporary suppression of critical news coverage by al-Jazeera satellite television this week have established the fact that "stability" of the Arab strongman kind is again tolerated at the White House. Long backed by the CIA, Prime Minister Ayad Allawi is now supporting the US intelligence agency's closely related campaigns to destroy Chalabi and use Iraq to subvert Iran's ruling Shiite ayatollahs.**

**The agency is determined to protect its all-important liaison relationships with Sunni Arab governments in Jordan, Egypt and Saudi Arabia, which fear the Shiite majorities in Iran and Iraq. That is the decisive background to the appalling choice of priorities for the use of military and judicial power that Bush at least implicitly condones in Iraq.**

**Baathist killers and Wahhabi terrorists go unarrested, unprosecuted and unchallenged in the streets of Fallujah, Ramadi and Sunni sections of Baghdad. At the same time the ragtag Shiite militia of Moqtada Sadr triggers an all-out US assault in Najaf that risks damaging some of the holiest shrines of the Shiite branch of Islam, for small strategic gain.**

**Sadr deserves no sympathy. US miscalculation is almost entirely responsible for turning this insignificant demagogue into a rebel with a following.**

Shiites, who are still bitter and distrustful of the US for its failure to support their uprising against Saddam Hussein in 1991, are likely to note the disparity of treatment of the Sunni and Shiite insurgencies, and to conclude that Shiite political will is the true target of the Najaf operation. The fact that Allawi is by heritage a Shiite will not reduce the sting of his approving the operation. An ex-Baathist, he has always made his career in Sunni-dominated power structures.

The timing of the latest burst of specious charges and allegations against Chalabi, his nephew Salem and his political party also suggests, at a minimum, a highly selective use of limited resources. Chalabi, whom I have known and written about for thirty years, has made a large number of necessary and unnecessary enemies in his long campaign to bring down the Baathists and then to keep them from returning to power. Among the unnecessary and unforgiving enemies was L. Paul Bremer, Bush's proconsul in Baghdad during the formal US occupation and a man quick to see a hidden Iranian hand in Iraq's problems. This past spring Bremer collaborated with Bush's NSC staff on a seven-page memorandum that outlined a strategy for marginalizing Chalabi. This exercise has now been relentlessly brought to fruition while arrests and prosecutions of insurgents have gone unpursued.

Bremer created a secret court, appointed a manifestly unprepared jurist to head it and made sure Iraq's interim government could not disband it after the US administrator left. It is this judge, Zuhair Maliky, who issued a warrant for the arrest of Chalabi while he was - guess where? - in Tehran.

Chalabi's fight with other Iraqi factions in Baghdad is his business. But the Bush team petulantly stakes American prestige, credibility and honor on a covert campaign of score-settling against Chalabi, Sadr and any other Shiites who might be influenced by Iran, while terrorists reign in Fallujah. This is not strategy; this is folly.

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NYT, September 2, 2004  
Chalabi Plans Another Comeback in Iraq  
By SABRINA TAVERNISE

In his first public appearance since an Iraqi judge ordered his arrest three weeks ago, the Iraqi exile Ahmad Chalabi announced his return to Iraq's political scene on Wednesday, saying that criminal charges against him had been dropped. But later on Wednesday, the judge, Zuhair al-Maliky, said in an interview that the case had not been completely closed and that Mr. Chalabi might still need to appear for questioning.

Speaking at a news conference at his former headquarters here, Mr. Chalabi claimed a victory in what had been a struggle with the new Iraqi government, which has in recent weeks ordered two raids on two of Mr. Chalabi's main offices. Mr. Chalabi has contended that a warrant issued for his arrest in early August was political, brought at the behest of American officials. It was now reduced to a summons, he said. He also said the judge had dismissed the counterfeiting charges against him. In the interview, Mr. Maliki was less conclusive, however, saying that Mr. Chalabi had yet to be cleared.

In a separate case, Mr. Chalabi's nephew, Salem Chalabi, charged with involvement in the killing of an Iraqi official, no longer faces arrest and will return to Iraq for questioning. Salem Chalabi heads a tribunal set up to prosecute Saddam Hussein. "I went to see the judge," Mr. Chalabi said at the briefing. "I think the matter is clear now for the judge."

Whatever the outcome, the development was a break in the case against the embattled Mr. Chalabi, whose fortunes have fallen in recent months as his relations with the Bush administration have soured. Information his organization, the INC, provided about Iraq's weapons has been largely discredited, and this spring he was cut off from Pentagon financing.

Since then, he has been seeking new alliances, predominantly among religious Shiite groups, who could help provide Mr. Chalabi, a secular Shiite, with a new political base. The switch startled some Iraqis, who know Mr. Chalabi as a Western-style politician with American backing. "He wanted to find another boat because his was sinking," said one former Iraqi government official who asked not to be named. "He has become decidedly Shiite in color."

Mr. Chalabi has stayed out of public view since the arrest warrant, spending most of the three weeks far from Baghdad, in Sulaimaniya in the north of Iraq. He returned three days ago, about the same time he learned that the arrest warrant had been lifted, said Abdul Aziz al-Kubaisy, his deputy for intelligence. But at the news conference Wednesday, Mr. Chalabi did not look worried. He confidently recounted details of yet another of the day's events. Gunmen had opened fire on his convoy Wednesday morning as it returned from Najaf, the southern city where Mr. Chalabi had met with Iraq's highest Shiite cleric, Grand Ayatollah Ali al-Sistani. Two guards were injured. Mr. Chalabi was unharmed. "It was a deliberate ambush," he said.

But Mr. Chalabi's main message on Wednesday was political. He laid out a political program that foresaw the American military leaving Iraq in two years and would rid the Iraqi government of all American-appointed advisers, which number about 175, he said. He endorsed a decidedly free-market economic plan. State subsidies for food and fuel would be replaced

by cash payments, he said. The country's oil industry would be developed under contracts awarded to large multinational companies, he said. "We're work-ing to disseminate our program and to prepare candidates in consult-ation with other parties," ahead of elections to be held in January, he said.

Mr. Chalabi said he had met with Ayatollah Sistani in part to talk about the elections. It is far from clear that Mr. Chalabi, despite his ambition and relatively substantial fortune, will be able to garner enough political support to place strongly in the elections. And he is still under pressure from Prime Minister Ayad Allawi, a longtime political rival. On Friday, Mr. Chalabi's organization was evicted from one of his main working residences under an order from Dr. Allawi. Guns were taken away from his security guards.

But as Wednesday's appearance showed, he has bounced back. "Chalabi is a survivor," said another former Iraqi government official. "He has always come back. He never gives up on politics."

*Qais Mizher, an Iraqi employee in The NYT's Baghdad bureau, contributed reporting for this article.*

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WSJ, September 3, 2004  
Charges Dropped

Call it a victory for Iraq's fledgling rule of law. Iraqi politicians Ahmed Chalabi and his nephew Salem were cleared this week of charges brought against them last month by Judge Zuahir al Maliky. Both of the Chalabis had vigorously denied the allegations, which they said were politically motivated and which certainly looked suspicious to us. This wasn't the first time Judge Maliky had moved against Mr. Chalabi or his INC, and the former exile has many rivals in the interim government.

The elder Mr. Chalabi returned to Baghdad three weeks ago to contest the counterfeiting charges. After meeting Judge Maliky, who has prosecutorial powers, Mr. Chalabi said Wednesday that the charges have been dropped. As for the separate murder charge brought against Salem by the same judge, a spokesman for the INC says that Judge Maliky has reduced it to a summons to appear as an informational witness. Salem Chalabi is the attorney in charge of the tribunal prosecuting Saddam Hussein, so the charges against him could only have brought joy to the Baathists who want to discredit the new government.

Judge Maliky's behavior was especially dismaying because he was appointed by former US regent in Iraq, L. Paul Bremer. And both the White House National Security Council and CIA have wanted to marginalize Ahmed Chalabi in favor of interim Prime Minister Ayad Allawi. Jockeying for power is inevitable in newly free Baghdad, but the US didn't topple Saddam so that his successors could use prosecutors to eliminate rivals the way he did.

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**Aljazeera, 13 September 2004**

**Chalabi aide in Israel**

**Chalabi had good relations with Israeli lobby groups  
by Khalid**

**A key aide to INC party leader Ahmad Chalabi has paid a visit to Israel to explore "future horizons" in Iraqi-Israeli relations. Midhat al-Alusi arrived in Tel Aviv earlier this week ostensibly to attend a conference on counter-terrorism at the Herzliya Interdisciplinary Centre, a right-wing Israeli think tank. Al-Alusi, who heads the Iraqi interim government's "de-Baathification" campaign, voiced a desire to normalise relations with Israel, says Israeli press sources. The Israeli newspaper Haaretz quoted the Iraqi official as saying there is widespread support in Iraq for the normalisation of relations with Israel. "Many intellectuals in Iraq know that Israel must be taken into account as an existing fact and that generations of people have been born here. It is in Iraq's interests to have diplomatic relations with everyone, and that is what we want," he reportedly said.**

**Under the rule of Saddam Hussein, Iraq was considered among Israel's most implacable Arab foes and consistently supported Palestinian resistance groups fighting Israel's decades-old occupation of the Palestinian territories. The current American-backed Iraqi government of Ayad Allawi has not established open relations with Israel, apparently out of fear of a public backlash from the powerful Shia religious establishment.**

**Last week, the Iraqi ambassador to London told Haaretz there is a powerful lobby in Baghdad pushing for normalisation of relations between Iraq and Israel. Israeli officials refused to comment on the visit, apparently heeding American advice.**

**Al-Alusi, who flew to Israel from Turkey, said he did not coordinate his visit to Israel with his boss, and admitted he might face problems when he returns to Iraq. It is not clear if al-Alusi met secretly with Israeli officials or whether he discussed possible cooperation in the ongoing confrontation with armed Iraqi groups.**

**Chalabi had extensive relations with the pro-Israeli neo-cons in the Bush Administration, including such pivotal figures as Richard Pearl, Paul Wolfowitz and Douglas Feith. He has also had contact with AIPAC, the powerful Israeli lobby in Washington, but it is not clear if he still maintains contact with the group. According to some sources, Chalabi had promised AIPAC and American Jewish leaders, prior to the US-led invasion of Iraq, that the post-Saddam Iraqi government would normalise relations with Israel.**

**However, Chalabi's political fortunes have suffered considerably of late as the Bush administration has shunned him after he allegedly informed Tehran that the CIA had been able to penetrate Iranian intelligence codes. Chalabi's offices in Baghdad have been raided several times by American and Iraqi troops accusing him of holding large sums of counterfeit Iraqi currency. Chalabi has denied the charges, accusing the Americans and "certain elements within Iraq" of seeking to assassinate him politically.**

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AP, September 24, 2004

Iraqi judge dismisses case against Ahmad Chalabi

By Omar Sinan

A judge has dismissed counterfeiting charges against a senior political figure once considered a front-runner to become Iraq's leader, authorities said Friday. The charges against Ahmad Chalabi, a wealthy Iraqi exile and one-time Pentagon favorite, were dismissed "for lack of evidence," said Zuhair al-Maliky, Iraq's chief investigative judge. Al-Maliky told AP that the charges could be refiled, however, should more evidence be uncovered. The decision to drop the case was made during a court session Thursday. Chalabi has denied any wrongdoing. "I am sure they are not going to find any evidence against Chalabi, because there was no evidence from the beginning," said Haiydar al-Mousawi, a Chalabi aide.

Al-Maliky first issued a warrant against Chalabi in August, accusing him of a complex counterfeiting scheme involving old Iraqi dinars removed from circulation at the beginning of the year. The case stems from counterfeit Iraqi cash found in Chalabi's home during a raid by US and Iraqi forces in May. Iraqi authorities declined to act on the warrant after it was issued..

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**Wall Street Journal, December 22, 2004**  
**The Future Iraq Deserves (COMMENTARY)**



**By AHMAD CHALABI**

**The Iraq Liberation Act, voted in Congress in November 1998 and hence set as part of US law, clearly stated that the pursuit of democracy was a primary motive for regime change in Iraq. The war of liberation in the spring of 2003 was understood by the majority of Iraqis, yearning to be rid of the yoke of Saddam's tyranny, as liberation. Doubt and distrust set in when liberation became occupation.**

**Nevertheless, an important trajectory has been set in motion with the removal of the Baathist dictatorship. Political freedom is moving forward despite the obstacles, delays and great losses, primarily to the Iraqi people but also to US and coalition forces. (Witness the attack on the US Army mess tent in Mosul yesterday.) This momentum cannot be reversed.**

**The Iraqi political landscape is now dominated by three concerns that must be addressed: First, elections in January and their outcome; second, a status-of-forces agreement with the Coalition forces; and third, the writing of a permanent constitution.**

**Despite the lack of security in Iraq today, a democratic, pluralistic Iraq is the only acceptable outcome. Iraq's unity can be best secured through the involvement of all groups in the political process. The concerns being voiced by many in the international community, of the fear of Sunni marginalization and Shiite domination, were the same concerns that allowed Saddam to last as long as he did. Those arguments are reappearing today, to close the door of hope and opportunity for the Iraqi people. But Saddamism without Saddam is simply not an option.**

**Iraq's people are already realizing their objective of free elections by mobilizing themselves electorally for the first time in 45 years. There are 80 blocs of lists or individuals that have already registered to take part. The number of registered voters is increasing by the day. This is a clear expression by the Iraqi people of their wish to participate in a legitimate political process, and to ensure that their voices will not be silenced as they were under Saddam.**

**The United Iraqi Alliance list, consisting of most of the Shiite groups, is an important achievement for this new Iraq. It is a long way from the Shiite rejectionist position back in the early days of the Iraqi state, a position that Shiites have paid for ever since. Today, they are learning that their participation can only be ensured through a legitimate political process. This list is about active participation in a democratic process, not a subversion of elections for the sake of a theocratic Islamic state. It is wrong to assume that this process will be subverted by a pro-Iranian Islamic government. Iraq's Shiites are well aware that it was the US and its allies that rid them of Saddam. This will remain the basis for a pragmatic relationship that dict-**

ates their interaction with Washington. They risk losing, rather than gaining, by doing otherwise.

Iraqi Shiites are proud Arabs. They have deep roots in, and are committed to, Iraq. They are also members of a diverse community with differing political, social and cultural orientations. Their Shiism has been the first call for persecution. That is the very identity that has cost them so much. To rally along that identity as a first expression of their political voice is but natural. It is the first building block for a reasonably balanced state, as well as the first impediment to be overcome toward a non-sectarian future.

The first task of the newly elected provisional parliament must be to reach agreement with the US to determine the status of their forces in Iraq and agree a timetable for a phased withdrawal. This is a very important task in addressing the security situation. By having a clearly defined legal status in Iraq, US and Coalition forces remove any legitimacy of terrorist attacks against them. Nonetheless, there is no desire among the majority of Iraqis, including those on the United Iraqi Alliance list, to call for a sudden and irresponsible withdrawal of American forces from Iraq.

Iraq is not the new frontier in a holy war. The terrorists, hiding under an Islamic banner, are the real perpetrators of sectarianism in Iraq. They are seriously undermining everyone, particularly the Sunni community that they claim to represent. The ideological drive is distinctly Baathist. Saddam's regime excelled at sectarianism and ethnic discrimination, and that is what the insurgents desire today - to push Iraq into a sectarian civil war. They are the ones attacking mosques and churches and hospitals. They do not stand up for the rights of Sunni Iraqis, but merely for their own interests, of absolute totalitarian rule. Using a manipulative language of skewed religious metaphors and nationalist symbols, they lobby Iraq's Sunnis to join them in their violence. Co-existence and consensus-building are abhorrent to Baathists. Their logic is very simple, if they are not in power, then Iraq should not exist. Those still fighting for a return to Saddam's Iraq are incapable of practicing healthy competitive politics, of participating in a legitimate process of nation-building.

The Sunnis of Iraq were also among Saddam's victims and have as much at stake as other Iraqis. They are part and parcel of Iraq's democratic future. The Sunni community will not be cannon fodder for the restoration of the odious Saddamist state, nor for the continuation of the lucrative corrupt practices benefiting some in neighboring countries and around the world. They stand to gain as much in an egalitarian representational system that respects the welfare and dignity of all its citizens.

Finally, a permanent Iraqi constitution ratified by the people is the pillar that will uphold democracy. The path towards full representational democracy has just started, with the first indispensable step of elections next

month. The culmination of this process lies in the writing of a permanent constitution and the holding of elections for a permanent government next December. The permanent Iraqi constitution is the basis of a social contract for the Iraqi people. Through a political consensus of all Iraq's communities, the primacy of individual rights and citizenship must be protected above any other consideration, whether communitarian or geographic.

That is the future that Iraq deserves, and the future that Iraq can have.

*Mr. Chalabi, president of the INC, is a member of the current national assembly and a former member of the Iraqi Governing Council.*

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NYT, January 22, 2005

Mystery in Iraq as \$300 Million is Taken Abroad

By DEXTER FILKINS

Earlier this month, according to Iraqi officials, \$300 million in American bills was taken out of Iraq's Central Bank, put into boxes and quietly put on a charter jet bound for Lebanon. The money was to be used to buy tanks and other weapons from international arms dealers, the officials say, as part of an accelerated effort to assemble an armored division for the fledgling Iraqi Army. But exactly where the money went, and to whom, and for precisely what, remains a mystery, at least to Iraqis who say they have been trying to find out.

The \$300 million deal appears to have been arranged outside the American-designed financial controls intended to help Iraq - which defaulted on its external debt in the 1990s - legally import goods. By most accounts here, there was no public bidding for the arms contracts, nor was the deal approved by the entire 33-member Iraqi cabinet.

On Friday, the mysterious flight became an issue in this country's American-backed election campaign, when Defense Minister Hazim al-Shalaan, faced with corruption allegations, threatened to arrest a political rival. In an interview on Al Jazeera television, Mr. Shalaan said he would order the arrest of Ahmed Chalabi, one of the country's most prominent politicians, who has publicly accused Mr. Shalaan of sending the cash out of the country. Mr. Shalaan said he would extradite Mr. Chalabi to face corruption charges of his own. "We will arrest him and hand him over to Interpol," Mr. Shalaan thundered on Al Jazeera. The charge against Mr. Chalabi, he said, would be "maligning" him and his ministry. He suggested that Mr. Chalabi had made the charges to further his political ambitions.

Mr. Chalabi first made the allegation against Mr. Shalaan last week, on another Arabic-language television network. He said there was no legitimate

reason why the Iraqi government should have used cash to pay for goods from abroad. He implied that at least some of the money was being used for other things. "Why was \$300 million in cash put on an airplane?" Mr. Chalabi asked in an interview this week. "Where did the money go? What was it used for? Who was it given to? We don't know."

The \$300 million flight has been the talk of Iraq's political class, and fueled the impression among many Iraqis and Western officials that the interim Iraqi government, set up after the American occupation formally ended in June, is awash in corruption. It is not clear whether the money came from Iraqi or American sources, or both. "I am sorry to say that the corruption here is worse now than in the Saddam Hussein era," said Mowaffak al-Rubaie, the Iraqi national security adviser, who said he had not been informed of the details of the flight or the arms deal.

That charge is echoed outside of Iraq as well. Isam al-Khafaji, the director of the New York-based Iraq Revenue Watch, said corruption had become an "open secret" within the Iraqi government. "There is no legal system to bring charges against anyone not following the rules and not abiding by the law, especially if you're a powerful politician," Mr. Khafaji said. "That's the tragedy of Iraq: Everyone runs their business like a private fiefdom."

Mr. Shalaan did not respond to several requests for an interview, but one of his aides insisted that the arms deal was legal and that the money had been well spent. Reached by telephone in Lebanon, the aide, Mishal Sarraf, said the arms deal had been approved by four senior members of the Iraqi government, including Prime Minister Ayad Allawi and Mr. Shalaan. He said it had been carried out quickly because of the urgency of the guerrilla war. He said he had not realized that the deal had been done in cash. "We don't want to hide anything," Mr. Sarraf said. He said the armaments themselves had been manufactured in Poland, the Czech Republic, Turkey, Ukraine and the US. He said the money had bought armored personal carriers, tanks and even Humvees. Mr. Sarraf refused to say who received the money, saying it was too dangerous. "They could be killed," he said.

The public fight with Mr. Shalaan is the latest political twist for Mr. Chalabi, once the darling of the Bush administration and one of the main proponents of the invasion of Iraq. He has since become a pariah in the US, accused of exaggerating Mr. Hussein's prohibited weapons activities. After a bitter falling out with the Bush administration, which accused him of passing secrets to the Iranian government, Mr. Chalabi has begun to mend fences with the Americans, and is positioning himself to make a run for the prime minister's seat.

In threatening to arrest Mr. Chalabi, Mr. Shalaan appears to be trying to change the subject to Mr. Chalabi's own legal problems. In Jordan, Mr. Cha-

labi faces charges that he embezzled millions of dollars from the Petra Bank, which collapsed in the 1990s. Mr Chalabi has long maintained that the charges against him in Jordan are baseless, part of a vendetta being carried out for his opposition to Mr. Hussein. Mr. Chalabi was campaigning in southern Iraq on Friday and could not be reached after Mr. Shalaan's threat to arrest him.

Details of the arms detail are still sketchy, but according to Mr. Sarraf and other Iraqi officials, it began late last year as part of the effort to beef up the Iraqi armed forces in the face of the relentless guerrilla insurgency. Mr. Sarraf said that though the arms deal had been approved by four senior cabinet members, it had not been put before the entire cabinet because of the urgency in dealing with the insurgency. "It was all proper," he said. Dr. Allawi's office did respond to repeated requests for an interview.

According to a senior Iraqi financial official with knowledge of the deal, who spoke on condition of anonymity because of the sensitivity of the subject, the \$300million was then transferred to the Warqa Bank, a private Iraqi financial institution with a capitalization of about \$7 million. That bank, the Iraqi official said, does not have the ability to transfer money electronically to another account in another country. An equivalent amount of cash was then taken from the vault of the Central Bank of Iraq, taken to the airport, loaded on an airplane and sent to Lebanon. "The government here knows it is coming to an end," the official said. "This is what governments do when they are coming to an end."

A second Iraqi financial official, who also spoke on the condition of anonymity, confirmed the transaction. The official described the arrangement as "unusual" and said he had ordered an investigation of the transaction. The senior Iraqi financial official said the arms deal appeared to bypass the elaborate financial mechanism set up by the Americans at the end of the war that was intended to help Iraqi import goods from abroad. Under that system, Iraqi revenues intended for imports are routed through the Trade Bank of Iraq and are facilitated, and largely controlled, by large American financial institutions. The system was intended to stop creditors from tying up Iraqi money needed for imports and also to control the way in which the Iraqi government spends its money. Indeed, the Iraqi official with knowledge of the deal said he was concerned that the \$300 million could be seized by the many creditors who have liens against the Iraqi government.

Mr. Khafaji of Iraqi Revenue Watch said the financial mechanism had been set up to cover all government transactions dealing with imports, including arms purchases.

But one American official with knowledge of the transaction said taking the \$300 million out of the country, although unorthodox, was probably the on-

ly way for the Iraqi government to buy weapons. The reason, according to the American official, is that the financial mechanism set up after the war's major combat operation ended requires that Iraqi oil revenues be spent for "humanitarian" purposes. That meant that the Trade Bank of Iraq could not be used for arms purchases, thus necessitating the use of cash. That has since changed, the official said, with the signing of an executive order by President Bush late last year.

*Jad Mouawad contributed reporting from New York for this article.*

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**Aljazeera + Agencies, 22 January 2005**  
**Ahmad Chalabi to be 'arrested'**

Ahmad Chalabi, the leader of the INC, will be arrested after the Eid al-Adha holidays, Iraq's interim defence minister has said. Speaking to Aljazeera, minister Hazim Shaalan, said Chalabi would be handed over on arrest to the Interpol. Shaalan said Chalabi was suspected of killing thousands of opposition figures in Arbil and stoking discord between the two main Kurdish parties. "We will arrest him and hand him over to Interpol. We will arrest him based on facts that he wanted to malign the reputation of the defence ministry," Shaalan said.

Shaalan also said Chalabi would be handed to Interpol over his conviction in absentia by a Jordanian court in 1992 of embezzling millions from Petra Bank, whose 1989 collapse shook Jordan's political and financial system. Chalabi, who founded and ran the bank during a long period when he lived in the country, denies any wrongdoing. "Our measures will start after Eid," Shaalan said.

Chalabi invited the wrath of the interim Iraqi authorities after he accused the defence minister in an interview of stealing \$500 million from the ministry and posted documents on a Web site accusing him of links to Saddam Hussein's regime. Chalabi, once a favourite of Washington, was not immediately available for comment.

A US-appointed judge issued a warrant for Chalabi's arrest last year on charges of counterfeiting money, but the charges were dropped in September.

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**New York Sun, April 4, 2005**  
**Cheney Would Meet With Chalabi, Though He's Not Choosing Sides**  
**By IRA STOLL**

Vice President Cheney, in a wide-ranging meeting with the editorial board of The New York Sun, extended a friendly signal to Iraqi politician Ahmad Chalabi, whose relations with Washington had appeared frayed. Mr. Cheney made his comments Friday during a meeting with the editors at the Plaza Hotel. During the 45-minute session, he also expressed optimism about winning Democrats over to support the administration's plans for personal accounts as part of Social Security.

The Vice President was careful to say that the American government does not want to pick the leaders of Iraq, a job he said should be left to the Iraqis. But in response to a question from the Sun about whether senior American diplomats in Baghdad should meet with Mr. Chalabi as they do with other Iraqi politicians, the vice president said, "I know Mr. Chalabi myself. I've met with him. I wouldn't have any problems meeting with him today. If there's any prohibition against meeting with him, I'm unaware of it."

Mr. Cheney's remarks may counter any impression in Baghdad that Mr. Chalabi is somehow persona non grata with the Bush administration. Mr. Chalabi has been accused, often anonymously and with little substantiation, of committing bank fraud in Jordan, faking pre-war intelligence, and leaking American secrets to Iran. Mr. Chalabi has filed suit in federal court in Washington against the kingdom of Jordan, accusing it of improperly acting against his Jordanian bank and of smearing his reputation with the Bush administration. He has also offered to defend himself at a congressional hearing.

Mr. Cheney said, "We've also worked hard to make clear to everybody over there that we are not in the business of trying to pick winners in the elections in Iraq...We have been very careful not to get into the business of voicing support for any one particular individual. The Iraqis'll get it sorted out."

For Mr. Chalabi and his INC, the remarks by the vp come at an important moment. More than two months after the Iraqis voted in an election, the politicians elected to the National Assembly are still bargaining over who will emerge in top government jobs. On Thursday of last week, a commission appointed by President Bush cleared the INC of any connection to a source called "curveball" who was accused of fabricating pre-war intelligence, though the commission's report did fault one other unnamed source it said was "associated with the INC..."

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NY Sun, April 4, 2005

Persian Gulf Inc Spy Chief Back In Baghdad

**The INC spy chief, Aras Kari, is back in Baghdad after being cleared last month of charges that he stole government property and authorized the intimidation of... <http://www.nysun.com/article/11593>**

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**NYT, April 28, 2005**

**Iraq's Assembly Overwhelmingly Approves New Government  
By ROBERT F. WORTH**

**Almost three months after the January elections, Iraq's national assembly voted overwhelmingly to approve a Shiite-led cabinet today, creating the first elected government in Iraqi history. The assembly chamber burst into wild applause after a show of hands revealed that 180 of 185 legislators in attendance had voted in favor, with almost a third absent. A traditional Islamic chant of praise "God's blessings be on Muhamm-ad and on his family" went up soon afterward.**

**But the divisions that delayed the government's formation for so long became apparent almost immediately after the vote. The leader of the Shiite political alliance that dominates the assembly and the cabinet, Abdul Aziz al Hakim, delivered a warlike speech that hinted at purges to come in the government's security forces.**

**A Sunni Arab assembly member later stood up to angrily accuse the Shiites of dividing the country, and even said one member had threatened to gather evidence that would send him to the gallows. "This is not a national government, it is a government of the winners," said the Sunni member, Meshaan al Juburi. "I am here to say that the Sunni Arab members have been marginalized, and the Sunni Arab political forces should be aware of that."**

**Lingering tensions were visible even in the list of cabinet members, which remains incomplete. four important positions the defense, oil, electricity, and human rights ministries - were given to placeholders, because the assembly's political factions have yet to agree on candidates. Under pressure from the White House as well as fellow Iraqis, the members agreed to submit the incomplete list rather than delay it any further. Two slots for deputy prime ministers have also not been filled. Ibrahim Jaafari, the new Shiite prime minister, said he expected to fill those positions in less than a week.**



**Despite the gaps, the assembly's vote placed Dr. Jaafari at the head of a multi-ethnic cabinet that will include seventeen Shiites, eight Kurds, six Sunni Arabs, one Christian, and at least six women. Iraq's Kurdish president, Jalal Talabani, and his two deputies approved the cabinet list late Wednesday night, allowing it to proceed to the assembly vote.**

**When it assumes power early next week, the new government will face an extraordinary array of challenges, from guiding the effort to write a new constitution to rebuilding Iraq's shattered cities to fighting an undiminished insurgency. Dr. Jaafari and his aides will also need to assert firm control over the provincial governments, which had begun to drift into chaos in recent weeks as Iraq's post-election political stalemate continued. Last weekend, Bush administration officials warned Shiite and Kurdish leaders that the political vacuum appeared to be fueling the insurgency.**

**The violence continued today, as a high-ranking police official and a government official were shot to death by gunmen while driving to work in Baghdad. On Wednesday, a member of the national assembly was assassinated in her Baghdad home, in a reminder that members of Iraq's new government are highly vulnerable.**

**At the head of the new cabinet stand Dr. Jaafari and his deputies: Ahmad Chalabi, a Shiite, and Roz Nori Shawees, a Kurd. Two additional deputies, allocated to a Turkman and a Sunni Arab, will be announced within the week, Dr. Jaafari said.**

**Mr. Chalabi, a former Pentagon favorite who helped make the case for invading Iraq, may be the most controversial figure in the new Iraqi administration. He is widely disliked in Iraq, particularly among Sunnis, who have been angered by his campaign to oust former Baathists from government. His new perch could help him carry out that agenda, particularly with an ally as the new head of Iraq's Interior Ministry, Bayan Salagh, who belongs to a Shiite political party that shares Dr. Chalabi's anti-Baathist agenda. Many of Iraq's critical anti-terrorist battalions are based in the Interior Ministry, and members of Mr. Salagh's party have sworn to purge some of the former Baathists who are among the top commanders there.**

**Dr. Chalabi has also been named as temporary head of the oil ministry until a full-time minister can be found. That appointment could raise alarms in light of Dr. Chalabi's conviction in Jordan on charges that he embezzled \$30 million from a Jordanian bank.**

**The new cabinet includes several holdovers from the outgoing government of Prime Minister Ayad Allawi, including Hoshiyar Zebari, a Kurd, who will stay on as foreign minister. Barham Saleh, a Kurd who served as Dr. Allawi's deputy, will be planning minister in the new government. Nasreen Barwari, the Harvard-educated public works minister, will retain her position, and Dr. Sami al Mudhafar, who also served in Dr. Allawi's cabinet, will be the new higher education minister.**

**One notable absence in the cabinet will be Dr. Allawi's party, which took forty seats in the national assembly. Dr. Allawi and his cohorts had demanded four cabinet ministries and a deputy Prime Minister's post, and when Shiite leaders balked, Dr Allawi chose to remain in the parliamentary opposition.**

*Abdul Razzaq al Saiedy contributed reporting from Baghdad.*

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<http://www.democracynow.org/article.pl?sid=05/05/11/142250>

Democracy Now, May 11, 2005

**AMY GOODMAN:** *This latest news that we get out of Jordan right now about the pardoning of Ahmad Chalabi - King Abdullah of Jordan agreeing to pardon the one-time CIA asset. For years he faced a 22-year prison sentence in Jordan for fraud after his Petra Bank collapsed with more than \$300 million in missing deposits. The Iraqi President, Jalal Talabani, asking the king to do this. What's going on here, and the significance?*

**SEYMOUR HERSH:** I'm sort of glad and not glad you asked me that question, because I do know something about it. Here's what I know about that. I know that King Jordan comes to visit America quite a bit - the US. And the President likes him - our President, George Bush, because he speaks good English. He went to a prep school here in America, and he's very pro-Western. And he sees the President, and he has told friends - this is about 9 months ago - he was stunned. He was seeing the President. The President said, you know, "Your" - whatever he calls him - "I have a favor." He said, "Of course, anything." "I want you to pardon Chalabi." And he was stunned,

because, you know, how can he pardon Chalabi after what he had done. The money he stole was from old women and children, you know, little funds, and he was reviled, Chalabi. I have actually read - I actually somebody in the IC once gave me the transcript of his trial in Arabic. And we had it translated at *The New Yorker*. This time he was sort of out of vogue, and a story never emerged out of it, but the trial was devastating. I mean, they had him nailed. And he was smuggled out of the country. He probably was in cahoots, by the way, with various members of the royal family then during this stuff, you know, bribery, etc. In any case, he was stunned, and he didn't know what to say. He went back and he asked people in the parliament, who said, "Are you kidding?" So all I can tell you is that Abdullah is doing what the President of the United States, to his amazing shock, because this was after the stuff came out about Chalabi and his connection to Iran. This is probably a neo-con, a neoconservative play. I guess if you wanted to extrapolate it, I don't know if anybody cares, but I'm sure the White House would deny it and say it's not true, but I can categorically tell you this is Abdullah's story, this I do know. And he was stunned. And he couldn't do it then, so obviously, he thought time had passed. The idea that the President after Chalabi was in big trouble over his connections to Iran and being accused of leaking information whether rightly or not -

*Remind our viewers and listeners, they raided his home in Iraq, the US forces?*

HERSH: Yeah, and they claimed that he had been relaying information about American intercept capability, our signals intelligence to the Iranians who are clearly a presence. You know, Abdullah is one of the people along with, of course, the Saudis and the Egyptians who see what's going on in Iraq right now as an existential threat in this sense - that they believe the US is making a terrible mistake by letting much of Iraq fall into the hands of the - of what they consider to be Iranian Shia. They see the Iranian influence spreading south, and for the Sunni - those are Sunni countries, that's a devastating effect that hasn't happened before. So it's a huge issue. Then to pardon Chalabi is just - it's a personal favor for the President. I don't know what, obviously, what's in his mind. I do know the President, I think all of us understand, he's more attuned. He wouldn't have done what he did in Iraq if he hadn't been more attuned even before becoming President to the idea that all things in the Middle East revolve around Iraq as the neo-cons always believed...

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Reuters, 12 May 2005  
Jordan may review Chalabi conviction

Jordan is considering a request by Iraq to pardon Iraqi politician Ahmad Chalabi in a possible deal that would return millions of dollars a court acc-

used him of embezzling in a bank scandal. Officials said on Thursday that Jordan's King Abdullah told Iraqi President Jalal Talabani, who had raised Chalabi's pardon during a visit to Amman this week, that he was ready to review the conviction made by a military court in absentia in 1992. But the monarch, who has the power as the ultimate legal authority to issue a royal pardon, made no commitments beyond that, an official said. "There are legal and financial aspects that have to be addressed first," another official involved in the case said. Political insiders say any settlement must include a retrieval of at least part of missing bank deposits, which Jordanian investigators estimate at \$300 million.

A military court convicted Chalabi of embezzlement, fraud and breach of trust after a bank he ran collapsed in 1989 and shook Jordan's financial system. Chalabi, who fled the country as the scandal broke, has denied any wrongdoing and says the charges were politically motivated.

The pardon would lift a sentence of 22 years hard labor against the man who is now one of Iraq's four deputy PMs, and who was once one of the most influential figures in Jordan. A settlement would help Jordan avoid a long-drawn-out episode because Chalabi had threatened in the past to implicate pillars of the establishment. A pardon would also end a blot that has tarnished the ambitious Iraqi politician's image and harmed his political aspirations.

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NYT, November 6, 2005

Chalabi, in Tehran, Meets With Iranian President Before Traveling to US Next Week

By DEXTER FILKINS

Ahmad Chalabi, the former Iraqi exile who has become a deputy Prime Minister, met with senior Iranian leaders here on Saturday in what appeared to be an effort to distance himself from their Islamist government, just days before he visits Washington. In a series of closed meetings, including one with Mahmoud Ahmadinejad, the Iranian president, Mr. Chalabi said he had spoken to the Iranians about Iranian interference in Iraq's domestic politics, a move likely to endear him to the Bush administration. American and some Iraqi officials have long alleged that the Iranian government is deeply involved in Iraq, directly assisting Iraqi political parties and private Shiite militias. "The principal reason is to tell them about our concern about some of the activities in Iraq," Mr. Chalabi said of the Iranians. "We feel it is very important to address some of these issues, like border security and so on."

Mr Chalabi said he also made clear to the Iranians that the Iraqi government would maintain close ties to the US. "It is important to emphasize and tell them very clearly that we working with the US and they have come to

help us liberate Iraq and that we are interested in having a decent Iraq," he said. "It is very important that they help us achieve that." In raising the issues from the Iranians, Mr. Chalabi seemed to be trying to position himself as a secular, American-backed candidate, and possibly as Iraq's next PM.

Next week, Mr. Chalabi is flying to Washington to meet with Secretary of State Condoleezza Rice in what may become a public thaw between the Americans and Mr. Chalabi after months of chilliness. Mr. Chalabi, once a confidant of the Bush administration and a principal proponent of the invasion of Iraq, fell out of favor with the White House last year.

Mr. Chalabi's visit to Iran on Saturday follows the recent announcement that he intended to chart a more secular course in Iraqi politics, by leaving the Islamist-minded Shiite coalition that dominated the January elections. Earlier this month, Mr. Chalabi said he had dropped out of the Shiite coalition that dominated the Iraqi elections in January. The coalition is dominated by Islamist politicians. While the exact circumstances of Mr. Chalabi's departure from the Shiite alliance was unclear, Mr. Chalabi said he no longer wanted to be part of what he described as an Islamist coalition. "My intention was to give people in Iraq who are Muslim but who do not support the Islamist parties a choice," he said.

As his relations with the Bush administration soured, Mr. Chalabi aligned himself with overtly Islamist leaders like Moktada al-Sadr and sometimes struck an anti-American tone. The nadir in relations between the Bush administration and Mr. Chalabi came in May 2004, when the Americans accused Mr. Chalabi of divulging classified information to the Iranians. Mr. Chalabi denied the charge. The outcome of the investigation is not known.

In an interview after his meeting with Iranian leaders, Mr. Chalabi said he had secured a promise that they would not oppose him if he made a run at becoming Iraq's Prime Minister. "Clearly I am not going to be a candidate for Prime Minister because they tell me to," Mr. Chalabi said of the Iranians. "They certainly expressed support for the idea that if the process is done locally, then they would not oppose it." It was impossible to verify that assertion, but in an interview, Ali Larijani, the secretary of Iran's National Security Council and one of the senior officials who met with Mr. Chalabi, said Iranian leaders held him in high regard. "He is a very wise man and a very useful person for the future of Iraq," Mr. Larijani said.

For their part, Iranian leaders said that they were indeed a primary force in internal Iraqi politics, and that would continue to be. Last January, after the Shiite coalition's selection of Ibrahim al-Jafaari as its choice to be Prime Minister, rumors swirled about Baghdad that the Iranians had intervened strongly on his behalf. At the time, Mr. Chalabi was one of a number of Iraqi leaders being considered for the top job. Asked about this, Mr. Larijani said

that the Iranians had indeed intervened strongly with Iraq's Shiite leaders, but that they had not sided with a particular candidate."We helped them to come to a unity among themselves,"he said. "America should consider this power as legitimate," Mr Larijani said of his country's role in Iraqi affairs. "They should not fight it."

The timing of Mr. Chalabi's visit, and the acknowledgment by the Iranians that he had come on their invitation, suggested the possibility that Mr. Chalabi might have been asked to carry a message from the Iranians to Secretary of State Rice at their meeting next week. Mr. Chalabi and the Iranians denied that.

Mr. Ahmadinejad, a strict Islamist elected in June, has become increasingly isolated in recent weeks. In September, the IAEA rebuked Iran for noncompliance with the Non-Proliferation Treaty over its insistence on developing advanced nuclear technologies. In a speech on Oct. 26, Mr. Ahmadinejad created a stir when he told a rally of Iranian students that Israel should be "wiped off the map." After those remarks, Kofi Annan, the secretary general, postponed a visit scheduled for the coming week. Mr. Ahmadinejad, who appeared before reporters before meeting with Mr Chalabi on Saturday, did not speak publicly.

In an interview, Mr. Larijani reiterated his government's intention to continue developing advanced nuclear technology for peaceful purposes. The Bush administration says Iran is hiding its effort to build nuclear weapons. "The pressure they are putting on Iran over its nuclear program, it will only result in more hatred for America," Mr. Larijani said.

*Nazila Fathi contributed reporting for this story.*

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WSJ, November 7, 2005

Top Secret: Status Of Chalabi Inquiry; Few Signs of Progress Emerge in FBI Case Involving a Possible Leak of US Intelligence

By SCOT J. PALTROW

As Iraqi Deputy Prime Minister Ahmad Chalabi arrives this week in Washington for talks, there is little sign of progress in a federal investigation of allegations that he once leaked US intelligence secrets to Iran. More than seventeen months after then-National Security Adviser Condoleezza Rice publicly promised a full criminal inquiry, the FBI hasn't interviewed Mr. Chalabi himself or many current and former US government officials thought likely to have information related to the matter, according to lawyers for several of these individuals and others close to the case.

The investigation of Mr. Chalabi, who had been a confidant of senior Def-

ense Department officials before the war in Iraq, remains in the hands of the FBI, with little active interest from local federal prosecutors or the Justice Department, these people said. There also has been no grand-jury involvement in the case.

The investigation centers on allegations that one or more US officials in early 2004 leaked intelligence to Mr. Chalabi, including the fact that the US had broken a crucial Iranian code, and that Mr. Chalabi in turn had passed the information to the Baghdad station chief of Iran's Ministry of Intelligence and Security. The assertions about Mr. Chalabi's involvement came after US intelligence agencies intercepted a cable from the station chief back home to Iran, detailing what the chief claimed was a conversation with Mr. Chalabi about the broken code.

Former intelligence officials said such a leak could have caused serious damage to US national security. The broken code had enabled US intelligence agencies to monitor covert cable traffic among Iranian operatives around the world. The encrypted cable traffic was a main source of information on Iranian operations inside Iraq. The leak also threatened US efforts to monitor any Iranian steps to develop nuclear weapons. And there was concern that the disclosure could prompt other countries to upgrade their encryption, making it more difficult for the US to spy on them.

Mr. Chalabi has strongly denied the allegations. He once was a close Bush administration ally and a key proponent of the Iraqi invasion, though he has more recently appeared to fall from American favor. Before the war, during his long period as a prominent Iraqi exile, he also cultivated close ties to the government in Iran, which was his ally in opposing former Iraqi leader Saddam Hussein. Just this weekend, Mr. Chalabi made a trip to Tehran to visit Iranian government leaders.

The handling of the Chalabi investigation so far stands in contrast to the aggressive inquiry conducted by special counsel Patrick Fitzgerald into the leaking of intelligence agent Valerie Plame's name, which led to the indictment of I. Lewis Libby, Vice President Cheney's former chief of staff.

Questions about the progress of the Chalabi investigation also follow the FBI's disclosure last week that it had closed an investigation into forged documents purporting to show Iraq had sought uranium ore from Niger. The Niger claim set off an intense intelligence debate, which was at the center of the leaking of the intelligence agent's identity. Whitley Bruner, a former longtime undercover CIA official in the Middle East who has followed Mr. Chalabi's career closely since 1991, said that, in contrast to Mr. Fitzgerald's investigation, the Chalabi leak inquiry "just sort of disappeared."

FBI spokesman John Miller strongly denied that the Chalabi investigation

has languished. "This is currently an open investigation and an active investigation," he said, adding that "numerous current and former government employees have been interviewed." Mr. Miller said that, because the investigation is an active one, he couldn't discuss specific individuals nor comment on how the inquiry is being conducted. A Justice Department spokesman declined to comment.

Mr. Chalabi's lawyer, Boston attorney John J.E. Markham II, said neither the FBI nor Justice Department ever responded to an offer to have Mr. Chalabi come to Washington to answer law-enforcement questions and aid in the investigation. Mr. Markham made available a copy of a letter he said he had sent on June 2, 2004, to then-Attorney General John Ashcroft and FBI Director Robert Mueller. It categorically denied that Mr. Chalabi had leaked any US intelligence. And it stated "Dr. Chalabi is willing and ready to come to Washington to be interviewed fully by law-enforcement agents on this subject and to answer all questions on this subject fully and without reservation." Mr. Markham, a former federal prosecutor, said that, ordinarily in a leak investigation, "the first thing you would do would be to get the tippee," the person to whom the information was leaked, "in there and say 'Who talked to you?' " But, he said, "That never happened."

The FBI's Mr. Miller said he wouldn't comment on Mr. Chalabi but said the FBI, in general, interviews witnesses when an investigation indicates it is best to do so, not necessarily at the beginning of an inquiry. He added, "The fact that this person or that person has or hasn't been interviewed yet is just not material to whether there's an active investigation."

One likely focus of FBI inquiries would be a small group of people in the Pentagon and White House who had frequent contact with Mr. Chalabi and also probably knew the closely guarded secret of the broken code. Interviews indicate that many of these individuals haven't been questioned by the FBI.

Among the officials with whom Mr. Chalabi at one time had close ties, for instance, was Douglas Feith, who until earlier this year was an undersecretary of defense and headed the Pentagon's powerful office of policy and planning. In an interview, Mr. Feith said he has never been questioned by the FBI or federal prosecutors in connection with the investigation and that if others had been, he was unaware of it. Lawrence Di Rita, spokesman for Defense Secretary Donald Rumsfeld, said in an emailed response to questions that he had no knowledge of the FBI or federal prosecutors having questioned current or former Defense Department officials. "I don't know anything about a [Department of Justice] investigation in this matter," Mr. Di Rita said.

Mr. Chalabi had been considered a trusted ally by influential figures within the administration, but last spring those ties appeared to have ruptured. On



May 20 of last year, Iraqi police backed by US troops raided Mr. Chalabi's headquarters, searching for evidence of corruption and leaked American intelligence. Since then, however, the Bush administration has become more open to dealing with Mr. Chalabi again, spurred on by his rise in the current Iraqi government, the possibility that he might become Prime Minister and his current control over, among other things, Iraqi oil production.

Mr. Chalabi's visit to Washington this week is his first since the leak allegations. He is scheduled to meet with Treasury Secretary John Snow and with Ms. Rice, now secretary of state. He also is to give a speech to the conservative American Enterprise Institute.

Senate Democrats have been pressing for an investigation into the role Mr. Chalabi played in drumming up support for a war to depose Mr. Hussein. They also are critical of Mr. Chalabi because of alleged corruption; in 1992, he was convicted in absentia by a Jordanian court of having embezzled \$288 million from a bank at which he was managing director. He has strongly denied the corruption allegations.

Spokesmen for both Mr Snow and Ms. Rice said they were meeting with Mr. Chalabi, despite past events, because he is a powerful government figure in Iraq. State Dept Iraq adviser James Jeffery said Mr. Chalabi "is deputy PM of a critically important country at a critically important time, he was democratically elected, and it's on that basis that we see him."

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Reuters, November 9, 2005  
Chalabi stirs Iraq war controversy on US visit  
By Carol Giacomo

Iraqi deputy Prime Minister Ahmad Chalabi met US Secretary of State Condoleezza Rice on Wednesday, stirring Iraq war critics who denounced the visit of the man most associated with discredited prewar intelligence. The apparent rehabilitation of Chalabi in US eyes ahead of Iraqi elections next month added new fire to a growing US debate over President George W. Bush's conduct of the war, which has contributed to a deep dive in Bush's public approval ratings.

While the visit seems to come at a particularly inopportune time for Bush, US officials rebuffed suggestions that they were rolling out a red carpet for Chalabi, saying they would not treat him than any differently than any other Iraqi officials in the run-up to the Dec. 15 elections. "He's an elected member of the Iraqi government and he has a portfolio that includes economic policy, essential services, infrastructure, the budget and he will be meeting with his counterparts on those areas and the bilateral issues," White House spokesman Scott McClellan said. Chalabi is also due to meet VP Dick Cheney and National Security Adviser Stephen Hadley while in Washington.

Speaking to reporters after the half-hour session with Rice, Chalabi denied giving US officials false intelligence about Saddam Hussein's wmd and said the focus should be on the future. "It's always more important to look to the future than to the past," he said. He said Rice was "very gracious" and they agreed on key issues concerning Iraq's political and economic development. Although she received Chalabi in her State Department office, Rice did not appear publicly with him, underscoring the political sensitivity of the meeting. Chalabi will also speak at the pro-Bush American Enterprise Institute, where war opponents plan a demonstration.

US officials said Chalabi came to Washington at this time because he was invited by Treasury Secretary John Snow. But Snow is traveling in India all week. Adel Abdul Mahdi, an Iraqi vice president, is also in Washington this week.

Two Democrats, Sen. Richard Durbin of Illinois and Rep. George Miller of California, asked the Senate Intelligence Committee, which is probing prewar intelligence failures, to subpoena Chalabi for testimony. "Here we have a man accused of selling secrets to the enemy, to Iran, and endangering American troops and where do we find Ahmad Chalabi today? He is being hosted and feted by this administration," Durbin said in a speech to the US Senate on Tuesday. Chalabi has denied the Iran charges...

His talent for networking and building alliances with the powerful Islamist leaders of the Shi'ite majority helped get him named deputy Prime Minister earlier this year, with special responsibility for Iraq's oil industry. Though he lacks any mass appeal, some US diplomats even cite the secular Shi'ite as a possible compromise candidate for PM in a coalition government...

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Salon, November 10, 2005

Chalabi's curtain call; The White House resets the stage yet again for the notorious Iraqi expatriate who helped cook the case for war.

By Juan Cole

On the street in Iraq, people give nicknames to the big longtime-expatriate politicians whom the Americans brought back to Iraq. They call former transitional Prime Minister Iyad Allawi "Iyad the Baathist" because of his background in that party. And they call Ahmed Chalabi "Ahmed the Thief." How appropriate that Chalabi has again made a splash in a Washington DC that looks increasingly like a kleptocracy itself.

On the surface Chalabi ought to be finished in Iraqi politics. But until Dec. 15, he is a deputy Prime Minister. His meetings in Washington this week with Secretary of State Condoleezza Rice, Vice President Dick Cheney and

**National Security Advisor Stephen Hadley acknowledge his high political office - even though not so long ago the Bush administration tried to destroy him. What accounts for the turnabout in his political fortunes in the US? Credit the shifting political winds in Iraq - and perhaps yet more savvy back-channel dealings by Chalabi with the Bush administration. It can't be because of his rap sheet, whole reams of pages long...**

**In the spring of 2003, Secretary of Defense Donald Rumsfeld and his deputies, Paul Wolfowitz and Douglas Feith, had a secret plan to install Ahmed Chalabi as a soft dictator of Iraq and to arrange some sort of phony elections that would make it look as though he had a mandate. Larry Diamond, in his book *Squandered Victory*, writes that their plan was foiled by the State Dept, which found out about it. The State Department convinced George W. Bush that it would be a disaster, and he agreed to send to Iraq a former StateDept official, Paul "Jerry" Bremer to forestall such Pentagon flights of fancy.**

**By the spring of 2004, serious charges were launched against Chalabi, presumably at Bremer's behest. He was accused of passing top-secret information to the Iranian government: that the US had broken Iranian encryption codes. That is, before Chalabi allegedly spilled the beans, US intelligence had deep access to what Iranian government officials said among themselves. After the Chalabi incident, Iran became more opaque to the US, which already struggled to find out about what was going on inside the country. Chalabi was also charged with having in his possession counterfeit bills.**

**He managed, however, to survive the indictment. Soon after his indictment the Americans "transferred sovereignty" to the appointed government of Iyad Allawi. Further prosecution of Chalabi would have undertaken by the new government, which apparently was not keen to follow up. It remains unclear how it transpired or who was behind it, but gradually the judge in the case was marginalized and reassigned.**

**By the fall of 2004, Chalabi and his INC had joined the major Shiite coalition, the United Iraqi Alliance, and he gained the #10 spot on the party slate. The UIA, which was endorsed by the spiritual leader Grand Ayatollah Ali Sistani, won 51% of the 275 seats in the Iraqi Parliament and was able to form a government in coalition with the Kurdistan Alliance. Chalabi managed to get himself installed as a deputy Prime Minister. He then parlayed that position into oversight of foreign contracts proposed for Iraq.**

**While Chalabi was able to ride the coalition of religious Shiite parties to significant power in the new system, despite being a secularist himself, that ride appeared to come to an end last month. Chalabi had been offered only three places on the United Iraqi Alliance slate, based on the coalition's estimate of the number of seats his slate would likely garner in open**

elections. Then Chalabi abruptly announced that he would not run on the UIA slate, but that his INC would stand for election alone.

Chalabi explained in an interview with an Arabic-language magazine that his departure from the UIA was linked to the advent of the political movement of the young Shiite firebrand Muqtada al-Sadr. The original UIA had had a big bloc of moderate and even secular candidates, but its center of gravity was the religious Shiite parties, Dawa and SCIRI. Sadr, who turned to civil politics after his Mahdi Army was defeated twice by the US Marines, had maintained neutrality on the elections last year, though some of his followers ran and got elected anyway. For the upcoming Dec. 15 elections, Sadr's followers were given thirty places on the UIA slate. The coalition was now swinging even further to the religious right - and Chalabi maintains that there was no longer any place in it for secularists such as himself.

That explanation makes no sense. Chalabi had developed good relations with Sadr and had mediated between him and his enemies. Up until a few days before the deadline for filing coalitions, Chalabi seemed to be on board. Then it was revealed that Muqtada al-Sadr had made it a prerequisite for his joining the UIA that it pledge not to recognize Israel. Chalabi had signaled he would do just that, and he therefore could no longer hope for the support of the American neoconservatives, his main backers, if he remained within the UIA framework. Sadr's positions made that coalition an inhospitable environment for Chalabi's kind of politics, which depends on his contacts and commitments in foreign capitals, and so he left.

The INC is dominated by longtime expatriates and seems unlikely to do well in the elections scheduled for Dec. 15. Some observers are hoping that the Iraqi public will swing against Dawa and SCIRI because their Prime Minister, Ibrahim Jaafari, has been ineffectual and the new government has not provided security. Such hopes are probably forlorn. Iraqis in recent elections have put more stock in identity politics than such considerations, and it is hard to imagine a pious pilgrimage center like the Najaf province voting for secularists at this time. Chalabi will be lucky to get enough votes even to get a seat in the Parliament if the elections are free and fair. Another old-time expatriate politician with secular leanings, Adnan Pachachi, found it impossible to get elected to Parliament last January.

Yet there is talk, both on the American and the Iranian scenes, of Chalabi's becoming Iraq's next Prime Minister. Somewhat bizarrely, Chalabi visited Tehran last weekend for warm consultations with Iranian President Mahmoud Ahmadinejad and other politicians, just before his Washington trip. Then the Iranians came out and said that he would be acceptable to them as Prime Minister. Some speculate that Chalabi brought some sort of back-

channel message from Washington aimed at reducing tensions between the two countries.

Could Chalabi come to power in Iraq? If the Shiite religious parties get a majority in Parliament, the post will certainly go to a UIA member. Chalabi and his backers may hope, however, that the United Iraqi Alliance will fall short of a majority this time. If so, it will need to form a coalition, and Chalabi may hope that he will be acceptable to all members of the resulting government. That is, he would emerge as a minority PM but with the acquiescence of much bigger parties.

It's worth noting that Washington's hopes of shaping Iraqi politics have, to say the least, often proved impractical. It is clear that the Bush administration had hoped to shoehorn the old CIA asset and ex-Baathist Iyad Allawi into power as Prime Minister last Jan. 30. The Americans gave Allawi all the advantages of incumbency by joining with the UN to appoint him transitional PM. In fact, his slate only got 14.5% of the vote and Allawi was quickly marginalized by the religious Shiites and the Kurds. The same thing could easily happen to Chalabi.

That Chalabi, a wily schemer and convicted crook, should continue his sleazy attempts to get control of Iraq's billions in petroleum revenues is completely unsurprising. That a scandal-ridden Bush administration should warmly welcome the fraudster to Washington yet again and have him hobnob with top officials shows profound disrespect for US troops risking their lives in Iraq. Chalabi lied to and manipulated the American public, reportedly passed top-secret information to Iran, and for a while allied with Muqtada al-Sadr. Officials in the administration are apparently hoping that the American public won't notice that they are playing the same old games, with US foreign policy and with Iraq. As we know all too well by now, they are disastrous games.

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Washington Post, December 27, 2005  
Chalabi Lacks Votes Needed to Win Spot in Iraqi Assembly  
By Ellen Knickmeyer and Naseer Nouri

Unexpectedly low support from overseas voters has left Ahmed Chalabi - the returned Iraqi exile once backed by the US to lead Iraq - facing a shut-out from power in this month's vote for the country's first full-term parliament since the 2003 invasion...With 95% of a preliminary tally from the Dec. 15 vote now completed, Chalabi remained almost 8000 votes short of the 40,000 minimum needed for him or his bloc to win a single seat in the 275-seat National Assembly, according to election officials. Without a seat in the assembly, Chalabi would presumably be unable to obtain a post in the resulting government.

However, Chalabi was among the politicians jockeying Monday ahead of meetings that have been scheduled in the Kurdish north this week to bring Shiite Muslims, Sunni Arabs, Kurds and others into post-election talks on forming the next government. A spokesman for Chalabi's party, which has filed complaints of election irregularities, said he was waiting for the results of the investigation. "What I can say is Dr. Chalabi will have an important role, whether in the government or outside," said the spokesman, Haider Mousawi.

Chalabi is regarded as both a master deal-maker and remarkable political survivor. The longtime exile and his associates played an influential role in the Bush administration's decision to invade Iraq and overthrow Saddam Hussein; US authorities tapped Chalabi to lead a small Iraqi force in the US-led invasion. But his reputation suffered from past financial scandals, and critics have charged he was always more popular with Americans than with Iraqis.

Chalabi's supporters here had hoped he would do well among exile voters who were allowed to cast ballots overseas. But results announced Monday showed he received just 0.89% of the "special vote," from Iraqi citizens in foreign countries, hospitals, the army and prisons. Kurdish politicians received the largest share of the special vote, with the backing of millions of Iraqi Kurdish exiles and members of the security forces, while the current governing coalition of Shiite religious parties has so far won the most votes overall.

Chalabi's bloc has done poorly across the country, according to the preliminary tally, which left it statistically unlikely that the bloc could win a seat outright. Final results are expected by early next month. Chalabi pulled out of the governing Shiite alliance ahead of the elections, opting instead to form a small party of his own, after the alliance refused to guarantee him the top job of prime minister, his aides said at the time...

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FT, December 27 2005

Sunni lead mass election protests in Baghdad

By Steve Negus

...Iraqi oil officials quoted by Dow Jones said yesterday that the deputy Prime Minister Ahmed Chalabi would take over the oil ministry, replacing Ibrahim Bahr al-Ulum, who has taken a month's leave. Mr Bahr al-Ulum is reported to be disgruntled with the current government and earlier this month threatened to resign over a rise in oil prices.

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**Reuters, December 31, 2005**  
**Minister steps aside amid Iraq oil crisis**

**Iraq's Deputy Prime Minister Ahmad Chalabi has assumed direct control of the powerful oil ministry as crude exports grind to a halt due to sabotage attacks and logistics problems, officials say. Mr. Chalabi, who has been improving relations with Washington after previously falling out with the US administration, was appointed acting oil minister after the incumbent Ibrahim Bahr al-Ul-oum was given leave, the officials say.**

**Mr. Uloum told Reuters he was "intent on resigning" while aides to Mr. Chalabi, a former financier, confirmed he had been appointed acting oil minister. "I object to the decision of putting me on leave and the mechanism by which it was done after I objected to the government's decision to raise fuel prices," Mr. Uloum said.**

**The change in minister comes amid what oil officials called a "crisis in the sector" due to a sabotage attack in the north and bad weather in the south, which have stopped Iraq's oil exports by land and sea. Iraqi oil officials say they fear the country might be facing a fuel crisis after its biggest refinery, at Baiji, north of Baghdad, was shut down due to security threats. That will affect the work of other major refineries which depend on power and crude oil from Baiji.**

**A ministry spokesman allied to Mr Uloum says the country is facing an impending supply crisis. "Production in the north, centre and south is about to suffocate," he said.**

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