

Wishbone and Jungle Jap

'It works in the jungle, it works in the desert, it works everywhere.'

ADNAN KHASHOGGI
quoted in Fortune, June 1977

'I have heard disturbing reports that Khashoggi just bullshits you.'

STANLEY SPORKIN
*Director for the Securities and Exchange Commission
Enforcement Division*

The telephone call came through to London just before midnight on Saturday. 'This is Bob Shaheen. Would you be able to see the chief tomorrow morning at about ten o'clock?'

'Yes. Where?'

'In Cannes.'

For Adnan Khashoggi, Saudi Arabia's most visible multinational entrepreneur, distance and time are irrelevant. He travels sixty thousand miles a month in his green and white Boeing 727 (gold coloured - *not* gold-plated - bathroom fittings, telexes, six colour televisions with video cassettes, separate wardrobes for Cifonelli suits and gold-embroidered *thobes*), an updated bedou flitting from one continent to another arranging deals, smoothing problems, allegedly bribing government officials, and surrounding himself and his clients with conspicuous symbols of status like yachts, expensive cars, beautiful women, and hospitality on a scale which impresses the most dour bankers as much as it alarms their blue-rinsed wives.

'People are hypocrites,' he says. 'They don't know how to
M.R.—F

live. Many of them would like to live as I do, but they don't dare. They are afraid of what others would say. I enjoy living pleasantly. I can afford it. I have worked hard for it. Why should I deprive myself? In the beginning there was hostility in Saudi Arabia because they thought I was exposing myself too much. Now they have become used to it. I'm not afraid. I have nothing to hide. Whatever I enjoy, others enjoy with me.'

After the first blast of Riyadh self-righteousness, he is a refreshing change. His uninhibited life-style, the basis for Harold Robbins' book *The Pirate*, is financed by a reputed \$500 million in profits over the last few years (\$200 million in 1977 alone) and makes him one of the few identifiable targets for snipers who lie along the route of the money rush, as well as a potential all-purpose saviour. He nearly prevented British financier Jim Slater from falling to disgrace in a heap of debts. During a series of meetings in Beirut and Paris in 1975, he offered to buy Sir James Goldsmith's twenty per cent holding in Slater Walker, plus a further five per cent, for £7 million – enough to ensure the company's survival. However, according to Slater sources, he could not provide the £2 million cash needed to implement the deal and asked them to arrange finance, an impossibility for a firm already in a morass of difficulties. Khashoggi's aides have a different interpretation: asking for finance he knew would not be forthcoming was a tactful way out of an overpriced deal. It is at least a refinement on the usual method of polite smiles and promises for *bukra*.

As I flew to meet him, a British columnist had written that he had 'abducted' his five children from his wife Soraya (née Sandra Jarvis-Daly of Leicester, whom he married when she was seventeen); and a rival newspaper was about to disclose that 'London's newest night-club, *Le Privé*, designed to become the capital's most exclusive joint, opened last year. Fabled Arabian "Mr Fixit" Adnan Khashoggi is said to be one of the names barred from membership. This might be because he is a flashy Arab.'¹

It was mid-afternoon in September, the best time for the Riviera, and Mr Robert Shaheen sat in his room at the Majestic

who says, "I just want to make money" – God bless him. That's the guy I want to deal with. We want profit-orientated thinking. With Western technology and Middle East money we can go places in the new world that is coming.'

As for sentiment, 'We sell projects, but we try not to fall in love with them.'

The family fortune was started by his father Mohammed who, as personal physician to King Ibn Saud, imported the first generator to Mecca in order to run an X-ray machine. He rented out the generator, and it became the basis of an electrical company which still exists.

Adnan was sent to Victoria College, a British-style boarding school in Alexandria, where the 'character-building' system of cold showers and early-morning runs did so much to inspire – or kill – the puritan spirit in those members of the Arab élite that it enriched, including King Hussein and Hisham Nazer. He learned the art of buying popularity, and spent half his pocket money entertaining classmates, thereby discovering information which led quickly to his first entrepreneurial success. He introduced the father of one classmate who wanted to import towels to the father of another who owned a textile factory. He received a gift of £200 'for doing practically nothing'.

After Victoria College, he was sent to study petroleum engineering at the Colorado School of Mines, but arrived on the east coast during a blizzard, hated the cold, and disappeared to San Francisco where he enrolled in an economics faculty at Chico State University, lived in a cheap hotel room (which he divided in half with chairs and called a 'suite'), and taught his friends that the essence of obtaining credit was to create confidence. Usually they learned this valuable lesson with their own money. Once, he borrowed \$5 from a colleague to buy a packet of cigarettes. 'Keep the change,' he told the shopkeeper to the horror of his friend. Adnan explained, 'My bill is due tomorrow, and I don't have the money. If I tip nearly \$5 it means I have plenty of money, and they won't ask for immediate payment.'

Traditional education was of little use to a man of such imagination. He left Chico State, went to Stanford for a term, and then returned to Saudi Arabia. 'I was very excited about

the possibilities. I wanted to industrialize Arabia overnight, but found it difficult. No banks would talk to me. A local entrepreneur lacked credibility and experience in what is called "packaging".'

Nevertheless, through friendship with Prince Mohammad bin Saud, then minister of defence, and contacts made in the United States, he was asked to supply Kenworth trucks for the army. His commission of \$245 000 helped him win a contract to service Dhahran air base. He denies that royal connections are any use. 'Royal princes have many friends and personal relationships, as in any free, civilized society. However, these intimacies are never the basis of personal benefits or grants to privileged friends.'

Later, to Pentagon officials, he was even more emphatic. 'Prince Sultan does not need Adnan Khashoggi. If he wants \$10 million, all he has to do is take it from the government. Adnan Khashoggi will never offer Prince Sultan money – that is like a beggar offering riches to a king.'

His first company, however, the Alnasr Trading and Industrial Corporation, was backed financially by King Saud who also gave him a fifty-year monopoly to develop Saudi Arabian gypsum deposits.

Foreign firms, impressed by his contacts and anticipating the money rush, scrambled to be represented by him. It was not always successful. In 1962, he became agent for Marconi. 'If anyone wants to do business in Saudi Arabia he must have first-rate contacts, otherwise you can spend an awful lot of time just hanging about waiting for appointments,' says S. E. Clark, Marconi's director of overseas operations. 'However, we never got a penny piece out of him. We found that he was so busy, and so great were his ambitions that we could never get hold of him.'

Khashoggi's typically Saudi reply conceals more than it reveals. 'They failed in the most important virtue of business – patience.'

Meanwhile larger companies were on the horizon. Two years later, when he was twenty-nine, Lockheed paid him \$2000 a month 'to research the market' and, as chairman Don Haughton explained, 'teach them the customs'. It was an association that

was to lead to Lockheed's acute embarrassment and fees of \$106 million for Khashoggi.

Ironically, the arrangement was initially dismissed as futile. 'I met the American ambassador, and he told me I was wasting my time being Lockheed's agent because Saudi Arabia would never buy any sophisticated weapons. He said that all Ministry of Defence contracts were mere show to satisfy the pomposity of Saudi officers. I returned to Riyadh, wrote to the late King Faisal mentioning the conversation in detail, and presented it to him personally. After reading it, the King threw it aside in anger and said, "I am afraid the Americans will never understand us. Do they want us to send our youth to America for training, and to graduate from the highest American aviation school, and on their return make castles in the sand?"'

The answer was No, and in the next few years Adnan made a fortune proving it. Apart from Lockheed money, he received commission of \$45 million from the sale of French tanks, another million from a British helicopter company, and so on. In the last ten years, he has been involved in about eighty per cent of all arms sales to Saudi Arabia, but he claims this represents only one-third of his company's interest. 'Are we in the arms business? You know - guns, bullets, bombs. I think not. We supply the military with technical support systems. We are not like Mr Sam Cummings with his machine guns.'

In the United States, he began to create goodwill for himself by contributing to Richard Nixon's campaign funds. The exact amount remains speculative. Some estimates say it was \$1 million but Adnan denies it. 'I met Nixon in Paris in 1967 and we had dinner at the Rasputin restaurant. We became friends, the way you sometimes do when you have a drink with a man and there is a pretty girl between you.

'When I went to New York he gave a cocktail party for me, but when he was running for president an Arab businessman with big ideas suggested to me, "Let's give him \$50000!" I said Nixon could not appoint any of my men as ambassador, so why should I give him money? Instead, I suggested we finance a campaign record, and split the profits fifty-fifty. They never paid back the money. My friend wanted to sue those guys for it.'

By 1973, Lockheed were becoming disenchanted with their

representative, particularly as his commission on the sale of Hercules transport planes, which cost \$2.5 million each, had risen from two to eight per cent, in addition to a \$200,000 'marketing contingency' payment per aeroplane. According to Lockheed this was for 'under-the-table compensation to Saudi officials: but we really have no way of knowing if the so-called "under-the-table" compensation is ever disbursed to Saudi officials, or stops at our consultant's bank account.'

He was still popular in government circles, though, and David Alne, a former director of the Pentagon's international sales negotiations, called him 'an inexpensive aid programme for the United States'. The following year, the US embassy in Jidda recommended him as 'an excellent contact for US firms'.

Then came the Northrop 'problem'. The company alleged they had given \$450,000 to Khashoggi to bribe two Saudi Arabian air force generals - Hashim and Zuhair. The generals were code-named Trumpet and Geranium in telexed messages between Northrop's headquarters at Century City, Los Angeles, and Khashoggi's Riyadh office, where he was known as Wish-bone. The money, according to Northrop chairman Tom Jones, was to ensure the success of orders for twenty Tiger fighter aeroplanes. Khashoggi admitted receiving the money, but said he kept it for himself because 'I knew it would threaten to terminate Northrop's relationship with Saudi Arabia if it was delivered.'²

He had not 'stolen' the money, he claimed, but had credited it against Northrop's account. The vagueness of his various explanations was intentional. 'What do you tell stupid people like that? I play games with them.'

He was not willing to play games with the Securities and Exchange Commission, however, who ruined a trip he made to the Sands Hotel, Las Vegas, in March 1977 by trying to subpoena him. He flew to Barbados the next day, and did not return to the United States for a year. 'Is American morality suddenly to become the basis for world morality? We're not doing anything naughty. I have no need to pass bribes in Saudi Arabia. I took my fees, and they were large, but so were the deals I helped put through for America. The more you

produce, the more you earn. That, after all, is the basic element of the United States free enterprise system.'

He has about \$50 million in United States banks and companies, and thirty of his fifty executives are American. He owns property in Texas, Florida and Arizona and steak houses in San Francisco, is developing a \$250 million industrial park in Salt Lake City and owns two banks in California. There was a rumpus when he tried to buy a third, and he was defended by Prince Sultan. Allegations against his friend were 'part of the Zionist campaign aimed at distorting the Arab image', he claimed and added, 'Hell broke loose when Arab interests wanted to invest only \$25 million in San José banking operations, but nobody seems to be complaining against a \$25 billion rip-off of the American taxpayer by Israel.'

Adnan's multifarious businesses operate under the umbrella of Triad Holding Company, based in Liechtenstein. A few trusted aides have been with him for years: Bob Shaheen, Sabih Deif, an Egyptian lawyer who writes the single copy of the balance sheet in longhand, and a former Lockheed man, Louis Lauler. His brothers, Adil and Essam, each own ten per cent of the company and his father, Mohammed, is honorary chairman.

A Korean bodyguard, Keel, and a valet, George, accompany him everywhere. Each morning whilst George shaves him in a special chair, replicas of which he has in his residences throughout the world, he sits and contemplates his operations in thirty-eight countries: financial management, banking, a travel firm, a furniture factory, an insurance company in London, a fashion house in Paris run by Kenzo Takada who markets clothes under the 'Jungle Jap' label, interior design, property development, hospital management, elevator production, cranes, ship chartering, beef slaughtering in South America, a cattle ranch in the Sudan, hotels in Tahiti, Fiji, New Zealand and Australia.

Not all the results are successful. He planned a \$600-million tourist resort near Cairo but the contract was cancelled suddenly in the summer of 1978 after reports of questionable land transactions and environmental objections had given the project the nickname 'Pyramidgate'. A \$200-million loan he

arranged for Sudan from a consortium of thirty banks (earning his own company \$1 million commission) has been so mis-managed by the government that it has resulted in increased inflation and balance-of-payment difficulties. Khashoggi cannot be blamed for that, but in 1974 the management consultants McKinsey & Co. told him his own investments had been haphazard, and their management chaotic.

He has a dozen homes: three in Saudi Arabia, two in London, one each in New York (the 46th and 47th floors of Fifth Avenue's Olympic Tower – the top floor of this \$3 million extravaganza holds the swimming pool), Sardinia, Rome, Beirut, Paris and Cannes. A £22-million yacht with helicopter landing pad was still under construction, so I prepared to meet him on the 200-foot cruiser he was making do with for the season.

Not bad for a forty-three-year-old flashy Arab.

The short trip was a misery for Bob Shaheen, nattily attired in his working suit. He doesn't much like the sea, and ducked as the speedboat zoomed through the harbour exit, heading over the choppy Mediterranean to where the cruiser lay at anchor a few hundred yards away.

Khashoggi is small, portly, with soft brown eyes and a gentle manner, immediately relaxed and relaxing, tactile and confiding, a salesman whose face betrays none of the tensions involved in his exploits. His fifteen-year-old daughter, Nabilia, and thirteen-year-old son, Mohammed, were on board preparing to go to school in Geneva the next day. High-spirited and friendly, they did not look abducted, although I was to read the next day how they had – at that very moment – been on the telephone in tears to their mother.

'You have to accept personal publicity like that,' says Khashoggi. 'It's like losing a leg. There's nothing you can do about it. Okay, if you want to see me early one morning, dancing at a night-club with a blonde, God bless you. If you want to see me on my big boat, you are welcome. I don't want to be an Onassis, or anything like that, but it's disastrous for an individual to become mysterious.

'Let people see us as normal human beings, playing around

as they do, enjoying life, doing business, having children. We are a mystery only because we came out of the desert, but we are not from Mars. It will take many years for you to understand us, and us to understand you. I am afraid the average person will not understand.

'I was treated well by the West when I started but when I became exposed – through Lockheed and the San José bank – I became a star in orbit, ready to be shot at. I have worked hard to build credibility.

'My fees are high, but whoever thought when I started that the amounts would be so large? Why the fuss? You don't say to David Rockefeller at Chase Manhattan, "If it's a billion-dollar transfer, don't take your commission of one-tenth of one per cent". And banks do nothing except print paper. Some of our deals take ten years with overheads of millions. Only one in five materializes, and we face a lot of problems. We need a large intelligence network in order to anticipate the competition. A lot of intrigue goes with it. You don't just do our work in a white shirt and tie.'

So, I suggested, you have to bribe, and cheat, and generally comply with the rules of the money rush which make kung-fu seem like Girl Guide netball?

'It depends who you are talking about. Everyone is living with the problem of bribery. It exists in the US Congress, in the House of Commons. How do people get contracts with the Pentagon? You have proved that there is corruption in your societies.

'In Saudi Arabia, we are fighting Western corruption. Lockheed wanted a decision in a hurry, and were willing to pay for it. They met a general, and he complained "Adnan Khashoggi does not pay me", at least clearing me of corruption, but the company was angry. They wanted to know what I did with the money. I told them it was none of their business.

'When you choose a man and he does things for you which seem to be a miracle, you pay him. Why grumble? If you want to be pure, ask him to write "I have never bribed". At least then you will have purified your soul. That is my recommendation to the Western world. If you know he paid a government official, that is corruption and is between society and his

conscience with God. In Saudi Arabia the official would lose his job in the morning, and be in jail in the afternoon. I was glad when the Church investigations began. They ended with Lockheed looking guilty, and me innocent.

'We try to be a really organized, professional marketing organization, and we have a few big contracts. Of course, there is no justification for a man getting five or ten per cent on a contract worth \$100 million, but if you are sitting in the middle of the desert not knowing what to do, you will be more than happy to pay someone for professional advice. You could do it on your own, because Saudi Arabia needs things, but you will frustrate yourself.

'Some intermediaries happen to be a friend of a prince, and maybe the poor prince enjoys playing cards. One day the intermediary says, "Please, your highness, will you see so and so". The prince sees him, has a cup of tea – does that make him guilty of anything? There are princes in business, but their influence is equal to everyone else. It was proved when the son of the Crown Prince was humiliated to zero over the telephone contract. That's a good example.

'Of course there are people who put out their hands because they have no money – like customs officials. If you have nothing to declare, but the officer is going to be naughty, unpack all your bags, and make you wait for two hours when you are tired and want to go home – maybe you give him money. In some eyes, that is a facility for comfort. In others, it is a bribe. How many are like me, able to complain about such treatment? Others have to submit to these weak people.'

As we sat on deck watching the sun go down, his children were in the makeshift cinema on board, servants were laying gold cutlery for dinner, and some exquisite girls from Paris were scenting and chiffoning themselves for an evening of pleasure. Along the Croisette, envious glances were turned towards the boat. Those stern mausoleums – the Majestic, the Splendid (without a humiliating post-Concorde 'e'), Le Claridge for *thé* – built so British Victorians could stroll in the sun and imagine they were still in Bournemouth, now have a different clientele brought by the money rush. Arabs and Persians abound.

'Look at it this way,' suggests Khashoggi. 'The gods are

kind, and have distributed things around. If we had all the sea, the good weather, and so on, these poor people here would not benefit. The British, at their peak, used this as a playground. Now we do.

'At the moment in Saudi Arabia, we are at the crossroads between dependence upon the West and trying to understand ourselves. Our country is a cocktail of many things. You have a PhD from Oxford next to someone with a big position in government who hardly knows how to write his name. You see wealth side by side with poverty. But the poverty is by choice. Ninety per cent of the population is not educated, and they reject certain forms of development.

'Our tradition causes misunderstandings. Religion calls for equal treatment of women, and it is sad that we are destroying half our society by selfish desires to keep them down and behave in the same way as our grandparents. It will definitely change.

'There is, too, a type of hypocrisy over drinking. It is the same in certain American states where there are laws against the easy access of alcohol. People are allowed privileges if they make the effort to do certain things - but you cannot give your full blessing because that would lead to overnight corruption and an uncontrollable society.

'If you are a religious family, you have to tell your children how to behave. You might be the worst father in the world, chasing girls, drunk all night, gambling. But at least when you face your son, he wants you to be perfect. That is a rule of life.

'I would not like to see the basic things in our society destroyed - the family unit, faith in Islam, which is practically the same as Christianity. Money can corrupt if you don't know how to make it enter the system slowly. What will happen if we go quicker? Look at Kuwait. All those educated people with nothing to do.

'It may be happening to an extent in Saudi Arabia, but if they don't work hard inflation will take everything away.

'There are those who think that religion is a hindrance. I believe it is a safety-valve. If you don't have a belief you become immoral and there is no hope for you. I am a strong believer. I cannot go to bed at night until I have prayed because it is something I was brought up with.'

'It must be awkward,' I said, 'having to pray five times a day.'

'I am lucky about that,' he replied smiling. 'There is dispensation for travellers. They have only to pray twice a day.'

Truly the gods are kind – to some.

For me, it was back to Riyadh, and the muted delights of watching a camel race with King Khalid and his guests.