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CIA 4-01 International Payoffs (Bribes)
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When does one ma become another's b

By Bill Neikirk and John Maclean

Chicago Tribune Press Service

WASHINGTON — Two weeks after he became ambassador to Saudi Arabia in 1973, James Akins was asked by the State Department to seek Saudi government approval of a multimillion-dollar agent's payment by Northrop Corp. to facilitate a military arms sale.

Claiming the proposed payment was "excessive," the fiery Akins refused to go along, even though the cable signed by Secretary of State Henry Kissinger said the proposed agent's fee was justified.

Although he refuses to call the payment a bribe, Akins believed the request was improper and put the U. S. government in the position of fostering a practice he considered reprehensible. He also said the Saudis had a policy against paying excessive agent's fees.

THE FEE, described by Akins as substantial, apparently was never paid, perhaps as a result of the ambassador's stand. Sources said his refusal caused a furor in the State and Defense Departments and in Northrop.

Since fired by Kissinger, Akins is expected to give details of the matter next month when he testifies before the Senate multinational subcommittee.

The incident is yet another example of the growing evidence suggesting that the U. S. government was aware that American companies were paying bribes or bribes thinly disguised as exorbitant agent's fees to influence sales in foreign countries. Other examples:

- Lockheed Aircraft Corp. used Deak & Co., an international currency dealer reportedly having strong Central Intelligence Agency connections, to transmit its funds to Japan, where illegal payments were made to Japanese officials. Much of this money was channeled via a circuitous route through Hong Kong.
- The State Department has received cables over the years from various ambassadors alleging in general terms that bribery was a way of life in their areas in dealing with U. S. firms. One source said, "Akins was always sending cables saying that bribery was getting out of hand in Saudi Arabia."
- A former high-ranking CIA official told The Tribune that while U. S. companies try to conceal bribery payments, in many countries a CIA [illegible] would hear about them and duly report them to headquarters in Washington.
- Joseph K. Hoenig, an aide in the Defense Department agency which handles foreign military sales, wrote an article on the aerospace industry two years ago that appeared to encourage paying agent's fees. The article said, "Most defense contractors [both U. S. and foreign] have local agents for the express purpose of influencing a sale." The department's own rules bar the payment of such fees if "improper influence" is involved. Hoenig turned down a request for an interview.
- The CIA knew many of the details of bribery of Japanese politicians by Lockheed in the late 1950s. A former CIA official and Japanese sources say the bribery was in connection with sale of the F-104 fighter plane to Japan. Some of the payments went to Yoshio Kodama, the Japanese power broker, who had a long-standing relationship with American Embassy officials in Japan.

NOW, THE Senate multinational subcommittee, headed by Sen. Frank Church [D., Idaho], is trying to establish whether — and how much — the government knew about the widespread practice of making overseas payoffs to influence sales.

"They had to know," one of the panel's investigators said. "There were maybe 100 companies making payoffs around the world. If they didn't, it was either the height of incompetence or mendacity."

Knowing is one thing, condoning another. U. S. officials interviewed carefully drew the distinctions. Akins said while he was in the State Department in Washington before his Saudi assignment, he had heard in general terms about use of bribery and excessive agent's fees in foreign countries. But he said he had heard nothing specific until he got in the field.

Complicating the picture is that it is hard to define what is a "reasonable" agent's fee — and at what point the fee becomes a bribe or a payoff to influence a sale, rather than a fee for a service performed.

AGENT'S FEES on foreign military sales are screened by the Defense Department, which can question an excessive payment. If the company chose to conceal m
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The Defense Department has begun notifying foreign governments of agents' fees it considered excessive, but the practice only began in the last year. The State Department does not have a similar procedure on strictly commercial sales.

In Saudi Arabia, Akins was so incensed by the cable signed by Kissinger [all cables to the field are signed by the secretary, so Kissinger didn't necessarily write it] that he set out to end the practice of excessive agent's fees in that country.

He said he pulled it off by threatening the companies doing business in Saudi Arabia with a "total lack of cooperation" from his embassy. In effect, this would mean denying the embassy's help in getting visas or getting around government regulations or settling local police matters.

"You do not have to pay bribes and you do not have to pay high agent's fees," he said he told the companies at monthly meetings. Akins said he was not only helping the Saudis, but "American business flourished while I was there. No one lost a contract because of failure to pay agent's fees."

AKINS SAID that bribery was less of a problem with foreign military sales than with commercial sales, when the government isn't directly involved.

The former ambassador was regarded as more of a moralist on the issue of agent's fees than most of his State Department colleagues, said a former official with the agency.

His tough stand caused some hard feelings with Saudi Arabia's best-known agent, Adnan Khashoggi, who has received fees in the hundreds of millions of dollars on defense and nondefense contracts.

"Khashoggi claimed that he went to American officials and got my job," Akins said. "Well, I don't believe it. I think he's taking too much credit." The former ambassador said he lost his job for other reasons, primarily because of clashes with Kissinger.

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