

## **Carlyle Empire**

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The biggest private investor in the world, deeply entrenched in the weapons' sector, is a discreet group that cultivates dealings with influential men, including Bush father and son.

One year ago, May 1, 2003, George Bush, strapped up in a fighter pilot's suit, landed on the deck of the aircraft carrier USS Abraham-Lincoln along the coast of California. The image became famous. Under a banner proclaiming "Mission Accomplished", the president prematurely announced the end of military operations in Iraq and his victory. Back on dry land the next day, he made another martial speech, not far from San Diego, in a United Defense Industries' weapons factory.

This company is one of the Pentagon's main suppliers. It manufactures, among other things, missiles, transport vehicles, and the light Bradley armored vehicle. Its main shareholder is the biggest private investor in the world, a discreet group, called Carlyle.

It's not listed on the stock market and doesn't have to show its accounts to any but its 550 investors- billionaires or pension funds. Carlyle manages eighteen billion dollars today, invested in defense and high tech (notably biotech), space, security-linked information technology, nanotechnologies, and telecommunications. The companies it controls share the characteristic that their main customers are governments and administrations. As the company wrote in its brochure: "We invest in the opportunities created in industries strongly affected by changes in government policy."

Carlyle is a unique model, assembled at the planetary level on the capitalism of relationships or "capitalism of access" to use the 1993 expression of the American magazine *New Republic*. Today, in spite of its denials, the group incarnates the "military-industrial complex" against which Republican President Dwight Eisenhower warned the American people when he left office in 1961.

That didn't prevent George Bush senior from occupying a position as consultant to Carlyle for the ten years ending October 2003. It was the first time in United States' history that a former president worked for a Pentagon supplier. His son, George W. Bush, also knows Carlyle well. The group found him a job in February 1990, while his father occupied the White House: administrator for Caterair, a Texas company specialized in aerial catering. The episode does not figure in the president's official biography. When George W. Bush left Caterair in 1994, before becoming Governor of Texas, the company was in bad shape.

"It's not possible to get closer to the administration than Carlyle is," asserts Charles Lewis, Director of the Center for Public Integrity, a non-partisan organization in

Washington. "George Bush senior earned money from private interests that worked for the government of which his son was president. You could even say that the president could one day profit financially, through his father's investments, from the political decisions he himself took," he adds.

The collection of influential characters who now work, have worked, or have invested in the group would make the most convinced conspiracy theorists incredulous. They include among others, John Major, former British Prime Minister; Fidel Ramos, former Philippines President; Park Tae Joon, former South Korean Prime Minister; Saudi Prince Al-Walid; Colin Powell, the present Secretary of State; James Baker III, former Secretary of State; Caspar Weinberger, former Defense Secretary; Richard Darman, former White House Budget Director; the billionaire George Soros, and even some bin Laden family members. You can add Alice Albright, daughter of Madeleine Albright, former Secretary of State; Arthur Lewitt, former SEC head; William Kennard, former head of the FCC, to this list. Finally, add in the Europeans: Karl Otto Poehl, former Bundesbank president; the now-deceased Henri Martre, who was president of Aerospatiale; and Etienne Davignon, former president of the Belgian Generale Holding Company.

Carlyle isn't only a collection of power people. It maintains holdings in close to 200 companies and, above all, provides returns on its investments that have exceeded 30 % for a decade. "Compared to the five hundred people we employ in the world, the number of former statesmen is quite small, a dozen at most," explains Christopher Ullmann, Carlyle Vice-President for communication. "We're accused of every wrong, but no one has ever brought proof of any kind of misappropriation. No legal proceeding has ever been brought against us. We're a handy target for whoever wants to take shots at the American government and the president."

Carlyle was created in 1987 in the salons of the New York eponymous palace, with five million dollars. Its founders, four lawyers, including David Rubenstein (a former Jimmy Carter advisor), had the -limited- ambition at the time of profiting from a flaw in fiscal legislation that authorized companies owned by Eskimos in Alaska to give their losses to profitable companies that would thus pay reduced taxes. The group vegetated until January 1989 and the arrival at its helm of the man who would invent the Carlyle system, Frank Carlucci. Former Assistant Director of the CIA, National Security Advisor, then Ronald Reagan's Defense Secretary, Mr. Carlucci counted in Washington. He is one of current Defense Secretary Donald Rumsfeld's closest friends. They were roommates as students at Princeton together. Later, their paths crossed in several administrations and they even worked for a time at the same company, Sears Roebuck.

Six days after officially quitting the Pentagon, January 6, 1989, Frank Carlucci became Carlyle's Director General. He brought trusted lieutenants from the CIA, the State Department, and the Defense Department with him. Nicknamed "Mr. Clean", Frank Carlucci has a sulfurous reputation.

This diplomat was posted during the 1970s to countries such as South Africa, the Congo, Tanzania, and Portugal, where the United States and the CIA had played a questionable political role. He was the number two at the American embassy in the Belgian Congo in 1961 and was suspected of being implicated in the assassination of Patrice Lumumba. He has always firmly denied it. The American press has also accused him of being implicated in several cases of arms trafficking in the 1980s, but he has never been prosecuted. For a while, he directed Wackenhut, a security company with a hateful reputation, implicated in one of the biggest espionage scandals ever, the hijacking of Promise software. Frank Carlucci had the mission of cleaning up after the Iran-Contra affair in the Reagan administration and he succeeded John Pointdexter as National Security Advisor. As he took over his new position, he chose a young general to be his assistant... Colin Powell.

Frank Carlucci's name attracted capital to Carlyle. In October 1990, the group took over BDM International, which participated in the "Star Wars" Program and constituted a bridgehead to it. In 1992, Frank Carlucci allied himself with the French group Thomson-CSF to take over LTV's aerospace division. The operation failed, Congress opposing the sale to a foreign group. Carlyle found other associates, Loral and Northrop, and got hold of LTV Aerospace, quickly renamed Vought Aircraft, which contributed to the manufacture of the B1 and B2 bombers.

At the same time, the fund was multiplying its strategic acquisitions, such as Magnavox Electronic Systems, a pioneer in radar imagery, and DGE, which owns the technology for cruise missile electronic relief maps.

Three companies specializing in nuclear, chemical, and biological decontamination (Magnetek, IT Group and EG & G Technical Services) followed. Then, through BDM International, a firm linked to the CIA, Carlyle acquired Vinnell, which was among the first companies to supply the American army and its allies with private contractors, i. e. mercenaries. Vinnell's mercenaries train the Saudi armed forces and protect King Fahd. During the first Gulf War, they fought alongside Saudi troops. In 1997, Carlyle sold BDM and Vinnell, which had become too dangerous. The group didn't need it any more. It had become the Pentagon's eleventh biggest supplier by gaining control of United Defense Industries that same year.

Carlyle emerged from the shadows in spite of itself on September 11, 2001. That day, the group had organized a meeting at Washington's Ritz Carlton Hotel with five hundred of its largest investors. Frank Carlucci and James Baker III played masters of ceremony. George Bush senior made a lightning appearance at the beginning of the day. The presentation was quickly interrupted, but one detail escaped no one. One of the guests wore the name bin Laden on his badge. It was Shafiq bin Laden, one of Osama's many brothers. The American media discovered Carlyle. One journalist, Dan Briody, wrote a book about the group's hidden side, "The Iron Triangle", and takes an interest in the close relations between the Bush clan and the Saudi leadership.

Some ask about George Bush senior's influence on American foreign policy.

In January 2001, while George Bush junior was breaking off negotiations over missiles with North Korea, the dismayed South Koreans intervened with his father. Carlyle has important interests in Seoul. In June 2001, Washington resumed discussions with Pyongyang.

Another example: in July 2001, according to the New York Times, George Bush senior telephoned Saudi Prince Abdullah who was unhappy with the positions the president took on the Israeli-Palestinian conflict. George Bush senior reassured the prince that his son "is doing good things" and "has his heart in the right place."

Larry Klayman, Director of Judicial Watch, a resolutely conservative organization, demands that "the president's father resign from Carlyle. The group has conflicts of interest that can create problems for American foreign policy." Finally, in October 2003, George Bush senior leaves Carlyle, officially because he's nearing eighty years old.

It doesn't matter that Carlyle put an end to all relations with the bin Laden family in October 2001; the evil was already done. The group, along with Halliburton, has become the target of Bush administration opponents.

"Carlyle has replaced the Trilateral Commission in conspiracy theories," David Rubenstein acknowledged in a 2003 Washington Post interview. For the first time, the group put someone in charge of communications and changed its boss. Frank Carlucci became honorary president and Lou Gerstner, a respected executive who saved IBM, officially took the reins.

That operation seems mostly cosmetic. Mr. Gerstner doesn't spend much time in his office; but Carlyle wants to become respectable.

The Group has created an Internet site. It has opened certain funds to investors bringing "only" 250,000 dollars (210,000 euros). It will have reduced its holdings in United Defense Industries, and asserts that defense and aeronautics represent no more than 15 % of its investments.

However, Carlyle continues to make intensive use of fiscal havens and it's difficult to know the names of the companies it controls or its perimeter.

Carlyle is also increasing its efforts in Europe. In September 2001, it took control of the Swedish weapons manufacturer Bofors through United Defense. Subsequently, it tried, unsuccessfully, to take over Thales Information Systems and, in the beginning of 2003, to acquire those parts of France Telecom that are in Eutelsat, which plays an important role in the European Positioning System by Galileo satellite - a competitor of the American GPS. From 1999 to 2002, it managed a holding in Le Figaro. In Italy, it made a breakthrough, by taking up Fiat's aeronautics subsidiary, Fiat Avio. This company is a supplier to Ariespace and allows Carlyle to be part of the European Rocket Council. In another coup in December 2002, Carlyle bought a third of

Qinetic, the private subsidiary of the British military's Research and Development Center. Qinetic occupies a unique advisory role with the British government.

"To anticipate the technologies of the future and the enterprises which will develop them is our first role as an investor. Pension funds bring us their money for that. You can't blame us for trying to take strategic positions," Mr. Ullmann stresses.