

A REPORTER AT LARGE

The Manipulator

Ahmad Chalabi pushed a tainted case for war. Can he survive the occupation?

by Jane Mayer

Ahmad Chalabi, the wealthy Iraqi Shiite who spent more than a decade working for the overthrow of Saddam Hussein, prides himself on his understanding of the United States and its history. “I know quite a lot about it,” he told me not long ago. It was after midnight in Baghdad, but he was still in his office in the new headquarters of the Iraqi National Congress, the exile opposition group that Chalabi helped found in 1992. As a young man, he said, he spent several years in America, earning an undergraduate and a master’s degree in mathematics from M.I.T., and a Ph.D. in mathematics from the University of Chicago. Chalabi began studying the uses of power in American politics, and the subject developed into a lifelong interest. One episode in American history particularly fascinated him, he said. “I followed very closely how Roosevelt, who abhorred the Nazis, at a time when isolationist sentiment was paramount in the United States, managed adroitly to persuade the American people to go to war. I studied it with a great deal of respect; we learned a lot from it. The Lend-Lease program committed Roosevelt to enter on Britain’s side—so we had the Iraq Liberation Act, which committed the American people for the liberation against Saddam.” The act, which Congress passed in 1998, made “regime change” in Iraq an official priority of the U.S. government; Chalabi had lobbied tirelessly for the legislation.

Three days after our conversation, Chalabi’s Baghdad home was raided at gunpoint by Iraqi police, who were supported by American troops. His offices were also searched. Chalabi had sensed that a confrontation with the Bush Administration was imminent. As he put it, “It’s customary when great events happen that the U.S. punishes its friends and rewards its enemies.” For years, he had been America’s staunchest Iraqi ally, and he had helped the Bush Administration make its case against Saddam, in part by disseminating the notion that the Baathist regime had maintained stockpiles of biological and chemical weapons, and was poised to become a nuclear power. Although Chalabi developed enemies at the C.I.A. who disputed his intelligence data and questioned his ethics, he forged a close bond with Vice-President Dick Cheney and many of the top civilians at the Pentagon, such as Deputy Secretary of Defense Paul Wolfowitz, Under-Secretary of Defense Douglas Feith, and Under-Secretary of Defense William J. Luti. Yet now that the occupation of Iraq appeared to be headed toward disaster, he said, many in the Administration had united in making him the scapegoat. As Chalabi saw it, he had understood America too well, and had been too successful in influencing its foreign policy. “There is a smear campaign that says I am responsible for the liberation of Iraq,” he said. Then he added with a chuckle, “But how bad is that?”

Between 1992 and the raid on Chalabi’s home, the U.S. government funnelled more than a hundred million dollars to the Iraqi National Congress. The current Bush Administration gave Chalabi’s group at least thirty-nine million dollars. Exactly what the I.N.C. provided in exchange for these sums has yet to be fully explained. Chalabi defined his role simply. “I clarified the picture,” he said. His many critics, however, believe that he distorted it. Diplomatic and intelligence officials accuse him of exaggerating the security threat that Iraq posed to the U.S.; supplying defectors who offered misleading or bogus testimony about Saddam’s efforts to acquire nuclear, biological, and chemical weapons; promoting questionable stories connecting Saddam to Al Qaeda; and overestimating the ease with which Saddam could be replaced with a Western-style democracy.

Vincent Cannistraro, a former C.I.A. counter-terrorism specialist who now consults for the government, told me, “With Chalabi, we paid to fool ourselves. It’s horrible.

In other times, it might be funny. But a lot of people are dead as a result of this. It's reprehensible."

The humiliating raid on Chalabi's home was authorized by the White House, as was a recent decision, by the Defense Department, to eliminate an I.N.C. stipend of three hundred and forty-two thousand dollars per month. Chalabi's allies at the Pentagon were not notified of the raid in advance, although some knew that it was under consideration. The raid took place amid allegations that Chalabi or other members of the I.N.C. had engaged in numerous misdeeds, including embezzlement, theft, and kidnapping. After Baghdad police began investigating these charges, several of Chalabi's top lieutenants fled Iraq.

One of them, Aras Karim Habib, the I.N.C.'s intelligence chief, escaped just before the serving of an arrest warrant. He is under investigation for passing classified U.S. government information to Iran—a member of what President Bush calls "the axis of evil." According to a Chalabi aide, the I.N.C. has heard that it will be accused of telling Iran's intelligence service that the U.S. had cracked one of its internal codes. Chalabi has denied any wrongdoing, and claims that the spying charge is politically motivated. "They are charges put out by George Tenet and his C.I.A. to discredit us," he told Tim Russert, on "Meet the Press," referring to the C.I.A.'s director. Meanwhile, according to Cannistraro, two Pentagon officials connected to Chalabi are being investigated by the F.B.I., to determine whether an American official gave Chalabi classified intelligence on Iran.

The spying charges have forced Chalabi's patrons at the Pentagon to distance themselves from him. Paul Wolfowitz, who was one of the earliest and most outspoken proponents of an invasion of Iraq, and who has been friends with Chalabi for years, spoke of him with studied detachment at a recent congressional hearing. He praised the I.N.C.'s effectiveness in providing battlefield intelligence since the war began, but he said, "I think there's quite a bit of street legend out there that somehow he is the favorite of the Defense Department, and we had some idea of installing him as the leader of Iraq."

But a prominent State Department official told me that he saw numerous documents that had been prepared by the Pentagon's Office of Special Plans, which devoted considerable effort to planning the war. The office was overseen by Douglas Feith. "Every list of Iraqis they wanted to work with for positions in the government of postwar Iraq included Chalabi and all of the members of his organization," the State Department official said.

Chalabi has consistently denied having any personal political ambitions, or any desire to lead Iraq. As early as 1994, he told the *Los Angeles Times*, "Anyone who wants to take power in Baghdad is crazy. I'm just in this to get rid of Saddam." In our conversation, however, Chalabi said that he could no longer uphold his promise that he would never seek office in Iraq. "Never is a very long time," he said. Scott Ritter, a former weapons inspector for the United Nations, who has known Chalabi for seven years, said that Chalabi had confided to him his plans to run Iraq once America had liberated it. Ritter, who strongly opposed the war and produced a controversial documentary in 2001 asserting that Iraq had no weapons of mass destruction, also said that Chalabi spoke of benefitting financially from Iraq's oil reserves, which are the second largest in the world. (Chalabi's office denies this.)

Chalabi's admirers claim that he has been demonized by his political enemies. Jim Hoagland, a columnist at the *Washington Post*, argued that the raid on Chalabi's home was in retaliation for his candid criticism of the occupation. "By coming out in open, bitter opposition to the latest U.S. transition plan and its rehabilitation of senior Baathists, Chalabi seems to have crossed a final red line," he wrote.

Peter Galbraith, a former Ambassador to Croatia and a human-rights activist, who has long supported Chalabi's efforts to depose Saddam, suggested that if the Administration was unhappy with the outcome in Iraq it had only itself to blame. "Chalabi is one

of the smartest people I know,” he told me. As Galbraith put it, Chalabi “figured out in the eighties that the road to Baghdad ran through Washington. He cultivated whom he needed to know. If he didn’t get what he wanted from State, he went to Capitol Hill. It’s a sign of being effective. It’s not his fault that his strategy succeeded. It’s not his fault that the Bush Administration believed everything he said. Should they have? Of course not. They should have looked critically. He’s not a liar; he believed the information he was purveying, and part of it was valuable. But his goal was to get the U.S. to invade Iraq.”

THE WASHINGTON FRONT

Since 1996, the Washington headquarters of the I.N.C. has been situated in a million-dollar brick row house in Georgetown. The house looks as stately and manicured as its neighbors, but, inside, the carpets on the front stairs are filthy. The day I visited, piles of newspapers were strewn alongside half-empty coffee mugs, and ants carried cookie crumbs across a leather couch, giving the place the atmosphere of a frat house. Padding around in socks and an untucked T-shirt was a sandy-haired, boyish-looking man named Francis Brooke.

For most of the past decade, Brooke has functioned as Chalabi’s unofficial lobbyist in Washington. Brooke, his wife, Sharon, and their children live for free in the town house, which is owned by Levantine Holdings, a Chalabi family corporation based in Luxembourg. Part home, part office, with a succession of Iraqi exiles camping out in the basement, this was the place from which Chalabi spearheaded a sophisticated marketing operation that Brooke described proudly as “an amazing success.” As he put it, “This war would not have been fought if it had not been for Ahmad.”

Brooke, who is a devout Christian, has brought an evangelical ardor to the cause of defeating Saddam. “I do have a religious motivation for doing what I do,” Brooke said. “I see Iraq as our neighbor. And the Bible says, When your neighbor is in a ditch, God means for you to help him.”

After graduating from Duke University, in 1983, Brooke worked briefly for the unsuccessful Georgia senatorial campaign of Hamilton Jordan, who had been Jimmy Carter’s chief of staff. Brooke then became a representative for the beer industry. (“If you want to understand constituent politics, you should try mobilizing opinion against a beer tax,” he said.) But in 1991 he took a public-relations job with an American firm in London called the Rendon Group, which described its specialty as “perception management.” The company had been founded by John Rendon, a former executive director of the Democratic National Committee. It didn’t take long for Brooke to realize that the project he was assigned at Rendon was funded by the C.I.A. Brooke, who at the time was thirty years old, said that he was paid twenty-two thousand dollars a month.

The genesis of Brooke’s assignment was the decision not to unseat Saddam Hussein at the end of the first Gulf War. In May, 1991, President George H. W. Bush signed a covert “lethal finding” that authorized the C.I.A. to spend a hundred million dollars to “create the conditions for removal of Saddam Hussein from power.” Robert Baer, a former C.I.A. officer who was assigned to Iraq at the time, said that the policy was all show, “like an ape beating its chest. No one had any expectation of marching into Baghdad and killing Saddam. It was an impossibility.” Nonetheless, the C.I.A. had received an influx of cash, and it decided to create an external opposition movement to Saddam.

The C.I.A. had been forced to abolish domestic operations after a series of scandals in the nineteen-seventies, and it had folded many of its overseas programs when the Cold War ended. So it outsourced the Iraq project to the Rendon Group. According to Brooke, the company signed a secret contract with the C.I.A. which guaranteed that it would receive a ten-per-cent “management fee” on top of whatever money it spent. The arrangement was an incentive to spend millions. “We tried to burn through forty

million dollars a year,” Brooke said. “It was a very nice job.”

From an office near Victoria Station, the Rendon Group set out to influence global political opinion against Saddam. Given Saddam’s record of atrocities against his own people, it wasn’t a hard sell. “It was a campaign environment, with a lot of young people, and no set hierarchy,” Brooke recalled. “It was great. We had a real competitive advantage. We knew something about the twenty-four-hour media cycle, and how to manage a media campaign. CNN was new at that point. No one else knew how to do these things, but Rendon was great at issue campaigns.” The group began offering information to British journalists, and many articles subsequently appeared in the London press. Occasionally, he said, the company would be reprimanded by project managers in Washington when too many of those stories were picked up by the American press, thereby transgressing laws that prohibited domestic propaganda. But, for the most part, Brooke said, “It was amazing how well it worked. It was like magic.”

In addition to generating anti-Saddam news stories and creating a travelling “atrocities exhibit,” which documented the human-rights abuses of Saddam’s regime, the Rendon Group was charged with the delicate task of helping to create a viable and unified opposition movement against Saddam. “That is when I first met Dr. Chalabi,” Brooke said.

Chalabi, who had become an international banker and financier, had surfaced almost immediately as the C.I.A.’s favored opposition figure. As Frank Anderson, a former agency official, said, “Chalabi had rare administrative competence.” A secular Shiite who was passionately dedicated to overthrowing Saddam, he spoke excellent English, dressed elegantly, and was well organized and impressively connected. He also displayed a facility for backroom political maneuvering. He wasn’t popular with other exiles, however. According to a former I.N.C. member, in June, 1992, the Iraqi National Congress held one of its first organizational meetings, in Vienna; Chalabi didn’t win enough backing to qualify for a seat on the fifteen-member board. By the time attendees returned from the meeting, however, Chalabi’s name had somehow been added to the list of members. (Chalabi claims that support for him was unanimous.) His management of the group, other exiles complained, was similarly impervious to the democratic will.

The C.I.A.’s sponsorship of Chalabi came at an opportune moment. He had recently been convicted, in absentia, by a military court in Jordan for his part in a spectacular bank fraud that imperilled the country’s fragile economy. With the help of the U.S. government, Chalabi was able to recast himself from an accused swindler to a charismatic political leader and a champion of liberal democratic values.

THE JORDAN AFFAIR

Ahmad Chalabi was born on October 30, 1944, into one of Iraq’s wealthiest and most influential Shiite families. When the 1958 revolution forced his family into exile, it lost much of its fortune, including what Chalabi said were “a million-plus square metres of land” of prime property in central Baghdad, which he now intends to reclaim. He told an American friend that his father, before going into exile, had had more land and industrial power than anyone else in Iraq. His forebears leveraged their fortune into political clout by performing favors for the powerful, such as paying off the personal debts of the royal family. In his lifetime, Chalabi’s grandfather held posts in nine Cabinets. Chalabi’s father was president of the senate and an adviser to the king.

Imad Khadduri, an Iraqi exile who now lives in Canada, and who was a schoolmate of Chalabi’s at a Jesuit academy in Baghdad, told me that Chalabi’s grandfather kept his own personal prison, in which he incarcerated serfs who failed to pay taxes or produce wheat. (Chalabi’s office denies this assertion.) Chalabi, he recalled, was a “very bright” young man, but also a sore loser. “He threw a tantrum when he didn’t get the highest grades.” When Chalabi was thirteen, the Iraqi Communist Party and the Army over-

threw the royal family, and he was sent to Jordan for safety. Thus began thirty-four years of exile. Khadduri, who severed his friendship with Chalabi after he learned of his ties to the C.I.A., said, “Ahmad wanted to avenge his father’s ouster and the deprivation of his lands. Now he’s trying to fit in his father’s shoes, like your little Bush.”

After attending boarding school in England, Chalabi went to America to study math. Upon finishing his Ph.D., which was in the rarefied branch of geometry known as knot theory, Chalabi moved to Lebanon, to teach math at the American University in Beirut. In 1977, however, Crown Prince Hassan of Jordan invited him to found a new bank in the country, whose financial sector was largely dominated by Palestinians. With the help of royal patronage and of innovations previously unavailable in Jordan, such as consumer credit cards, computerized banking, and A.T.M.s, the company created by Chalabi, Petra Bank, grew impressively. Within a decade, it had become the second-largest bank in Jordan, and Chalabi became a rich and well-connected man in Amman. Like his father and grandfather, he extended easy credit to important benefactors. He boasted to an American friend that he had personally made Prince Hassan, the King’s brother, “a wealthy man.” (Prince Hassan, who continues to regard Chalabi as a friend, declined to be interviewed.) Chalabi lived with his family in the suburban hills outside Amman, in a house of his own design, surrounded by a collection of modern art. His children rode horses with the royal family. In his spare time, he pursued a variety of intellectual passions. Judith Kipper, the director of the Middle East Forum at the Council on Foreign Relations, remembers bumping into him in Cairo; he had come with his math books, he told her, to try to figure out how the pyramids had been built.

In 1989, however, Chalabi’s comfortable life collapsed amid allegations of criminality. Jordan’s Central Bank, facing a liquidity crisis, demanded that the country’s banks place thirty per cent of their foreign currency in its accounts. Petra balked, prompting an emergency audit. Chalabi betrayed little outward concern about this sudden turn. Patrick Theros, a former Ambassador to Qatar, who was then stationed in Jordan, had dinner at Chalabi’s home during this period. “He was completely charming, particularly to the ladies—he could talk about any subject,” Theros recalled. Two days later, Chalabi, who had apparently been tipped off about his impending arrest, fled. He forfeited many of his family’s assets, and resettled with his wife, Leila, and their four children in London.

On April 9, 1992, a military tribunal in Jordan delivered a two-hundred-and-twenty-three-page verdict, which concluded that Chalabi was guilty of thirty-one charges, including embezzlement, theft, forgery, currency speculation, making false statements, and making bad loans to himself, to his friends, and to his family’s other financial enterprises, in Lebanon and Switzerland. The Jordanian docket shows that Chalabi was sentenced to serve twenty-two years of hard labor, and to pay back two hundred and thirty million dollars in embezzled funds. An Arthur Andersen audit commissioned by Jordanian authorities found that the bank had overstated its assets by more than three hundred million dollars. In addition, a hundred and fifty-eight million dollars had disappeared from its accounts, apparently as a result of transactions involving people linked to the former management. (Swiss documents obtained by the *Newsweek* correspondent Mark Hosenball show that Socofi, an investment firm in Switzerland run by the Chalabi family, also collapsed under suspicious circumstances, leading to pleas of no contest by two of Chalabi’s brothers, Jawad and Hazam, in 2000.)

After Chalabi arrived in England, he claimed that the Petra affair had been a political frameup. He said that he was targeted because he had been an outspoken critic of Saddam (an assertion that is not unlike his recent defense in Baghdad), and claimed that he was indicted because the Jordanians were beholden to Saddam for oil and other economic aid. Chalabi, like many Iraqi exiles living in Jordan, had indeed opposed Saddam openly. However, a well-informed American friend of Chalabi’s could not recall other instances of Saddam forcing Jordan to clamp down on his critics there.

John Markham, a lawyer representing Chalabi, recently forwarded to me a previously

undisclosed letter, which Chalabi claims is “the smoking gun” that proves his accusers are lying. During the trial proceedings, the Jordanian military prosecutor wrote to the country’s authorities that “the method of dealing with the Petra Bank and its liquidation was the result of personal hatred and envy.” The prosecutor blamed Said Nabulsi, the head of Jordan’s Central Bank. According to Markham, Nabulsi was complicit with Saddam.

In Jordan, banking officials scoff at Chalabi’s claims of innocence. Petra had opened a subsidiary in Washington, D.C., in 1983, and after the bank’s collapse, according to a top Jordanian finance official, investigators combed America for forty-five days, trying to locate the bank’s hidden assets. Almost all the assets listed on the books, the official said, were worthless, except for an auxiliary office that was listed as a repository for valuable bank records. The investigators soon discovered that the “office” was a country estate with a swimming pool, in Middleburg, Virginia. It belonged to the Chalabi family, which was charging the bank a monthly rent. “There was not one business record in the whole place,” the official said. “This man is a vicious liar. There is no end to it. It’s like you find someone killing with a gun in his hand, and he says he’s innocent. He just wears you down.” The official declined to be named, because he feared Chalabi’s influence. “He has more powerful friends in Washington than you or me,” he said, adding, “Really, some of your people are such suckers.”

By 1993, with the C.I.A.’s support, Chalabi had solidified his role as the leader of the Iraqi National Congress. Before long, however, financial questions arose. A former I.N.C. associate said, “The agency didn’t know how he spent his money. All transactions were cash.” Kurds who had joined the I.N.C. complained that Chalabi wouldn’t tell them anything about the group’s finances. A Kurdish leader said that Chalabi “snapped” when asked about debts that were still owed to Kurds, and argued that he couldn’t disclose funding details because his financing was “covert.” A former C.I.A. officer said that successive audits identified no wrongdoing. But the I.N.C.’s finances weren’t easy to inspect. At one point, he said, I.N.C. officials “refused to coöperate with an audit because they argued that it would breach the secrecy of the operation.” On one occasion, a team of government auditors was spirited into the offices of the I.N.C. at night. “It was a real headache,” he recalled. The auditors found that the books were in order, but that many expenditures were wasteful.

Some observers of the I.N.C. wondered what return the U.S. government was getting for its multimillion-dollar investment. In 1994 and 1995, Robert Baer, the former C.I.A. officer, met Chalabi several times in Kurdistan, in northern Iraq, an autonomous area protected from Saddam by the United States. Chalabi had established an outpost in Kurdistan. “He was like the American Ambassador to Iraq,” Baer recalled. “He could get to the White House and the C.I.A. He would move around Iraq with five or six Land Cruisers.” But Baer added that Chalabi’s long absence from Iraq diminished his power there, and his ineffectiveness made him a useful foil for Saddam. “If he was dangerous, they could have killed him at any time. He was the perfect opposition leader,” he said.

Hundreds of thousands of dollars were flowing each month “to this shadowy operator—in cars, salaries—and it was just a Potemkin village,” Baer said. “He was reporting no intel; it was total trash. The I.N.C.’s intelligence was so bad, we weren’t even sending it in.” Chalabi’s agenda, he said, was to convince the United States that Saddam’s regime was “a leaking warehouse of gas, and all we had to do was light a match.” But when the agency tried to check Chalabi’s assertions about troop movement or palace plans, Baer said, “there was no detail, no sourcing—you couldn’t see it on a satellite.”

In retrospect, one detail of Chalabi’s operation seems particularly noteworthy. In 1994, Baer said, he went with Chalabi to visit “a forgery shop” that the I.N.C. had set up inside an abandoned schoolhouse in Salahuddin, a town in Kurdistan. “It was something like a spy novel,” Baer said. “It was a room where people were scanning Iraqi intelligence

documents into computers, and doing disinformation. There was a whole wing of it that he did forgeries in.” Baer had no evidence that Chalabi forged any of the disputed intelligence documents that were used to foment alarm in the run-up to the war. But, he said, “he was forging back then, in order to bring down Saddam.” In the *Los Angeles Times*, Hugh Pope wrote of one harmless-seeming prank that emerged from Chalabi’s specialty shop: a precise mockup of an Iraqi newspaper that was filled with stories about Saddam’s human-rights abuses. Another faked document ended up directly affecting Baer. It was a copy of a forged letter to Chalabi, made to look as if it were written on the stationery of President Clinton’s National Security Council. The letter asked for Chalabi’s help in an American-led assassination plot against Saddam. “It was a complete fake,” Baer said, adding that he believed it was an effort to hoodwink the Iranians into joining a plot against Saddam; an indication of American involvement, Chalabi hoped, would convince them that the effort was serious. Brooke acknowledged that the I.N.C. had run a forgery shop, but denied that Chalabi had created the phony assassination letter. “That would be illegal,” he said. To Baer’s dismay, the letter eventually made its way to Langley, Virginia, and the C.I.A. accused him of being involved in the scheme. Baer said he had to pass a polygraph test in order to prove otherwise.

CHALABI VS. THE C.I.A.

In 1995, Chalabi began spending some of his C.I.A. funding to create an armed militia in Kurdistan. With Washington’s approval, he hatched a quixotic plan to use his militia, along with tribal leaders he had bribed, to mount a simultaneous three-city strike against Saddam’s forces. Just before the attack began, it became clear that Baathist officials had learned of the plot. Baer was told to tell Chalabi that “any decision to proceed will be on your own.” Chalabi, who had no military experience, refused to abort the operation. By then, many of the insurgents had deserted, and the revolt quickly foundered. The C.I.A. was furious that it had funded such a folly.

A year later, in August, 1996, a second disaster befell Chalabi. One of the Kurdish factions within the I.N.C. invited Saddam Hussein into Kurdistan, to crush a rival faction that was allied with Chalabi. Forty thousand Iraqi soldiers and three hundred tanks crossed into Kurdish territory—a flagrant violation of U.S. strictures against Saddam’s entering Kurdistan. The Clinton Administration failed to react immediately, and Saddam’s forces captured, tortured, and slaughtered hundreds of Chalabi’s supporters. The U.S. government eventually evacuated seven thousand supporters.

Francis Brooke told me that, when he heard the news, “I was sick for a week, just throwing up.” He had been involved in an exchange of letters between Chalabi and Vice-President Al Gore, in which Gore promised to protect the democratic resistance in northern Iraq. Brooke felt responsible for the carnage. “I couldn’t believe it,” he said. “I’m not interested in getting a whole lot of people killed and being morally wrong. I was stunned.” He called Chalabi, who was in London at the time, and asked, “What are we going to do?”

Chalabi and Brooke decided to seek revenge through the press. Using the skills he had honed while working for the C.I.A., Brooke helped ABC News put together a documentary that was highly critical of the C.I.A.’s missteps in northern Iraq. “It pissed them off in the biggest way,” Brooke said. Afterward, a close associate recalled, “The agency stopped supplying him.”

Chalabi’s desire to bring about an invasion of Iraq was undiminished, but, with the loss of covert support, he had to find benefactors in Congress. “We needed a new campaign,” Brooke said, and “Chalabi was a great candidate. He’d spent his whole life getting ready for this.”

In 1996, Chalabi and Brooke set up shop in Georgetown, and mapped out a strategy. They studied how the African National Congress had won mainstream support, by por-

traying apartheid as tantamount to slavery. They also examined how various American Jewish groups organized themselves to support Israel. “We knew we had to create a domestic constituency with some electoral clout, so we decided to use the AIPAC model,” Brooke said, referring to the American Israel Political Action Committee.

In June, 1997, Chalabi gave a speech at the Jewish Institute for National Security Affairs, in Washington. He told the audience that it would be easy to topple Saddam and replace him with a government that was friendly to Israel, if the U.S. would provide minimal support to an armed insurgency organized by the I.N.C. Although Chalabi later denied that oil had played a role in his campaign, he gave an interview to the *Jerusalem Post* in 1998 in which he spoke of restoring the oil pipeline from Kirkuk to Haifa, which had been inoperative since the creation of Israel, in 1948.

Chalabi’s pitch stirred enthusiasm and curiosity among a group of American neo-conservatives who had played crucial roles in the first Bush Administration but were now scattered among Washington think tanks. After the fall of Communism, the neo-conservatives were eager for a new cause, and Chalabi—an educated, secular Shiite who was accepting of Israel and talked about spreading democracy throughout the Middle East—capitalized on their enthusiasm. Judith Kipper, the Council on Foreign Relations director, said that, around this time, Chalabi made “a deliberate decision to turn to the right,” having realized that conservatives were more likely than liberals to back the use of force against Saddam.

As Brooke put it, “We thought very carefully about this, and realized there were only a couple of hundred people” in Washington who were influential in shaping policy toward Iraq. He and Chalabi set out to win these people over. Before long, Chalabi was on a first-name basis with thirty members of Congress, such as Trent Lott and Newt Gingrich, and was attending social functions with Richard Perle, a former Assistant Secretary of Defense, who was now a fellow at the American Enterprise Institute, and Dick Cheney, who was the C.E.O. of Halliburton. According to Brooke, “From the beginning, Cheney was in philosophical agreement with this plan. Cheney has said, ‘Very seldom in life do you get a chance to fix something that went wrong.’”

Wolfowitz was particularly taken with Chalabi, an American friend of Chalabi’s said. “Chalabi really charmed him. He told me they are both intellectuals. Paul is a bit of a dreamer.” To Wolfowitz, Chalabi must have seemed an ideal opposition figure. “He just thought, This is cool—he says all the right stuff about democracy and human rights. I wonder if we can’t roll Saddam, just the way we did the Soviets,” the friend said.

Chalabi was running out of money, however, and he needed new patrons. Brooke said that he and Chalabi hit upon a notion that, he admitted, was “naked politics”: the I.N.C.’s disastrous history of foiled C.I.A. operations under the Clinton Administration could be turned into a partisan weapon for the Republicans. “Clinton gave us a huge opportunity,” Brooke said. “We took a Republican Congress and pitted it against a Democratic White House. We really hurt and embarrassed the President.” The Republican leadership in Congress, he conceded, “didn’t care that much about the ammunition. They just wanted to beat up the President.” Nonetheless, he said, senior Republican senators, including Trent Lott and Jesse Helms, “were very receptive, right away.”

Congressional hearings on the C.I.A.’s failures in Iraq were held in 1998, and Chalabi’s think-tank allies, such as Richard Perle, gave testimony that excoriated the Clinton Administration. Meanwhile, Chalabi continued to gather intelligence from Iraq that would further his cause. He found an opportunity in the U.N.’s weapons-inspection program, which had been set up in 1991 to prevent Saddam from developing weapons of mass destruction. On January 27, 1998, Chalabi met in London with Scott Ritter, who was then working as a liaison for the U.N. program. At the time, the U.N. had been unable to account for a number of weapons—including nearly nine thousand litres of anthrax—that Saddam’s regime said it had dismantled. U.N. inspectors had exhausted other sources of intelligence. Chalabi claimed to have operatives who had penetrated

Saddam's circle, and offered to help.

The meeting took place in Chalabi's apartment, on Conduit Street in Mayfair. Half a dozen Arab servants served tea, Ritter recalled. Chalabi sat on a couch, taking notes, "playing the overlord." (Ahmed Alawi, an I.N.C. official, also attended the meeting.)

"I should have asked him what he could give me," Ritter said. "Instead, I let him ask me, 'What do you need?'" The result, he said, was that "we made the biggest mistake in the intelligence business: we identified all of our gaps." Over the next several hours, Ritter said, he outlined most of the U.N. inspectors' capabilities and theories, telling Chalabi how they had searched for underground bunkers with ground-penetrating radar. He also told Chalabi of his suspicion that Saddam may have had mobile chemical- or biological-weapons laboratories, which would explain why investigators hadn't been able to find them. "*We* made that up!" Ritter said. "*We* told Chalabi, and, lo and behold, he's fabricated a source for the mobile labs." (The I.N.C. has been accused of sponsoring a source who claimed knowledge of mobile labs.) When Ritter left the U.N., in August, 1998, there was still no evidence of mobile weapons laboratories. Chalabi's people, Ritter said, eventually supplied detailed intelligence on Saddam's alleged W.M.D. programs, but "it was all crap."

Ritter had one other memorable encounter with Chalabi. Six months after the London meeting, Ritter was feeling dispirited. U.N. investigators had discovered trace evidence of VX nerve gas on warheads in Iraq; he was concerned that Saddam was still hiding something. Chalabi invited him to the town house in Georgetown, and they discussed the VX discovery. Chalabi then talked to Ritter about doing intelligence work for the I.N.C. In a demonstration of his seriousness, he showed Ritter two studies advocating Saddam's overthrow. One was a military plan, written, in part, by a conservative friend, retired General Wayne Downing, who had commanded the Special Forces in the first Gulf War. The study suggested that Iraqi insurgents would be able to topple Saddam almost by themselves. Since the plan required few American troops, it could be easily sold to Congress. Ritter, a former marine, told me that he wasn't impressed. He recalled, "I said, 'I don't think the small units could do the jobs you're saying. It's a ploy'" to get the Americans involved. Chalabi, he said, did not deny it. "So how come the fact that you'd need more American assistance is not in the plan?" Ritter asked. "Because it's too sensitive," Chalabi replied.

According to Ritter, Chalabi went on to describe a clear vision of Iraq's future—with himself in charge. Ritter said, "He told me that, if I played ball, when he became President he'd control all of the oil concessions, and he'd make sure I was well taken care of. I guess it was supposed to be a sweetener." Chalabi's office denied Ritter's account, calling him a "liar." Ritter left without agreeing to work for Chalabi.

A DISINFORMATION CAMPAIGN

On October 7, 1998, the Iraq Liberation Act, which had been drafted by Trent Lott and other Republicans, passed in Congress almost unanimously. Chalabi, Brooke, and their allies in Congress crafted the legislation together. The act's call for "regime change" in Iraq was radical, yet it created remarkably little controversy, because Chalabi had once again shrewdly pitched the removal of Saddam as a project by and for Iraqis, requiring minimal air support from the U.S. At this time, Congress also passed bills giving overt support of ninety-seven million dollars to the I.N.C.

Shortly after the act's passage, General Anthony Zinni, who was then the commander of CENTCOM, which is assigned operational control of U.S. combat forces in the Middle East, saw a copy of Chalabi's military plan. "It got me pretty angry," he told me. Zinni knew Iraq's terrain well, and testified before Congress that Chalabi's plan was "pie in the sky, a fairy tale." He said, "They were saying if you put a thousand troops on the ground Saddam's regime will collapse, they won't fight. I said, 'I fly over them every day,

and they shoot at us. We hit them, and they shoot at us again. No way a thousand forces would end it.' The exile group was giving them inaccurate intelligence. Their scheme was ridiculous."

When the Bush Administration took office, in 2001, neoconservatives such as Wolfowitz and Perle were restored to power. Brooke told me that in February of that year Wolfowitz called him late one night and promised that this time Saddam would be deposed. Brooke said that Wolfowitz told him he was so committed to this goal that he would resign if he couldn't accomplish it. (Wolfowitz called this account "nonsense.")

After the attacks of September 11th, many in the Administration began to consider a preemptive strike against Saddam's regime, and they eagerly received Chalabi's intelligence briefings. In 2002, an Information Collection Program for I.N.C. intelligence, which had been funded by the State Department, was transferred to the Defense Intelligence Agency, a division of the Pentagon. "Chalabi was the crutch the neocons leaned on to justify their intervention," Zinni said. "He twisted the intelligence that they based it on, and provided a picture so rosy and unrealistic they thought it would be easy."

The C.I.A. remained skeptical of the defectors that the I.N.C. was promoting, and insisted on examining them independently. President Bush was informed of the C.I.A.'s view of Chalabi soon after taking office, but he ultimately sided with Vice-President Cheney and the neocons. In the months before the invasion of Iraq, Bush and Cheney both referred in public addresses to Saddam's mobile weapons laboratories. Six weeks before the U.S. invasion, in a February 5, 2003, address to the United Nations, Secretary of State Colin Powell—who had initially found the intelligence on W.M.D.s inconclusive—spoke of unnamed eyewitnesses, one of whom had supplied "firsthand descriptions of biological weapons factories on wheels and rails." It was, he testified, "one of the most worrisome things that emerges from the thick intelligence file we have on Iraq."

Bob Drogin and Greg Miller, of the Los Angeles *Times*, recently reported that the source of this intelligence was an Iraqi defector code-named Curveball, who is allegedly the brother of one of Chalabi's aides. (Chalabi says that the defector is not related to anyone in his organization.) Curveball is said to have approached German intelligence officials and provided them with detailed maps and descriptions of mobile weapons labs. Curveball neglected to tell German officials that before fleeing Iraq he had been jailed for embezzlement. Moreover, U.S. and U.N. experts searched every corner of Iraq for the mobile labs; all they found were two trucks, whose function is still in dispute. Last January, Cheney cited those trucks as conclusive proof that Iraq had mobile weapons labs, but experts have said that they more likely contained equipment for weather balloons.

By the time I asked Chalabi about Curveball, the defector had become a sore subject. "These are the sorts of reports we are expected to deny?" he asked, his voice rising. "Anonymous reports about anonymous people? No one even knows who this person is! How are *we* supposed to know?" Chalabi questioned why he was being blamed for defectors' inaccuracies, when it was the U.S. intelligence community's job "to check these people out." He asked, "What would you want us to do? Hush it up when these people tell us these things?"

Others at the I.N.C. were emphatic that the organization had no ties to German intelligence. But Vincent Cannistraro, the former counter-terrorism specialist, told me that the C.I.A. now believes that Aras Habib, the I.N.C. intelligence chief suspected of giving U.S. secrets to Iran, "arranged for Curveball to be presented to the Germans." He added, "The C.I.A. is positive of it."

After the war, even Chalabi's sponsors at the Defense Intelligence Agency concluded that most of the information they had received from his defectors was "of little or no value." According to the *Times*, in early 2003, an official agency report concluded that several Iraqi defectors introduced to American intelligence by the I.N.C. had falsely claimed to have direct knowledge of illicit weapons programs in Iraq.

Chalabi and his supporters have argued that critics like Zinni have inflated the exiles'

role in offering misleading intelligence about W.M.D.s. “How can we be blamed for the failure of the entire world’s intelligence?” Chalabi asked me. Certainly, there is blame to share, most notably among the war’s civilian planners in the Department of Defense and the White House, who flouted intelligence protocol by accepting the I.N.C.’s information without rigorous vetting. As Robert Baer, the former C.I.A. official, put it, “Chalabi was scamming the U.S. because the U.S. wanted to be scammed.”

An internal I.N.C. document reveals how influential the Information Collection Program was. On June 26, 2002, Entifadh Qanbar, an I.N.C. official, sent a memo to the Senate Appropriations Committee, in which he gave the I.N.C. credit for “product” cited in a hundred and eight English-language news stories that appeared between October, 2001, and May, 2002. These articles, the letter said, relayed I.N.C. information collected from “defectors, reports, and raw intelligence” about Iraq. In addition, Qanbar wrote, the I.N.C. provided its raw information directly to “U.S. government recipients,” including William Luti, at the Pentagon, and John Hannah, the special assistant for national security in the Office of the Vice-President.

The news stories in which the I.N.C. claimed to have placed its “product” include some of the most disputed journalism to appear in the prelude to the war. On December 20, 2001, Judith Miller published a front-page story in the *Times* about an Iraqi engineer who claimed to have direct knowledge of twenty secret chemical-, biological-, and nuclear-weapons sites in Iraq. One site, he said, was hidden under a hospital. He also described tests of these prohibited weapons on live Kurdish and Shiite prisoners. Miller disclosed in her story that the I.N.C. had helped the engineer to leave Iraq, and had arranged the interview, and that the I.N.C.’s agenda was to overthrow Saddam Hussein. She also noted that U.S. officials were “trying to verify” the defector’s claims. Despite these caveats, Miller reported that “experts said the information seemed reliable and significant.” In a subsequent piece, she wrote that the same defector had given U.S. intelligence officials “dozens of highly credible reports on Iraqi weapons-related activity and purchases.”

The defector’s name is Adnan Ihsan Saheed al-Haideri. Since the war, neither U.N. weapons inspectors nor David Kay, a top U.S. weapons inspector, have found evidence to confirm his accounts. According to a recent Knight Ridder report, American officials escorted Haideri back to Iraq after the war, but he failed to locate any prohibited-weapons facilities. The I.N.C. reportedly provided Miller with the exclusive Haideri story three days after he had shown deception in a polygraph test administered by the C.I.A. at the request of the Defense Intelligence Agency.

When asked about Haideri’s credibility problems, a Chalabi aide who declined to be named disputed the polygraph story, saying that D.I.A. officials had told him that Haideri “was a gold mine” of information, and that “even if only three per cent of it was true” it was worthwhile.

Miller declined to comment on her Iraq coverage, as did other officials at the *Times*. For months, the *Times* has been criticized for its prewar coverage of the W.M.D. debate. On May 26th, the paper published an editor’s note acknowledging that it had been improperly influenced by Chalabi. “Accounts of Iraqi defectors were not always weighed against their strong desire to have Saddam Hussein ousted,” the note said. “It looks as if we, along with the administration, were taken in.”

In an unusual arrangement, two months before the invasion began, the chief correspondent for the *Times*, Patrick E. Tyler, who was in charge of overseeing the paper’s war coverage, hired Chalabi’s niece, Sarah Khalil, to be the paper’s office manager in Kuwait. Chalabi had long been a source for Tyler. Chalabi’s daughter Tamara, who was in Kuwait at the time, told me that Khalil helped her father’s efforts while she was working for the *Times*.

In early April, 2003, Chalabi was stranded in the desert shortly after U.S. forces

airlifted him and several hundred followers into southern Iraq, leaving them without adequate water, food, or transportation. Once again, the assistance of the U.S. military had backfired. Chalabi used a satellite phone to call Khalil for help. According to Tamara, Khalil commandeered money from I.N.C. funds and rounded up a convoy of S.U.V.s, which she herself led across the border into Iraq.

Tyler told me that he hadn't known that Khalil had helped Chalabi get into southern Iraq. He added that Khalil had a background in journalism, and that Chalabi hadn't been a factor in the war when he hired her. "We were covering a war, not Chalabi," he said. The *Times* dismissed Khalil on May 20, 2003, when word of her employment reached editors in New York. During the five months that Khalil was employed, Tyler published nine pieces that mentioned Chalabi. When asked about Khalil's rescue of Chalabi, William Schmidt, an associate managing editor of the *Times*, said, "The *Times* is not aware of any such story, or whether it happened. If so, it was out of bounds."

Another story promoted by Chalabi's organization offered an unsubstantiated link between Iraq and Al Qaeda. The I.N.C. disseminated a story that Mohamed Atta, the mastermind of the September 11th attacks, had met in Prague in April, 2001, with an Iraqi intelligence agent. In February, 2002, David Rose wrote in *Vanity Fair* that a defector named Abu Zeinab al-Qurairy said that he had worked at a terrorist camp in Iraq called Salman Pak, where non-Iraqi fundamentalist Arabs were trained to hijack planes and land helicopters on moving trains. He also asserted that Atta had met with an Iraqi agent in Prague. Rose noted the I.N.C. had sponsored Qurairy, and wrote that an aide of Chalabi's served as the translator for the defector.

On November 12, 2001, the I.N.C. provided another defector, Sabah Khalifa Khodada al-Lami, to the press through a video feed from London. Lami, who was described as a former colonel in Saddam's Army, claimed that Islamic militants were training at Salman Pak. He also said that the training camp was contaminated by anthrax, an accusation that was made soon after the U.S. began investigating incidents of anthrax poisoning in New York, Florida, and elsewhere. Stories about Lami subsequently appeared in the *Washington Times*, the *Seattle Times*, and other papers. Since the overthrow of Saddam, no foreign terrorist-training camps have been found in Iraq.

The I.N.C. was equally successful in disseminating its stories to U.S. government officials. Haideri's tale found its way into an official White House study, called "A Decade of Deception and Defiance," which was released as supporting material for an address on Iraq that President Bush delivered before the U.N. on September 12, 2002. Haideri "supported his claims with stacks of Iraqi government contacts, complete with technical specifications," the study said.

Chalabi denied that he or his aides, in order to build their case, coached witnesses or in other ways twisted information. "We didn't mislead anyone," he said. "We said we had information. We didn't say the information was great. We thought it would be useful." He stopped short of saying that he believed the defectors' stories. "I believed they were who they said they were," he said. No defector has come forward to say that Chalabi knowingly spread false stories.

The case of Khidhir Hamza, however, illuminates how information can become propaganda. Hamza is a nuclear scientist who served as a senior administrator in Saddam's nuclear-weapons program during the nineteen-eighties. He defected from Iraq in 1994. He was at first spurned by the C.I.A., which thought he knew little of interest. In 1997, he was asked to join the Institute for Science and International Security, an organization in Washington run by David Albright, a former nuclear-weapons inspector. When Hamza first started working with him, Albright told me, his information seemed reliable. In 1998, Hamza even helped debunk an inflated story offered by another defector, just as Chalabi was trying to drum up support for the Iraq Liberation Act. "We saw the claws of Chalabi then," Albright said. Someone from the I.N.C., he said, called to

upbraid Hamza, telling him that he had undercut the cause of liberating Iraq. “Hamza was shaken, and said he’d never do that again,” Albright told me.

In 1999, Hamza left Albright’s institute to write a memoir, “Saddam’s Bombmaker,” with Jeff Stein, a Washington-based author. According to Albright, many of the claims in the book, including those about the importance of Hamza’s role, “were just ridiculous.” Hamza, who had not been involved in Iraq’s nuclear program for nearly a decade, asserted that Saddam was within years, and possibly months, of developing a nuclear bomb.

Hamza’s claim was startling. After the first Gulf War, the U.S. learned that Saddam had attempted to build a nuclear weapon. But his nuclear program was later dismantled, and by the mid-nineties most experts believed that this threat had subsided. According to Albright, Francis Brooke “was involved” in promoting Hamza’s book. “It was clear he had a part in it,” he said.

Chalabi’s people helped Hamza to promote his story to the media, and the tale became widely known. Cheney began giving alarmist speeches about the imminent Iraqi nuclear threat. On August 26, 2002, he declared that Saddam had “resumed his efforts to acquire nuclear weapons,” and might soon be able to engage in “nuclear blackmail” with his enemies.

Hamza, who had been managing a gas station in Virginia prior to his association with Albright, began taking high-paying speaking engagements. A former Chalabi aide said that many of the defectors who had given hyperbolic accounts were “desperate” people; the I.N.C. offered them a financial lifeline, and, to grab it, “many bent their ethical standards.”

Since the war, no evidence of an active Iraqi nuclear program has been found. Albright said that Hamza has “been told not to talk about this W.M.D. stuff.” Last spring, Hamza returned to Iraq. The Coalition Provisional Authority, the American occupation government, had offered him a top post in the Ministry of Science and Technology, which gave him partial control of Iraq’s nuclear industry. According to the London *Independent*, Hamza failed at the job; he fought with his colleagues and was frequently absent. This spring, the C.P.A. did not renew his contract.

Nine days after the attacks of September 11th, Chalabi addressed a meeting of the Defense Policy Board, an honorary committee of experts that advises Donald Rumsfeld, the Secretary of Defense. At the time, Richard Perle was the group’s chairman. Francis Brooke, who attended the session, said that the Pentagon still smelled of smoke from Al Qaeda’s attack, and that it was “a very emotional meeting.”

Chalabi’s message, which Brooke said the group endorsed, was to skip any intervention in Afghanistan, where the Taliban had harbored Al Qaeda, and to proceed immediately with targeting Iraq. A participant at the meeting, who asked not to be named, recalled that Chalabi made a compelling case that the Americans would have an easy victory there: “He said there’d be no resistance, no guerrilla warfare from the Baathists, and a quick matter of establishing a government.”

Soon afterward, however, Chalabi began to clash with the Administration. Chalabi told me that he would have preferred to sell the war to the American people on philosophical grounds, as a fight against genocidal tyranny and in favor of bringing democracy to the Arab world, but that this approach was rejected by the Bush Administration. “Look, our focus was on Saddam’s crimes, moral crimes, genocide,” Chalabi said. “We were not focussed on W.M.D. The U.S. asked us. We didn’t bring these people up; they asked us! They requested this help from us.” (He refused to name who made the request.) Francis Brooke said that nobody had ordered the I.N.C. to focus solely on W.M.D.s. “I’m a smart man,” he said. “I saw what they wanted, and I adapted my strategy.” Last year, in an interview with Sam Tanenhaus for *Vanity Fair*, Paul Wolfowitz admitted that the W.M.D. evidence was not the best argument for the war, but that for

bureaucratic reasons “we settled on the one issue that everyone could agree on, which was weapons of mass destruction.”

As a result, the war was largely marketed domestically as a scare campaign, and the I.N.C. was enlisted to promote the danger posed by Saddam’s regime. Brooke said, “I sent out an all-points bulletin to our network, saying, ‘Look, guys, get me a terrorist, or someone who works with terrorists. And, if you can get stuff on W.M.D., send it!’”

In Washington, many of the war’s supporters, including Jim Hoagland and Fouad Ajami, a professor of Middle East Studies at Johns Hopkins, have worried about the triumph of political expediency over idealism. These critics claim that a war waged in the name of liberation has become a political damage-control operation. Chalabi himself has attacked the Administration’s plan to transfer sovereignty to an interim government on June 30th as a sham, crafted for Bush’s reelection campaign and not for the Iraqi people. Considering the nature of the campaign that he and his aides waged to prompt an invasion, however, it’s a bit late for Chalabi to express such qualms. Jack Blum, a former lawyer for the Senate Foreign Relations Committee, told me that the Administration compromised its vision from the start, by relying on dubious partners such as Chalabi. He said, “We ruined what could have had some promise by dealing with all the wrong people.”

CORRUPTION IN BAGHDAD

Soon after Chalabi returned to his homeland, in January, 2003, allegations of corruption and criminal behavior began to emerge. A former member of the I.N.C. said that some of Chalabi’s militia, the Free Iraqi Fighters, had been accused of looting and robbing their way into Baghdad. He also said that some members of the militia had stolen a fleet of S.U.V.s that belonged to Saddam’s regime, then sold them abroad. According to police officers in Baghdad, several of Chalabi’s men were taken to the Al Baya station and arrested for stealing cars and having false I.D.s. A C.P.A. official confirmed the incident, and said that more charges might be added. Chalabi didn’t deny that his troops had engaged in some misconduct, but he asked, “What war doesn’t have this? Can you guarantee that no Coalition soldiers looted anything?”

Similar allegations have been made about Chalabi’s “de-Baathification” program, a policy he says he devised to bring justice to those in the Sunni ruling class who had been complicit in Saddam’s crimes. The Defense Intelligence Agency credits Chalabi’s forces with rounding up more than half of the fifty-five Baathists placed on a Most Wanted list by the Pentagon. However, two reliable sources—a former American diplomat and a former member of Chalabi’s militia—said that de-Baathification had devolved into the confiscation of Sunni assets, including houses that were expropriated by Chalabi’s aides. *Newsweek* reported that an Iraqi official claimed that half a million dollars allocated for de-Baathification had disappeared. Chalabi denied there was any corruption in the program.

Chalabi told me that he had no business interests in Iraq. “I am in politics now,” he said. But several American businessmen involved in ventures in Iraq said that Chalabi had gained a substantial foothold in the country’s financial sector, by insuring that relatives and longtime loyalists held key positions. Chalabi heads the finance committee of the Iraqi Governing Council, a U.S.-appointed group of twenty-five people representing Iraq’s religious and ethnic factions; as a result, he was able to install the oil, finance, and trade ministers, as well as the governor of Iraq’s Central Bank. Ali Allawi, the Minister of Trade and Defense, is Chalabi’s nephew. Nabeel Musawi, a former I.N.C. spokesman, is a deputy on the Governing Council. The Central Bank is run by Sinan Shabibi, another close ally. Chalabi had wanted to nominate Mudar Shawkat, his deputy at the I.N.C., as Minister of Finance, but a former associate of Chalabi’s told me that the Iraqi Governing Council had objected. Subsequently, the Los Angeles *Times* reported,

Shawkat was awarded a large stake in a mobile-phone contract.

Several of Chalabi's friends have been awarded lucrative contracts. Abdul Huda Farouki, a Jordanian-American businessman who lives outside Washington, D.C., has obtained big stakes in two companies, Nour USA and Erinyes Iraq, that will be paid millions of dollars to supply the Iraqi Army and to secure the country's oil infrastructure. Farouki became a friend of Chalabi's when he took out twelve million dollars in loans from Petra Bank.

An adviser to the Bush Administration in Iraq said that Chalabi had encountered little resistance to his cronyism: "People are scared to death. He may become Prime Minister still, and he has some very fancy friends."

Peter Galbraith, the former ambassador, has observed that, historically, "the lines drawn between politics and business are different in the Middle East." Indeed, allegations of cronyism have been made about many other prominent players in Baghdad. Chalabi himself accused the C.P.A. of corruption, telling me, "There are so many bribes and kickbacks!"

For months, Chalabi's friends in Washington dismissed the allegations against him as petty and unfair. Danielle Pletka, an executive at the American Enterprise Institute, who helped draft the Iraq Liberation Act, said of the corruption charges, "I don't know and I'm not sure it matters. No one said you have to be a saint to be a patriot." But Lakhdar Brahimi, the U.N. envoy to Iraq, took seriously the criticisms of Chalabi. Brahimi, an Algerian Sunni, is close to the Jordanian leadership who have questioned Chalabi's honesty since Petra Bank failed. This spring, Brahimi was asked by the White House to form an interim government, and he refused to recruit Chalabi, or any other members of the I.N.C. The White House acquiesced in Brahimi's refusal, infuriating Chalabi, whose aides refer to the current U.S. strategy as "ABC," or Anybody But Chalabi. A top State Department official said that, with the Presidential election looming, the White House was so eager to turn the Iraq mess over to the U.N. that Brahimi "could hand us a Safeway list, and we'd give it to him."

Chalabi lashed out at the U.N. and his American sponsors. He obtained documents related to the U.N.'s Oil for Food program, which has been accused of extensive corruption, and he is now holding an investigation into the allegations. Meanwhile, in an effort to win more street credibility and to forge a new power base, Chalabi has turned his considerable backroom skills to trying to organize a potentially explosive coalition of powerful Shiites, called the Shiite Political Council. Chalabi, who is not religious, spoke to several hundred Shiite leaders in a packed meeting recently. One observer described his reception as "rapturous." On May 27th, Chalabi participated in a sit-in outside a mosque in Najaf, insisting that the U.S. end its crackdown against Moqtada al-Sadr, the radical Shiite cleric. (That afternoon, the U.S. agreed to pull back from Najaf.)

When Chalabi was asked by CNN about his reinvention of himself as a religious leader, he said, "Why is this a concern?" But a former admirer of Chalabi's was alarmed by his turn toward Shiite nationalism, and said that his actions risked unleashing sectarian political strife that could pitch the country into civil war. He said, "There's an irresponsibility in how he's approaching this. It's reckless. Iraq needs a stable government. But Ahmad's pushing his private agenda at the cost of the country's needs." In Jordan, a former financial official who dealt with Chalabi on Petra Bank said, "He'll become an imam if he has to!"

Chalabi's embrace of the Shiite faction of Iraq has fed the speculation that he gave intelligence secrets to Iran, a Shiite theocracy. Aras Habib, the I.N.C. intelligence chief, has long been suspected of spying for Iran. Chalabi and his aides dismissed these rumors, claiming that in 2002 Habib had passed a C.I.A. polygraph test about his relationship with Iran, and that neither he nor Chalabi had access to U.S. classified materials. For many years, Chalabi has been openly collegial with reformist leaders in Iran, such as

President Mohammad Khatami, with whom he met last November, in Tehran. He has also admitted to meeting with the head of Iran's Ministry of Intelligence and Security. Immediately before the invasion of Iraq, Chalabi was living in a gated villa in Tehran that he had persuaded the U.S. to purchase as a satellite branch of the I.N.C.

Chalabi claimed that his relationship with Tehran was purely expedient. "There are geopolitical reasons to be friendly with Iran," he said. "Iran has the longest border with Iraq. Also, Iran is a much stronger state than Iraq, with three times the population. So strategically it's not a good idea to be on bad terms. My good relations were not a secret from the U.S."

But, at a moment when President Bush was struggling with multiple political burdens, Chalabi had become an inconvenient friend. "We got between a President and his reelection," Brooke, who was in Baghdad last week with Chalabi, said. Tamara Chalabi told me that her father's problems could be traced to the fact that "a foreigner, and an Arab, had beaten the Administration at their own game, in their own back yard."

Chalabi's political future is unclear. Iraqis have long seen him as an American puppet with no constituency at home; in polls, they have given Chalabi approval ratings lower than those for Saddam Hussein. Peter Galbraith said, "Most likely, his legacy is that he is the Moses of Iraq: he got to see the Promised Land, but not to taste the fruit." Yet the raid on his home may have given him an opportunity to recast himself once again, now as a dissenting voice on American policy in Iraq. "He's extremely shrewd politically," Danielle Pletka said. "His obit has been written many times before, and he keeps clawing his way out of the grave and coming back." One of his I.N.C. confidants told me that Chalabi might spend the summer repositioning himself as a fierce critic of Brahimi's interim government, with an eye toward the coming election. Chalabi himself was less specific when I asked him about his plans. He said simply, "I think I have more of a future than the C.P.A."