CHAPTER 12: NEXT STEPS

Preparing For HP Iran, Algeria, And Our First Distributor Meeting

WRAPPING UP THE SAUDI TRIP

My trip to Saudi Arabia had been a real ordeal, but at least I was able to return with the good news that the University of Riyadh system was finally up and running. I followed up with a letter to Dr. Mansouri reaffirming my commitment to him that HP would correct any remaining and future problems to his complete satisfaction. Also during my visit I had reached an agreement with Terry Timmons on the initial MEE-HP support plan for Saudi Arabia. There would eventually be several more versions thanks to Farouk's interference. Upon my return I documented the agreement and sent it off to Terry. As far as the Ron Larsen / Scicon affair was concerned, I sent a sarcastic thank you note to Cees and put the whole business back in his lap. Whatever his problems were with Ron, Cees would have to work them out himself. I didn't want to have any further involvement with the arrogant jerk.

I met with Jean Marie Manchec, Peter Merkel and Phil Pote to report on the status of their customers at the UOR, KFSH, and Al-Muhandis as well as my discussions with Terry Timmons about the MEE-HP support plan. In addition to the status report I mentioned to Phil that Hasan Faroun, a consulting engineer at Al-Muhandis, had several potential CPD customers lined up but before passing along their names he wanted assurance that he would paid a finder's fee. This was a non-starter. We received finder's fee requests on a regular basis but never acted on any of them. Following this meeting I spent a few minutes with Panos to ask that he set up banking arrangements in Riyadh so that we could transfer funds there to support the KFSH installation team. Gengoux and Souccar would be on-site soon and would need funds to cover their local expenses.

I also had a private session with Cherif during which I reported what I had found during my visit to Riyadh and what our next steps would be to resolve the few remaining problems at the UOR. We spent the rest of our time together talking about Algeria. Cherif had returned from Algiers just following my departure for Saudi. At the heart of the conversation was SONALEC, Society Nacional Electronique, a new government organization that Cherif thought might by the answer to our need for a distributor in Algeria. To that end, he asked me to schedule a trip to Algiers in October, following our distributor meeting. Over the next six months the SONALEC matter would evolve into a very frustrating and convoluted affair that turned out to be a complete waste of my time.

So, in addition to my continued efforts to make some forward progress on my extensive to do list, the majority of my time during the fall would be dedicated to implementing the support plan for HP Iran, preparing for our first distributor meeting, and a trip to Algeria to check out SONALEC. On the personal side, Joella and I would spend a weekend on Manchec's yacht with the Merkels and attend an unforgettable costume "cabaret party".

PLANS FOR HP IRAN ARE APPROVED BY HPSA

While I was in Saudi Arabia the final decision had been made to move ahead with our plans to replace MCI in Iran with an HP subsidiary. The approval gave me the green light to order all of the required service materials and begin the search for HP service engineers who would be willing to accept the offer of a two year assignment in Iran. For the next year I would devote a significant portion of my time to Iran. To manage the MCI to HP transition Doug Herdt decided to send his ethically challenged protegé, David Shortt, the former (not by his own choosing) general manager of HP's Vienna office, to Teheran.

David ShorttEnter The Evil Genius

Having followed in Doug's footsteps in Vienna, David had gained experience in developing business for HP in Eastern Europe, which was an extremely difficult environment. David's resume seemed to be well suited for the job, but I would soon learn that his style was very similar to Manchec's, only much more diabolical. I viewed Manchec's the-end-justifies-the-means approach to business as just a bad habit. With David I think it was pathological. It was built into his DNA. From the minute I met David I sensed that there was a dark side to his personality. He was a brilliant, articulate and refined fellow, but he was also a smooth, slippery and devious character who could look directly into your eyes and tell the most convincing lies. David's style (and even his looks) reminded me so much of Harry Lime, the black marketeer portrayed by Orson Wells in the 1949 movie "The Third Man" which, coincidentally, took place in Vienna. Unfortunately for me, in addition to his duties as the overall HP Iran project manager David would also replace Bijan Chaltchi as my service contact during the start up phase of the new subsidiary.

Other then what was listed on his HP resume' no one knew much about David's background, probably because he wanted it that way. Doug had given David the HP Vienna general managers job prior to my arrival in Athens but that did not work out due to his unorthodox (illegal and unethical) methods. It did not seem to bother Doug that David had gotten himself into a bit of a bind in Vienna when he was caught shipping some HP systems to Eastern Europe in violation of U.S. export regulations.

An article entitled "CIA Ex-Agent Reportedly Tried То Divert Computer Code To Russia" was printed in the October 13, 1981 edition of the International Herald Tribune. This article commented on David's time in Vienna as well as his business dealings following his departure from HP after his assignment in Iran. As the article may be a little difficult to read the following are excerpts.

"Mr. Shortt. an English businessman, managed the Austrian office of the Hewlett-Packard Corporation in 1973 when two of the company's computers were transferred by that office to Czechoslovakia without the required government approval. Senior intelligence officials said that the CIA considered the diversion to be a 'serious loss' at the time."

INTERNATIONAL HERALD TRIBUNE, TUESDAY, OCTOBER 13, 1981 CIA Ex-Agent Reportedly Tried to Divert Computer Code to Russia

By Jeff Gerth

and Philip Taubman New Server WASHINGTON — Edwin P. ilson, a former U.S. intelligence illegally ship

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After this episode Doug had to find a new job for David and Iran looked like a perfect fit. Doug needed results in Iran and couldn't have cared less about how the results were achieved. David was just the guy who could get the job done, legal or otherwise, it didn't matter to Doug. On one occasion David became so frustrated with the difficulties he was encountering while trying to legally import pocket calculators, which he planned to give as gifts to some of HP-MCI's more influential customers, that he flew back to Vienna, went to the HP office, loaded a large suitcase with as many calculators as he could find, and brought them into Iran illegally.....most likely by bribing a customs official. During those get-rich-quick years bribery was more commonplace than usual everywhere in the Middle East.

During his time in Iran David established a long-term relationship with MCI's owner, Albert Hakim, a likeminded opportunist who was only interested in making money regardless of the legalities involved. After HP had severed ties with both David and MCI, he and Albert joined forces with ex-CIA agent Edwin Wilson to illegally sell (more) highly sensitive technology to the Soviet Union. Excerpts from the same article.

"A 1977 plan called for stealing the computer program for highly sophisticated American equipment in Iran that was used for detecting submarines and analyzing aerial reconnaissance information. The equipment, known as a digital image processing system, can enhance satellite and sonar data and has been sought by the Russians so that they can improve their own reconnaissance capabilities. According to William J. Perry, undersecretary of defense in the Carter Administration, the program has a 'direct and powerful' military application."

"Mr. Shortt, according to federal law enforcement officials, has twice been the subject of investigation concerning his ties to the Soviet Union and to Mr. Wilson. Government officials say they have evidence that Mr. Shortt has met in Iran and the Soviet Union with the KGB."

"Mr. Shortt and Mr. Wilson worked in 1976 and 1977 as marketing representatives for the Stanford Technology Corporation, an electronics company that manufactured the image processing equipment that Mr. Wilson apparently hoped to sell to the Soviet Union. The company is based in Sunnyvale, California."

Note: The Stanford Technology Trading Corporation International was founded by Albert Hakim.

Shortt and Wilson made several unsuccessful attempts before they were finally able to get around U.S. export regulations. More excerpts.

"A former Stanford Technology official said that Mr. Shortt asked him in late 1976 to 'make sure' the export application 'passed,' an instruction that the employee, Glenn Peterson, said he interpreted as a call for him to 'lie or fill out the form inaccurately "'

"A former Stanford Technology employee said that Mr. Shortt and Mr. Wilson approached him in Stanford Technology's Teheran office three times in late February and early March 1977 asking him to 'appropriate' or steal the source codes, or software, in order to sell the system to the Soviet Union. Mr. Wilson explained, according to this source, that he and Mr. Shortt could do a better job than Stanford Technology and that by using a company in Scotland they could avoid the export licensing 'problem' for sales to the Soviet Union. The former employee said that after he told Mr. Shortt and Mr. Wilson that it would be difficult to appropriate the source codes, Mr. Wilson suggested a cover story to facilitate stealing the codes."

Of course, when asked about all of this by the press, David denied everything.

As you can imagine, my relationship with David was contentious to say the least. Although he was supposed to work with me to expand HP-MCI's service capability he wasn't a committed partner and spent most of his time just paying lip-service to the effort. Doug may have thought that David was a good

choice for the role of transition manager, but it didn't take me long to figure out that he was just another salesman. Manchec on steroids.

OUR FIRST DISTRIBUTOR MEETING

In mid-September we held our first distributor meeting. Including HPSA managers from Geneva there were about 50 people. It was a three day affair held at the Astir Palace Hotel in Vouliagmeni, a beautiful location on the coast, near the international airport. Doug kicked off the meeting with his usual over-the-top optimistic outlook followed by Cherif, who attempted to bring things back into proper perspective. Following Doug and Cherif, each of the Athens managers had an hour to layout their plans for developing business in the area. The remaining days of the meeting were devoted to one-on-one sessions with each distributor.

My day-one presentation was organized to communicate to the distributors the advantages that they would realize from HP's increased commitment to them and to our presence in the area. I tempered this by emphasizing that our expectations of them would be much greater than in the past. In simple terms, I gave them the good news first and then I gave them the bad news.

First the good news. Now that HP had a service operation dedicated to the Middle East and North Africa the distributors could expect a much quicker response to their service needs. HP would invest in their development by providing product service training and documentation at no-charge. They would also receive financial incentives and back up from a dedicated group of service engineers located in Athens.

Now for the bad news. They would be required to make investments in service. Even though 30% of their commission on product sales was supposed to be dedicated to building a basic level of service capability many of the distributors had been just pocketing the funds, for years. When problems came up one of the salesmen, most of whom had technical backgrounds, would attempt to solve the problem, unsuccessfully more often than not. Consequently, we had many unhappy customers.

I found the one-on-one meetings to be extremely enlightening. The new distributors were open to suggestions about expanding their service capability and taking on additional product lines, but many of HP's "traditional" distributors, who had been signed up when HP was only an instrument company, were reluctant to expand into new product lines due to the potential cost and lack of expertise. They were old conservative companies that preferred the status quo. They sold HP instruments and that was it. This situation would become a big problem for me. Although it would have been ideal to have a single distributor in each country, when it became clear that many of our existing instrument distributors were not willing to expand the HP Athens sales managers quickly went about finding their own dedicated distributors. So, it was not unusual for me to find myself having to develop support capability at several new distributors in the same country. Very time consuming to say the least.

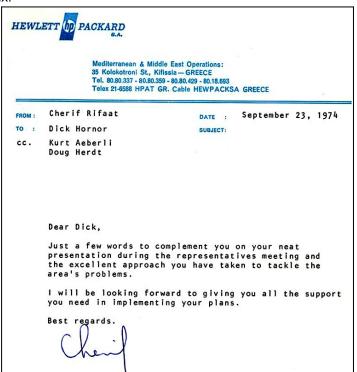
Distributors new to HP would be expected to hire sufficient manpower and purchase, at deeply discounted prices, the necessary test equipment and replacement parts inventory to support the HP products in their territory. We would provide them with technical training at no charge, floor plans, site preparation requirements, even workbench design drawings. With the additional 30% commission they

would receive for providing service they would be able to recover most of their costs. In addition, they would be able to charge HP for warranty repairs. All things considered it was a very equitable arrangement. The support development plan for each distributor would be a living document filed in a dedicated "Service Binder" that would be updated regularly as our mutual commitments were met. The central message here was that the free ride was over. Service may still have been viewed as a necessary evil.....but it was still necessary.....and HP would make it worth their while to provide it. One outcome of the meeting was our decision to show good faith by beginning to share complement funds with the distributors who I already knew had good service capability. There weren't many. I provided a list to Panos who set up an accounting process to make sure that it happened.

On the other side of the coin, prior to the meeting I had already reached an agreement with Cherif and the sales managers that any distributors who did make a serious commitment to service would have their commission reduced in order to fund support from Athens.....and we would begin looking for a replacement. Of course, extenuating circumstances would be taken into consideration before any final decision would be made. Also, the distributors would have some breathing room. Visiting each distributor and assessing their capabilities would take awhile and the timing would be compounded by the fact that we would be adding new distributors to the mix.

Another outcome of the meeting was the transfer of the distributors in Portugal and Iceland Spain Denmark, to and respectively. When the Middle East and Mediterranean operation was first conceived some genius in Geneva decided that it would be ideal to place the responsibility for all existing HPSA distributors under a single management team. It may have looked good on paper but was not very practical. Iceland is in the North Atlantic, closer to Canada than to Greece.

The following summer, when Claude returned from his assignment at the KFSH in Riyadh, he and I would split distributor development responsibilities. He would handle the distributors in the French speaking countries and I would handle the English speaking countries as well as Turkey and Greece. Much more on this later.



THE WEEKEND AT SEA......Proof That Life Is Good



In spite of our professional differences, up until this point in time Jean-Maria and I got along quite well on a personal basis. In early October he invited Joella and myself along with Peter and Desi Merkel to spend a long weekend with him, sailing his yacht from Piraeus (Port of Athens) to the islands of Poros and Aegina. There were two other guests on board who none of us had ever met. They



were Gilbert Pant, an Englishman, the owner of Computer Techniques International (CTI), a software development company based in Athens, and his wife. If I recall correctly, Jean-Maria had found CTI and Gilbert while searching for someone to write specialized application software for a potential customer.

We all immediately took a liking to Gilbert. He was unassuming, down to earth and fun to be with. I never met anyone who could tell a joke as well as Gilbert. He even made fun of his own name. He said that Gilbert Pant sounded too much like a working class English name so he decided to go by the "continental" pronunciation....*Jill-Bear Pont*, because it sounded very sophisticated......and would attract more women than his actual English name.....the fact that his wife was present at the time didn't seem to matter. Gilbert had a whole basket full of advanced university degrees, the initials of the most impressive were listed on his business cards. Even at the young age of about 30 he had worked in the Middle East for many years, primarily with NCR, before founding CTI. I



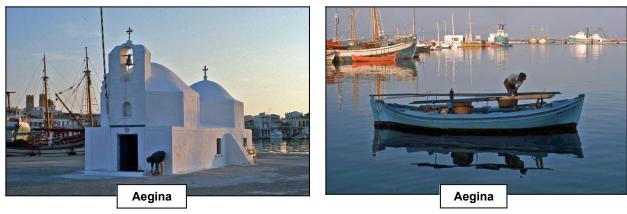
would meet up with Gilbert again while attending a party at his home later in October, and once again the following year while in pursuit of a very large computer order in Iraq.



The long weekend at sea was absolutely wonderful. Manchec, Merkel and I were so stressed out from all of the trips and the meetings that we needed some unwinding, and there was no better therapy for stress than being out on the sea and in the sun with the wind and spray hitting you in the face.



Breakfast Aboard



The first day out we sailed to the island of Aegina where we arrive at dusk and tied up for the night. At dinner time we found dozens of tavernas at quayside to choose from. After an evening of seafood, wine, stories and jokes, we crashed in our bunks and were lulled to sleep by the sound of the small swells

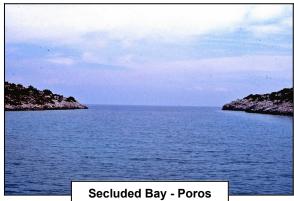
Aegina

rhythmically slapping up against the side of the boat. The next morning Desi prepared breakfast alfresco with bacon and eggs and warm fresh bread from a local bakery she had managed to find.

After a few more hours enjoying Aegina we headed for the island of Poros, arriving around noon in a small bay on the unpopulated east side of the island. The bay, which was about 200 yards long and about 50 yards wide, was shaped like a keyhole, with a very narrow opening to the sea. The narrow opening provided complete protection from the open ocean, making the bay very tranguil. The place was so private and pristine that it gave the impression of being undiscovered. The water was about 12 feet deep and was absolutely clear, almost transparent......we could make out even the smallest detail on the sandy bottom. Following our afternoon in this beautiful location we sailed around the island to the port side where we spent the night. That evening was a repeat of the previous nightseafood, wine and lots of jokes and stories. The next day we sailing back to Athens. I still think about that weekend on Manchec's yacht and remember it as one of the most enjoyable and relaxing times that I experienced while in Greece. It was too bad that my relationship with Jean-Marie eventually went sour.

YASSER ARAFAT ATTENDS CABARET NIGHT

I guess that Gilbert enjoyed the weekend and our company as much as we had enjoyed his because a few weeks later he invited all of us to his home for a costume party. He referred to it as a "cabaret night". True to the times, I went as Yasser Arafat, dressed in a checkered ghutra (headdress) with a four day growth of beard. Joella went as a streetwalker, dressed in a very short and tight skirt, low cut top, black net stockings and high heels. She looked like the real thing.







When we arrived Gilbert came to the front door and when he saw us began to laugh. Surprised, I said, "I hope this is a costume party". He indicated that it was and then said, "I am laughing because one of my business associates is here and he looks just like you. Come on, I will introduce you". He took us through the living room, which by this time was full of people who were all dressed up like it was Halloween, and down a long hallway to one of the back bedrooms. When he opened the door we interrupted a meeting that was taking place between two men who had several weapons catalogues laid out on the table in front of them. One of the men was named Ali, who was apparently a member of the PLO. The other gentleman was a read-headed fellow who was introduce by Gilbert as Sean. Sean, an Irishman, was with the IRA. It seemed that Gilbert was totally comfortable with some kind of arms deal taking place in his back bedroom.

Gilbert was absolutely correct. I looked exactly like Ali, only he was a real member of the PLO and was wearing his real attire. I was neither. It was all very funny until Ali saw the name tag that I had made up to go along with my costume. It said, "Yessir Arafart" (pronounced "yes-sir-air-a-fart"). I thought it was funny. He didn't. However, just about the time that our introduction began to look like it was going to have some

serious consequences, Ali's demeanor changed when Joella stepped out from behind me and he saw her. Even in her regular cloths she was a knockout, but in that costume with her long blonde hair, emerald green eyes, copious amounts of eye-shadow and lipstick, and with her costume displaying most of her figure, she was a real show stopper. Apparently one of Ali's life long fantasies had come true and he was completely overwhelmed. Joella stood there dripping sex-appeal as if she had just stepped out of an estrogen laced rain storm......and Ali was standing in an imaginary puddle of it on the floor, where his jaw soon dropped. He was speechless. However, Sean wasn't speechless. I think I heard him mutter something under his breathe that sounded like, 'God, I wish my wife looked like that". At that moment it became very apparent that Ali had absolutely no further interest in me. He took Joella by the arm and invited her to join him for a drink in the living room. She looked back at me as if to say, "Who is this guy?" I just followed along to see what would happen. After making small talk for a few minutes Ali asked her if she wanted a drink and, demonstrating a high degree of intelligence, she said yes, just to get rid of him. After he headed for the bar she looked at me and I looked at her, and without a word being spoken we knew what we had to do. We quickly departed through a side door and drove home leaving poor Ali with a broken heart.

I must digress here for a moment. The incident with Ali at the cabaret party wasn't the only time that Joella had similar problems. On our trip to pick up our new Fiat we were sitting in the Piazza Della Signoria in Florence having a light breakfast in an outdoor café. After she finished her coffee Joella decided to walk up one of the side streets to do a little window shopping at some the fashionable boutiques she had noticed. While she was looking in one of the windows an American businessman approached her, and mistaking her for a streetwalker, asked in his limited Italian, "How much do you cost?" Making light of the whole situation she said, "I'm from California, where are you from?" Realizing that this attractive blonde lady wearing the full-length leather coat was not what he had expected, he quickly turned and walked away, totally embarrassed.

Digressing once again......On another occasion we were in Brazil with Mike Naggiar and his wife, Diane. Mike, who was a personal friend and business associate from my years with HP Canada, was at that time the HP Intercon Computer Products Sale and Marketing Manager. As HP's Support Manager for Latin America I reported to Mike. We were staying at the luxurious Maksoud Plaza Hotel in Sao Paulo. Having stayed there on several previous occasions I was well aware that the lobby bar was a prime pickup spot for a select few high-class "escorts". I say select because I think that the hotel management had decided that it would be easier to choose the girls and control their activities rather than have unknown girls from the outside rip-off the guests. The management had even set up a checkpoint by the elevator to make sure that only the approved girls made it up to the guest rooms. On our return from dinner one evening with Mike and Diane the gentleman in charge of the checkpoint stopped us. Looking first at Joella and then at me he said, "Excuse me sir but you will need a pass for the lady". Mike and Diane and I were laughing so hard I thought we would die. The gatekeeper was clueless. It is easy to understand that Joella did not view this as a complement. She may have been blonde and beautiful, but that was where the similarity ended. She was no hooker. She looked at the gatekeeper and then back at me and said, "Will you tell this son-of-bitch that I am your wife". Still laughing like hell I corroborated her story and we got into the elevator. The gatekeeper was very apologetic. I leaned out of the elevator and told him not to worry about it. It happens all the time.

Getting back to the topic of Algeria, with my few days of relaxation at an end it was time to get ready for my trip to Algiers, which would offer up another unforgettably bad experience.