

Imperialist interests over-ride the “rule of law”

# Blair government cancels British Aerospace-Saudi arms inquiry

## Part one

Jean Shaoul  
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*This is the first of a two-part article*

On December 15, the Labour government called off the three-year long investigation by the Serious Fraud Office (SFO) into the alleged bribery of the Saudi ruling family by British Aerospace (BAe) in the multibillion-pound Al Yamamah defence contract.

Prime Minister Tony Blair accepted “full responsibility” for dropping the inquiry. “Leaving aside the effect on thousands of British jobs and billions of pounds worth for British industry . . . Our relationship with Saudi Arabia is vitally important for our country in terms of counter-terrorism, in terms of the broader Middle East and in terms of helping in respect of Israel and Palestine,” he said.

The decision, following an orchestrated campaign by BAe and intense political pressure from the Saudi royal family, has grave implications. It marks a significant stepping-up of the government’s offensive against democratic norms and underscores the utter contempt of the ruling elite for any notion of popular accountability.

The Attorney General Lord Goldsmith, Britain’s senior law official and member of the government, had sought to bury the decision by making the announcement in an almost deserted House of Lords on the day the long awaited Stevens Inquiry into Princess Diana’s death was released.

Goldsmith had consulted the prime minister, the foreign and defence secretaries and the security services. He relayed a statement by the Serious Fraud Office (SFO), justifying the actions taken after these deliberations: “It has been necessary to balance the need to maintain the rule of law against the wider public interest.”

In what must rank as one of the more disingenuous statements made in recent times, he then claimed, “No weight has been given to commercial interests or to the national economic interest.”

What Goldsmith means by the “public interest” is the interest of the British ruling class. He came close to saying as much when he added that the SFO had dropped its inquiry “to safeguard national and international security.”

Both Blair and Defence Secretary Des Browne had argued that to continue with the investigation would damage “UK-Saudi security, intelligence and diplomatic cooperation,” he added. Yet he also denied that this meant that the government had abandoned the investigation because of the “potential effect on relations with another state.”

Later, Goldsmith insisted that the SFO had taken the lead in dropping the case. In a radio interview, he said that the SFO said to him, ““Our judgement is that in the national interest this should not go ahead—what do you think?” After looking at the case and taking advice, my judgement was, ‘Well, actually, I agree that this case should be discontinued’, although for somewhat different reasons, because I didn’t just think the

case was uncertain. My judgement at this stage was that it wouldn’t go anywhere at the end of the day.”

SFO director Robert Wardle immediately contradicted Goldsmith. He issued a short statement saying that he had dropped the *Saudi* end of the wide-ranging investigation, not because of insufficient evidence for a prosecution, but “following representations that have been made to both the attorney general and the director of the SFO concerning the need to safeguard national and international security”

The SFO team carrying out the inquiry was ordered to surrender 20 boxes of files relating to the allegations of Saudi bribery. Investigations into BAe’s activities in Romania, Chile, the Czech Republic, South Africa and Tanzania are supposed to continue.

The attorney general was forced to abandon the SFO inquiry not only because it had become a major political embarrassment, but it was also a real danger to the economic and political interests of British imperialism.

The inquiry was into long running allegations that BAe, Britain’s leading defence contractor, operated a £60 million slush fund to oil the wheels of its largest-ever overseas arms deal, the Al Yamamah contract for Tornado jetfighters. Secured by Margaret Thatcher in 1985, the deal has brought BAe £42 billion (\$84 billion) in the 18 years since it began and staved off BAe’s near-bankruptcy during the lean years of the early 1990s. At the end of 2005, after Blair’s personal intervention to clinch the deal, BAe secured a third order—for 72 Eurofighter Typhoon jet fighters, variously stated in the press to be worth between £6 billion and £40 billion. Prior to that, the Typhoon had failed to secure any significant export orders.

Ever since 1986, when allegations of corruption first began to circulate, successive governments have maintained that no bribery was involved. The SFO inquiry into BAe was only set up in 2004 following revelations in the press that could no longer be ignored.

In 2003, the *Guardian* disclosed that accidentally-released Whitehall papers, including a telegram from the head of Defence Exports Services Organisation (DESO), showed that the price of the Tornados had been inflated by 32 percent due to commissions and bribery. Another document from the archives cited a dispatch from a British ambassador saying that the family of Prince Sultan, who held the defence portfolio for many years, “had a corrupt interest in all contracts” The newspaper also published details from two travel agencies used to funnel funds for the hospitality BAe lavished on Saudi officials when they visited the UK.

The government could not ignore these revelations because in 2002 it had finally introduced legislation outlawing overseas bribery, as a result of pressure from the US, whose corporations, facing slightly more restrictive laws, found themselves at a competitive disadvantage.

The decision to ditch the inquiry that has already cost £2 million came after intense campaigning by BAe. In the last few weeks, lobbying from BAe, its public relations consultant Tim Bell, and the Ministry of Defence's Defence Exports Services Organisation was intense. DESO is dominated by BAe. Some of its 500 employees, whose task is to promote arms sales, are located at a BAe site in Saudi Arabia—at taxpayers' expense.

BAe and its engineering suppliers claimed that tens of thousands of British jobs were at stake, although York University's defence economics expert Professor Keith Hartley's report last June showed that only 5,000 jobs were involved.

Last November, the Saudi royal family threatened to cancel the third phase of the deal for 72 Eurofighter Typhoon jet fighters agreed at the end of 2005, and buy from France instead.

As well as the political embarrassment that any detailed exposure of their own avarice and corruption would cause them, the Saudis feared it would fuel resentment against the ruling family in both Saudi Arabia and throughout the Muslim world. The head of the Saudi National Security Council, Prince Bandar bin Sultan, warned that the Saudis would withdraw their cooperation on security, including intelligence gathering on Al Qaeda and downgrade their embassy in London.

The Saudis piled on the pressure and reportedly issued a 10-day ultimatum after the SFO gained access to the normally highly secretive Swiss bank accounts whose records contain details of BAe's recent offshore banking transactions with key Saudi intermediaries. These would show whether BAe had made payments to Saudi princes, committed offences under UK law, and lied to the government to secure insurance cover from the Export Credits Guarantee Department for the deal with its claims that it had complied with recent legislation that outlawed bribery overseas.

These broader economic and political realities counted for far more than any possible political fallout from Labour's abandonment of the investigation. BAe and the defence corporations were delighted with the announcement and shares in the company and its major suppliers rose immediately after the news.

The *Independent* on Sunday has even reported that the police believed that they were bugged in an attempt to stop the inquiry. One senior figure involved in the SFO's investigation into BAe said that its security had been frequently compromised. "I was told by detectives that the probe was being bugged. They had reached this conclusion because highly confidential information on this inquiry had been reaching outside parties," he told the press.

That the government should be able to abandon the inquiry is in no small part because the Conservative Party, industry and the trade unions were foursquare behind the decision. Only the much smaller Liberal Democrats, sections of the liberal press and pressure groups such as the Campaign Against the Arms Trade (CAAT), Corner House, and Transparency International have opposed it. CAAT and Corner House have hired a leading QC, David Pannick, to mount a legal challenge via a judicial review. Pannick is expected to argue that the decision to drop the inquiry contravenes the OECD's convention on corruption that outlaws consideration of relations with another country in deciding whether to prosecute.

The House of Saud, with its 7,000-plus princes, rules Saudi Arabia as a fiefdom. In defence terms, dynastic considerations demand a National Guard based in the cities, not an army that might rise up against it. In the context of the air force, the need is for high-tech unmanned planes and manned planes piloted overwhelmingly by junior members of the House of Saud and "reliable families." But they lack the training and technical support to operate such equipment effectively.

Surrounded by enemies, Saudi Arabia has no friendly neighbours. There are long unresolved border conflicts in the region, particularly with Iraq,

with Iran over its claims to Bahrain, now linked to the mainland by a causeway, and with Yemen, the product of earlier imperialist intrigues. Israel's warplanes routinely make unauthorised flights over Saudi airspace.

The 1979 Iranian revolution installed a Shi'ite theocracy which the Saudis opposed. One consequence was an intensification of the traditional rivalry between Saudi Arabia and Iran for regional dominance. Within Saudi Arabia, it led to a radicalisation of the more impoverished and restive Shi'ites who live in the oil rich Eastern province. The brutal suppression of riots there in 1979 and 1980 cost dozens of lives.

All this plus the eight-year-long Iran-Iraq war that Iran appeared to be winning provided the Saudis with the justification for a massive arms build-up. The Campaign against Arms Trade's report, "The Arabian connection—the UK arms trade to Saudi Arabia," provides an insight into the shameless fraud that was perpetrated via Britain's arms sales on both the Saudi and British people for the benefit of their ruling and financial elites. BAe's profits came courtesy of taxpayers, not the much vaunted free market.

Britain had longed courted the Saudis as a trading partner, with the Duke of Edinburgh and Conservative Foreign Secretary Francis Pym attending King Fahd's enthronement in 1982, at the height of the Malvinas (Falklands) War.

The Al Yamamah deal was secured in 1985 after the personal intervention of Prime Minister Margaret Thatcher. Britain won the deal over its US and French rivals at a time when US-Saudi relations were strained, in part due to Riyadh's refusal to allow an American base on Saudi soil and opposition from the pro-Israel lobby in the US.

The deal was controversial from the start. Worth \$8 billion over six years, it required Britain to equip, organise and train the Saudi air force, with the recently privatised BAe as the prime contractor. Most of the Tornados were strike planes and the British placed no restrictions on their use, despite fears about the Middle East arms race.

Allegations of corruption surfaced almost immediately. The *Guardian* spoke of "bribes of £600 million in jets deal" Some newspapers claimed that up to 30 percent of the cost of the deal was inflated by the rake-offs. Said Aburish, in his book *House of Saud* (written in 1994), said that BAe had never denied using agents and paying commissions to secure arms deals and that he had documents confirming BAe's willingness to pay commissions.

*To be continued*



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