

Britain: OECD rebukes Blair government for dropping Saudi bribery investigation

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The Organisation for Economic Cooperation and Development has expressed “serious concerns” about the Blair government’s decision to call off the Serious Fraud Office (SFO) investigation into allegations of multibillion-pound bribery of the Saudi ruling family by British Aerospace (BAe), Britain’s leading defence contractor.

The three-year-long investigation related to the Al Yamamah defence contract for Tornado jetfighters, BAe’s largest-ever overseas arms deal. Negotiated during Margaret Thatcher’s premiership in 1985, the contract has been worth more than £40 billion over the past 18 years. In 2005, Prime Minister Tony Blair secured a third order for 72 Eurofighter Typhoon jet fighters.

Over the years, allegations of corruption have circulated. It was alleged that BAe had operated a £60 million slush fund to sweeten the deal and, in 2004, the SFO was forced to establish an inquiry.

On December 15, however, the Attorney General Lord Goldsmith announced that the SFO had abandoned the investigation into the Al Yamamah contract, telling Parliament, “It has been necessary to balance the need to maintain the rule of law against the wider public interest.”

The SFO had dropped its inquiry so as “to safeguard national and international security,” Goldsmith continued, adding that this view was supported by the intelligence services.

This claim was backed up by Blair. Announcing that he took “full responsibility” for ending the probe, he argued that its continuance would be “devastating” for the UK, not only in relation to the loss of thousands of jobs but especially as regards national security and the “war on terror.” The statement was issued amidst media reports that Saudi Arabia was threatening to end its intelligence cooperation with Britain.

The decision to abandon the inquiry and the justification offered by the government brought it into conflict with the OECD. Article Five of the OECD’s anti-bribery convention, to which Britain is a signatory, states that investigations and prosecutions must “not be influenced by considerations of

national economic interest, the potential effect upon relations with another State or the identity of the natural or legal persons involved.”

Meeting in Paris earlier this month, the 35-member group gave the Blair government until March to account for its decision, when it will consider “appropriate action.” The body has no power to discipline members but can “name and shame” those it considers to have stepped out of line.

The government’s attempts to defend its decision was further undermined by the refusal of the UK’s intelligence services to sign off on a letter to the OECD stating that they had supported its national security assessment.

The *Guardian* revealed that the head of MI6, Sir John Scarlett, and the head of MI5, Eliza Manningham-Buller, had “refused to endorse government claims that the Saudis were definitely planning to cut intelligence links. The government had hoped to get this backing from the intelligence agencies to head off criticism from the OECD,” it said.

As the then head of the Joint Intelligence Committee, Scarlett was the nominal author of one of the two infamous “dodgy dossiers” circulated by the Blair government to justify preemptive war against Iraq. The dossier claimed that Saddam Hussein’s regime possessed weapons of mass destruction that could be deployed within 45 minutes.

The government was forced to deny any rift with the security services. A Foreign Office statement said that the intelligence agencies had “shared the concerns with others within Government over the possible consequences for the public interest of the Serious Fraud Office investigation.”

But the OECD’s humiliating rebuke has only deepened the political crisis surrounding the BAe decision.

Robert Wardle, head of SFO, had already disputed the government’s claims that the investigation had been going nowhere and was unlikely to lead to any charges. And on January 23, the *Guardian* reported that Wardle “was pressured at least seven times to drop his criminal investigation into alleged bribery by British arms firm BAE until he eventually did so.”

The prime minister had been involved on three of these occasions, it reported, as had the ambassador to Saudi Arabia. BAe was involved on another occasion, the paper said.

Details of their involvement emerged during questions in Parliament of Goldsmith and the solicitor general, Mike O'Brien.

The first intervention came in November 2005 when BAe made representations "warning of the adverse impact on business from the loss of a Eurofighter Typhoon agreement unless the SFO investigation...was halted," Goldsmith said.

The *Guardian* cited legal sources that BAe legal director Michael Lester had written to Goldsmith in an effort to stop the SFO enforcing notices served on the company to identify its Saudi middlemen. Goldsmith confirmed that Blair had added to the pressure with a statement to him "as to the public interest considerations raised by the SFO investigation." Blair's concerns were backed up with statements signed by then-Defence Secretary John Reid and then-Foreign Secretary Jack Straw.

When, in September 2006, the SFO obtained agreement from the Swiss authorities that it could access bank accounts believed to be linked to two of the Saudi middlemen, Blair again intervened. The prime minister's "views" were passed on to Wardle for a third time in December. "Mr. Blair later confirmed that his 'clear view' was that the police inquiries should be called off," the *Guardian* wrote.

"At the same time Britain's ambassador to Riyadh, Sir Sherard Cowper-Coles, held three meetings with Mr. Wardle in November and December, advising him of dire Saudi political and commercial consequences if the SFO director gained access to the Swiss accounts. Shortly afterwards Mr. Wardle said he felt obliged to call off one of the SFO's biggest inquiries," it continued.

In December, the *Independent on Sunday* reported a "source close" to the police investigation into BAe's alleged bribery claiming that their probe had been bugged. Blair's "determination to stop the SFO investigation has left the detectives working on the case furious," it stated.

"One senior figure who had been helping the SFO said the investigation's security had been repeatedly compromised," it continued, citing the source as stating, "I was told by detectives that the probe was being bugged. They had reached this conclusion because highly confidential information on the inquiry had been reaching outside parties."

Of significant concern for Britain's financial elite, the BAe decision has also put the government at odds with sections of international capital. French and American officials are said to have been most vigorous in pushing for action to be taken against Britain.

Saudi Arabia was said to have been in discussions with France on a potential arms deal at the time the BAe probe was called off. Michael Peel in the *Financial Times* cited one diplomat at the OECD describing complaints "that London's approach gave its businesses a competitive advantage over rivals based in countries where corruption laws are more toughly enforced. It is a point long put by US multinationals to the authorities in Washington, which have in the past few years made notable targets of a number of overseas companies in bribery investigations."

Last week, the *Daily Telegraph* reported that BAe Systems was under threat of a new criminal investigation in the United States over the Al Yamamah deal.

The US Department of Justice could take over the SFO's aborted inquiry, the newspaper reported, after claims that more than £1 million worth of slush funds were handed over to senior Saudi officials in America.

Warning that the Blair government had set "an unhealthy and potentially self-destructive precedent," Peel continued that London had "halted its flagship foreign bribery investigation at a time when it is trying to persuade less industrialised countries to tackle corruption fearlessly and without regard to vested interests."

The *FT* continued, "This problem of international credibility runs deeper and, again, has commercial implications. No prosecution has yet been launched in Britain under a law passed in 2001 to prohibit explicitly the bribery of overseas public officials. This embarrasses investigators and is increasingly noticed in the business community. Hermes, Britain's biggest pension fund, has said the abrupt curtailment of the BAE probe threatens the country's reputation as a leading financial centre."



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