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Blair defends decision to halt inquiry into Saudi defense contacts

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LONDON

Prime Minister Tony Blair defended a controversial decision to halt the investigation of the defense company, BAE, and bribes it may have paid to Saudi royals, saying Friday the probe would damage Britain if it continued.

"If this prosecution had gone forward, all that would have happened is that we would have had months and potentially years of ill-feeling between us and a key partner and ally and probably to no purpose," Blair said during an EU conference in Brussels.

The investigation "would have done immense damage to the interests of this country" if it were allowed to continue, he said.

The relationship between Britain and Saudi Arabia "is vitally important for our country, in terms of counterterrorism, in terms of the broader Middle East, in terms of helping in respect of Israel/Palestine, and that strategic interest comes first," the prime minister said.

The Serious Fraud Office, which investigates and prosecutes fraud in Britain, has been investigating the Al Yamamah defense contracts between BAE and Saudi Arabia for two years, after a former BAE employee alleged that there were accounting discrepancies in the Saudis' accounts and that bribes in the form of trips had been given to Saudis.

Saudi Arabia is one of the biggest buyers of British arms, and some reports said that a £10 billion, or \$19.5 billion, deal on fighter jets was in jeopardy because of the probe.

The fraud investigator said late Thursday evening that it was halting the probe because of the "need to safeguard national and international security." The office said that "no weight" was given to "commercial interests or to the national economic interest" in canceling the probe.

The decision caused immediate outcry in Britain, where opposition leaders and activists accused Blair of overplaying Saudi Arabia's role in the international security, and of letting politics stand in the way of the law.

"How on earth can you lecture other developing countries on the importance of the rule of law when we behave in this way ourselves," said Norman Lamb, a Liberal Democrat lawmaker from Norfolk.

Chandrashekhara Krishnan, executive director of the British chapter of Transparency International, an anti-corruption campaigner, said the decision could raise skepticism about Britain's commitment to an international agreement to try to stamp out bribery. That agreement, adopted in 1997 by the Organization for Economic Cooperation and Development, was implemented in 2002 by the British government.

"What this does is raise a question mark about the seriousness of the government's commitment to enforce the OECD anti-bribery convention," he said. "This sends a very contradictory message to developing countries: We will not do what we tell you to do."

More than 30 nations, including the United States and many West European countries, have put in place legislation to enact the OECD-approved measures, though some big arms suppliers, like Russia, have not done so.

Krishnan would not comment on the substance of the case, but added that "the public interest would have been better served" if the case had been carried through to its conclusion.

BAE issued only a brief statement welcoming the decision. John Neilson, a spokesman for the company, declined to comment further on the case.

Mike Turner, the chief executive of BAE, has repeatedly denied the corruption allegations, but has said the investigation was putting at risk a lucrative contract to supply Eurofighter Typhoon aircraft to Saudi Arabia. Neilson said the Eurofighter Typhoon program was directly responsible for 16,000 jobs in Britain, including 5,000 at BAE.

With the investigation called off, shares of BAE rose sharply Friday, trading at 426.75 pence, up 29.5 pence.

Saudi Arabia and Britain have cultivated close business and government ties.

Saudi Arabia is the UK's largest trading and investment partner in the Middle East. In April, the Saudi foreign minister, Prince Saud Al-Faisal, and Foreign Secretary Jack Straw of Britain co-hosted a conference in Riyadh titled "Two Kingdoms Dialogue" and attended by businessmen, academics and government officials from the two countries.

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