

## **BAE Systems, UK (Defence)**

### *TI Progress Report 2007 – Foreign bribery cases*

In 1985, with the encouragement and support of the Thatcher Government, British Aerospace (now BAE Systems plc) signed a contract to supply the Saudi Air force with 200 Tornado fighter planes and related equipment and services: the "Al Yamamah" contract. The first two phases of the contract are estimated to have been worth some £40 billion (US \$82.21 billion).

Recently, a third significant deal has been agreed in principle. A further £20 billion (US \$41.12 billion) of sales of Eurofighter aircraft is said to be involved.

An investigation by the UK Serious Fraud Office (SFO) started in November 2004 focusing on suspected false accounting in relation to a contract related to the Al Yamamah defence contract. It was later alleged that BAES had channelled illegal payments to Saudi officials through offshore companies. The press reported the existence of a so-called "slush fund" established on behalf of BAE Systems to channel benefits to Saudi nationals involved in the Al Yamamah contract. BAE has at all times denied any wrongdoing. In June 2007, the Guardian reported allegations that over £1 billion (US \$2.06 billion) was paid by BAE Systems to a Saudi prince, with payments of £30 million (US \$61.66 million) paid every quarter for at least ten years.

On 14 December 2006, the UK Attorney General informed the House of Lords that the Director of the Serious Fraud Office (SFO) had decided to discontinue the SFO's investigation into the affairs of BAES as far as they relate to the Al Yamamah defence contract. The decision had been taken considering "the need to safeguard national and international security." The Attorney General announced that "it has been necessary to balance the need to maintain the rule of law against the wider public interest." The announcement unleashed widespread criticism, both in the UK and externally.

In June 2007 both the US Department of Justice and the Securities and Exchange Commission announced that they were investigating alleged BAES payments to Saudi officials in connection with the Al Yamamah project.

On 9 November 2007, the British High Court allowed two civil society organisations, Campaign against Arms Trade (CAAT) and Corner House, to seek a judicial review of the decision to halt the Al Yamamah investigation. In his decision, Lord Justice Moses said the case "cries out for a hearing".

Sources: The Times "US seeks to pursue BAE over claims company paid bribes" (2 May 2007); OECD Press Release "OECD to conduct a further examination of UK efforts against bribery" (14 March 2007); The Telegraph "Campaigners press BAE over Al-Yamamah 'leak'" (26 Jan 2007); Guardian Unlimited "BAE accused of secretly paying £1 billion to Saudi Prince" (07 June 2007); Daily Telegraph "Judicial review of BAE probe ordered" (10 November 2007).