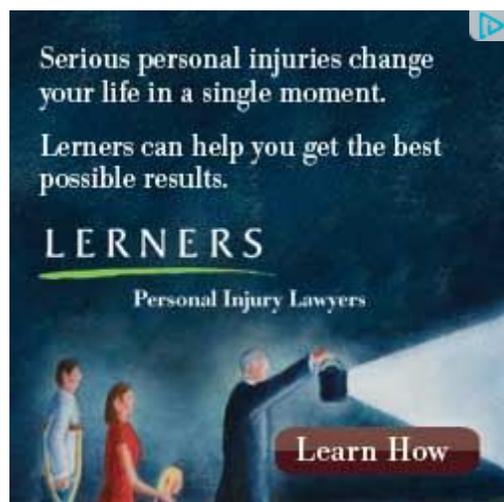


CORRUPTION & COVER-UP:**War Profits Trump the Rule of Law**by **CHRIS FLOYD****I. The Wings of the Dove**

Slush funds, oil sheiks, prostitutes, Swiss banks, kickbacks, blackmail, bagmen, arms deals, war plans, climbdowns, big lies and Dick Cheney - it's a scandal that has it all, corruption and cowardice at the highest levels, a festering canker at the very heart of world politics, where the War on Terror meets the slaughter in Iraq. Yet chances are you've never heard about it - even though it happened just a few days ago. The fog of war profiteering, it seems, is just as thick as the fog of war.

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But here's how the deal went down. On December 14, the UK attorney general, Lord Goldsmith (Pete Goldsmith as was, before his longtime crony Tony Blair raised him to the peerage), peremptorily shut down a two-year investigation by the Serious Fraud Office (SFO) into a massive corruption case involving Britain's biggest military contractor and members of the Saudi royal family. SFO bulldogs had just forced their way into the holy of holies of the great global back room - Swiss bank accounts - when Pete pulled the plug. Continuing with the investigation, said His Lordship, "would not be in the national interest."



It certainly wasn't in the interest of BAE Systems, the British arms merchant that has become one of the top 10 US military firms as well, through its voracious acquisitions during the profitable War on Terror - including some juicy hook-ups with the Carlyle Group, the former corporate crib of George H.W. Bush and George W. Bush and still current home of the family fixer, James Baker. BAE director Phillip Carroll is also quite at home in the White House inner circle: a former chairman of Shell Oil, he was tapped by George II to be the first "Senior Adviser to the Iraqi Ministry of Oil" in those heady "Mission Accomplished" days of 2003. BAE has allegedly managed to "disappear" approximately \$2 billion in shavings from one of the largest and longest-running arms deals in history - the UK-Saudi warplane program known as "al-Yamanah" (Arabic for "The Dove"). Al-Yamanah has been flying for 18 years now, with periodic augmentations, pumping almost \$80 billion into BAE's coffers, with negotiations for \$12 billion in additional planes now nearing completion. SFO investigators had followed the missing money from the deal into a network of Swiss bank accounts and the usual Enronian web of offshore front companies.

Nor was continuing the investigation in the interest of the Saudi royals, whose princely principals in the arms deal were embarrassed by allegations that a BAE-administered slush fund had supplied the fiercely ascetic fundamentalists with wine, women and song - not to mention lush apartments, ritzy holidays, cold hard cash, Jags, Ferraris and at least one gold-plated Rolls-Royce, as The Times reported. One scam - uncovered by the Guardian in a batch of accidentally released government documents - involved inflating the price of the warplanes by 32 percent. The rakeoff was then presumably siphoned into BAE's secret accounts, with some of it kicking back to the Saudi royals and their retainers.

The Saudis were said to be incensed by the continuing revelations spinning out of the investigation, which had begun in 2004 after the Guardian first got wind of the alleged slush fund. Last month, with talks on the new \$12 billion extension in the final stages, the Saudis lowered the boom, threatening to ashcan al-Yamanah and buy their warplanes from - gasp! - the French instead. For a week or two, the Blair government played chicken with the Saudis, hoping the threat was just a hardball bluff for better terms (or maybe bigger slush).

Then came a curious intervention. Last month, Dick Cheney traveled to Riyadh for talks with Saudi King Abdullah. There he beseeched the king to step in and help pull America's fat out of the wildfire of Iraq by using Saudi influence on Iraq's volatile Sunni minority, the Scotland Sunday Herald reported. It's also thought that Cheney asked the Saudis to stump up more cash to replace some of the billions of dollars in missing "reconstruction money" that White House cronies and local operators have somehow "misplaced" into their own pockets during the war.

It is widely believed in top UK political circles that among the many considerations the Saudis asked for in return for the possibility of helping out in Iraq was the application of White House pressure on Tony Blair to quash the BAE investigation. The king apparently put this more in the form of a demand than a request: senior sources in the Blair government told the Observer that the Saudis threatened to stop sharing its extensive intelligence on terrorism and kick all British intelligence and military personnel out of the kingdom if Blair didn't kill the probe.

But if Cheney and Abdullah did do a strongarm number on Blair, they probably didn't have to break a sweat to convince him. In this case, Blair no doubt could echo the words of Macbeth when he saw the ghostly dagger drawing him on to dirty deeds: "Thou marshall'st me the way that I was going." For certainly, Blair had no desire to see the fraud probe of BAE progress any further. He has been one of the arms peddler's biggest cheerleaders - and most assiduous skills - throughout his long term in office. For example, in January 2002, as India and Pakistan teetered on the edge of a nuclear exchange over Kashmir, Blair made a lightning trip to both countries to preach peace - and to hawk a \$1.4 billion deal for BAE jet fighters with India. This move, of course, only made the already outgunned Pakistanis even more likely to use their nukes to stave off any attack. It seems not even the greatest threat of nuclear war that the world had ever seen was enough to stop Blair from throwing gasoline on the fire in the service of BAE's

bottom line.

Yet although the Saudis certainly weren't pleased with the investigation and wanted it to go away, as the SFO moved forward it became increasingly clear that BAE itself had more to fear from the probe than did the gilded guardians of Mecca. In 2002, the UK adopted a set of stringent anti-bribery laws that criminalized the use of old-fashioned baksheesh to grease a deal with foreign powers. As the Guardian reported, the SFO were pursuing three key questions: Were members of the Saudi royal family getting secret UK payoffs? Were the financial transactions crimes under UK law? And had BAE lied to government agencies in its claims to have reformed its past practices and dispensed with the "confidential Saudi agents" who served as bagmen for the bribes?

They believed the answers were waiting in Berne, Switzerland, in a box of files being kept for them by the Swiss federal prosecutor's office, the Guardian reported. This box "was the hottest potato of all. The Swiss dossier contained print-outs of BAE's recent offshore banking transactions with key Saudi middlemen. The normally highly-secret bank records had recently been secured by the authorities at the British investigators' request."

But just before they were to fly down to claim the Swiss bank trove, Goldsmith ordered the SFO to stop the probe and turn over all their existing files for his examination. After two days of poring through the material (or perhaps not poring through it), Goldsmith suddenly announced that, upon consultation with the cabinet and the prime minister, he was quashing the entire investigation in the name of "the UK's security and foreign policy interests."

Legal experts told UK papers they could find no precedent for such a move. Oddly enough, Her Majesty's Attorney General - a certain Lord Goldsmith - had been of a similar mind just 10 days before, when, in response to a ferocious PR campaign against the SFO probe launched by BAE's friends among the great and good, he declared that he had "no intention of interfering with the investigation," as the Guardian reports. What a difference 10 days, Dick Cheney and Saudi blackmail makes!

Not to mention Blair's desire to peddle even more BAE weaponry on yet another "peace mission" - this time to the Middle East, where he conducted a frantic and utterly fruitless "whirlwind tour" in mid-month. But before jetting off to seek ever-elusive "breakthroughs" on Iraq and Israel-Palestine, Blair wanted the SFO imbroglio wrapped up, so he could proffer BAE planes to the United Arab Emirates without all that folderol about bribes hanging over the company, the Times reported.

In delivering his ruling on BAE, Goldsmith acted with the same bold flip-floppery he had displayed in the run-up to the invasion of Iraq. Then too, there was a small gap of time in which a momentous reversal was made, between his first, detailed private advice to Blair that there were at least six different ways in which the invasion could be considered a war crime and his last-minute, hastily-sketched public declaration that, by gum, he thought the war just might be legal after all. Despite a few minor quibbles on various tactics in the never-ending Terror War - Goldsmith has on occasion voiced a few mild objections to the American concentration camp on Guantanamo Bay - the good Lord has

proven himself a worthy counterpart to his comrade across the sea, US Attorney General Alberto Gonzales, in exalting the principles of political expediency and war profiteering above the rule of law.

II. Tony in Wonderland

There is yet another parallel between the fraud probe kibosh and the Iraq warmongering: the official reasons given for the action have been constantly changing. Indeed, in the days following Goldsmith's hugger-mugger announcement - carefully timed to coincide with the release of the final report on Princess Diana's death, which the government knew would consume every ounce of media oxygen that day - Blair and his high ministers of state peddled a dizzying and often contradictory array of justifications for stifling the investigation.

There was the initial "security and foreign policy interests" offered by Goldsmith to Parliament and initially echoed by Blair. The UK-Saudi relationship "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," Blair said after the ruling, as AP reported.

However, that explanation didn't play very well, for it seemed to confirm the reports that Britain had indeed been blackmailed and bullied by Saudi Arabia into dropping the probe. The underlying implications of Blair's stance were riddled with glaring contradictions: Saudi Arabia is our strong, trusted friend and ally who, er, uh, has threatened to fan the flames of regional conflict and expose us to a much greater risk of terrorist attack if we don't disregard our own laws.

Somehow, the sight of a British Prime Minister declaring "if we don't do what they say, they'll hurt us" did not convey the degree of wisdom and reassurance the government sought to project about the decision. As AP noted, some of those most upset by the ruling came from Blair's own increasingly-fractious Labour Party - which hit another new low in the polls this week, dropping further behind the resurgent Tories. "We appear to be giving businessmen carte blanche to do business with Saudi Arabia, which may involve illegal payments or illegal inducements," said Eric Illsley, a Labour member of Parliament's Foreign Affairs Select Committee. "We have been leaned on very heavily by the Saudis."

And so this argument was largely supplanted by the economic considerations that BAE's supporters had been trumpeting in the press in the weeks before Goldsmith's ruling. If the Saudis had slaughtered "The Dove" deal because of the SFO probe, Britons were told, it would have cost the nation 100,000 jobs. This figure, first floated by BAE's media and parliamentary front men last month, soon became the standard number touted by government backers after the Goldsmith ruling. The fact that it was flatly contradicted by a University of York study which showed that a cancellation of the impending al-Yamanah extension would have eliminated just 5,000 jobs cut no ice with the panicky spin doctors. (To be sure, even the lesser job loss would have been a heavy blow to the workers involved; but at that smaller level, it was a blow that could have easily been cushioned by government compensation and genuine efforts at retraining or re-employment

elsewhere: the kind of action that Blair's government has often promised yet seldom delivered to the many industries that have gone belly-up - and overseas - during his tenure.)

The new line also flatly contradicted Goldsmith's original declaration to Parliament, in which he insisted that economic considerations had "played no part" in his decision. When the rank hypocrisy of this was pointed out, Blair and Goldsmith both came up with a new reason: the case wasn't strong enough to go forward, there was not enough evidence of wrongdoing. Aside from the fact that Goldsmith himself had prevented the SFO from examining the most relevant evidence in the entire case - BAE's own secret bank records - this stance was, again, at odds with his position just days earlier, when he'd declared he would not intervene in the investigation. That declaration had come after he had gone over the case and the evidence for it in a meeting with SFO director Robert Wardle.

SFO officials strongly disputed Blair and Goldsmith's claim that the case was weak. And in any case, the whole point of the probe was not to guarantee a prosecution but to establish the truth. While the Blair government's disinterest in establishing the truth as opposed to pushing a political line is well-established (see the Downing Street Memos), they are vitally interested in information. So much so that they apparently bugged the SFO offices during the probe, the Independent reported. "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," a senior figure involved in the investigation told the paper. SFO investigators believe the probe was actually quashed because the Blair spies had learned how very substantial it was, not because the evidence was lacking.

In the end, after the "weak-case" justification turned out to be a weak case itself, Blair and the gang reverted back to a variation of the "security" line: the noble struggle to free the peoples of the Middle East from the clutches of armed Islamic extremism superseded all other considerations. Despite the ever-soaring rhetoric, however, Blair failed to make clear exactly how providing \$80 billion worth of advanced arms to perhaps the most repressive Islamic extremist state on earth can be said to advance the cause of freedom and tolerance in the Middle East.

Lord knows - and lords know - that unseemly accommodations sometimes have to be made in this world, especially in geopolitics. A wink here, a little baksheesh there between unsavoury characters are often better than, say, launching a war of aggression and murdering more than half a million innocent people to achieve your political and commercial ends. But in the BAE case, as in so much else in politics, it is the hypocrisy that rankles most. Western governments obviously believe they must give guns and bribes to extremist tyrants in order to obtain the oil that keeps their own nations in such disproportionate clover - but they lack the guts to say so in plain language, dressing up this ugly business with meaningless trumpery about freedom, peace and security.

Are they trying to mask their own cynicism - or protect the tender sensibilities of their electorates, who might prefer sugared lies to acknowledgements of the dirty deals that undergird their way of life?

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