

BAE Al-Yamamah Scandal Back in the Headlines

by Jeffrey Steinberg

April 10—PBS-TV's *Frontline* documentary series aired an hour-long exposé on April 7 of corporate bribery and corruption, headlined "Black Money." The centerpiece of the program was the case of BAE Systems (formerly British Aerospace), the giant British arms cartel, and its unprecedented barter deal with Saudi Arabia, a deal known as Al-Yamamah ("The Dove").

As longtime readers of *EIR* know, the Anglo-Saudi Al-Yamamah deal was, and remains, far more than an unusual oil-for-weapons barter scheme. The story goes far beyond the tens of billions of dollars in payoffs from the British firm to scores of Saudi princes and businessmen. It goes beyond the larger-than-life role of Saudi Arabia's longtime former ambassador to Washington, Prince Bandar bin-Sultan, who brokered the Al-Yamamah deal back in 1985, and received, at a minimum, \$2 billion in BAE kickbacks for his efforts.

As *EIR* uniquely revealed—and as *Frontline* failed to report—under the Al-Yamamah barter deal, an offshore, off-the-books black operations slush fund, estimated at more than \$100 billion, was built up, to finance covert operations on a global scale. Among those covert operations, acknowledged by author William Simpson in his semi-authorized biography of Prince Bandar: the bankrolling of the Afghan mujahideen, during the later phase of their decade-long war to drive

the Soviet Army out of Afghanistan (1979-90); and the arming of the government of Chad with Soviet weapons, during Chad's war with Libya.

Other sources have told *EIR* that Al-Yamamah funds were also behind the coup attempt against the government of Equatorial Guinea in 2004. That coup attempt, for which Mark Thatcher, son of the former British Prime Minister, was indicted, implicated British mercenary Simon Mann and one of the central players in the Al-Yamamah bribery scandal, Wafic Said, a Syrian-born Saudi financier, whose Swiss bank accounts were at the center of the Al-Yamamah bribery schemes.

Indeed, it was at the point that Swiss courts authorized the release of records from Said's Swiss accounts to Swiss prosecutors, probing the use of Swiss banks to launder Al-Yamamah bribes, that the Saudi and British governments moved, in a panic, to shut down the entire BAE-Saudi probe by Britain's Serious Fraud Office. Then-Prime Minister Tony Blair, who signed off on the coverup, after renegotiating "Al-Yamamah II," argued, speciously, that a further exposé of Al-Yamamah would gravely damage British national security interests, and would jeopardize the Global War on Terrorism, by short-circuiting Anglo-Saudi "anti-terror" collaboration.

In fact, as both British and Saudi senior officials know, part of the Al-Yamamah investigation directly implicates some leading participants in the financing of



BBC "Panorama"

Saudi Arabia's Prince Bandar bin-Sultan with British Prime Minister Margaret Thatcher, during the take-off period of the multi-billion-dollar "Al-Yamamah" deal of BAE payoffs to Saudi princes and businessmen. The plot thickens.

the Sept. 11, 2001 terrorist attacks on the World Trade Center and the Pentagon.

How It Worked

EIR financial analysts uniquely "cracked" the BAE Al-Yamamah case through a detailed analysis of the scant public information released on the barter scheme. According to a rare public account of the original deal in *The Guardian*, later updated in the *Financial Times*, Saudi Arabia agreed to pay BAE upwards of 600,000 barrels of crude oil per day, in return for an array of British Aerospace fighter jets, training planes, support services, spare parts, maintenance, and training. The equivalent of up to one supertanker of oil per day was delivered to BAE, over a period of more than two decades; and in return, BAE provided an estimated \$80 billion in arms and services.

According to public data, maintained by British Petroleum, and by the Energy Information Administration in the U.S. Department of Energy, the price of the Saudi oil on the international spot market, over the 23 years of Al-Yamamah, in current dollar terms, was cumulatively well in excess of \$160 billion. Through a contract with British Petroleum and Royal Dutch Shell, administered through the British Ministry of Defence's Defence Export Services Organization (DESO), a government agency directed by officials of Britain's major arms manufacturers, the oil was, in fact, sold on the spot

market, and the funds deposited in DESO accounts. Where portions of the money went from there is one of the great unanswered questions of the Al-Yamamah affair.

While BAE billed the Saudi Ministry of Defense an estimated \$80 billion for the arms and accompanying services, sources in Britain who have closely tracked the Al-Yamamah probe, have proved that the total value of all the arms and services was no more than \$40-60 billion, and that much of the overcharge was kicked back to Saudi officials, in cash payments and lavish gifts and services. The Saudis made out like bandits. The

total cost to the Saudis of the crude oil, delivered to supertankers at Saudi ports between 1985 and the present, was in the range of \$25 billion. At no time, according to U.S. Department of Energy data, did the "lift cost" (the cost of extracting crude oil from the ground and piping it to port) to the Saudis exceed \$5 a barrel.

What is known around the world as the "BAE-Al-Yamamah scandal" revolves around the kickbacks and overcharges. With the almost sole exception of *EIR*, no one has raised the larger question: *What happened to the \$80-100 billion in additional funds, generated by the spot market sales of the Saudi oil that did not go to BAE as their share of the deal?*

Here, author Simpson provided the proverbial keys to the kingdom. In his biography of Prince Bandar, *The Prince*, the longtime British Air Force Academy friend and classmate of the Saudi royal wrote of his interview with Tony Edwards, the one-time chief of the DESO office that administered Al-Yamamah:

"Edwards admitted that for the Saudis the use of oil meant that the contract was effectively an off-balance-sheet transaction; it did not go through the Saudi Treasury. Edwards also confirmed that one of the main attractions for the Saudis in this unique arrangement was British flexibility. 'The British were much more flexible than the Americans,' he said. 'The Americans went through the Foreign Military sales system, which has congressional law behind it. If the customers get out of

line and they fail to pay the money, then they are cut off. In this country, it was quite flexible; sometimes the oil flow and the associated monies that were received by selling it were ahead, at other times it fell behind.”

Simpson continued, “The phenomenal amount of money generated from the sale of oil comes through DESO, before being paid to British Aerospace. Edwards admitted that the government does charge a little commission for administering the contract, money that attracted the attention of the Treasury as it built up a considerable surplus.”

Then, the real story: “Al Yamamah would become a back-door method of covertly buying U.S. arms for the Kingdom; military hardware purchases that would not be visible to Congress. . . . Although Al Yamamah constitutes a highly unconventional way of doing business, its lucrative spin-offs are the by-product of a wholly political objective: a Saudi political objective and a British political objective. Al Yamamah is, first and foremost, a political contract. Negotiated at the height of the Cold War, its unique structure has enabled the Saudis to purchase weapons from around the globe to fund the fight against Communism. Al Yamamah money can be found in the clandestine purchase of Russian ordnance used in the expulsion of Qaddafi’s troops from Chad. It can also be traded for arms bought from Egypt and other countries, and sent to the Mujahideen in Afghanistan fighting the Soviet occupying forces.”

As the Equatorial Guinea coup-plot shows, well after the fall of the Soviet Union, Al-Yamamah continued to exist. According to one senior U.S. intelligence official who has looked into the Anglo-Saudi scheme, “Al-Yamamah is the biggest covert intelligence program in recorded history. The amount of off-balance-sheet money is staggering.”

Bandar and the U.S. Justice Department

One of the most important features of the *Frontline* documentary was the interview segments aired with Mark Mendelsohn, the top U.S. Department of Justice prosecutor in the Foreign Corrupt Practices Act section, the man in charge of the DOJ’s probe of the Al-Yamamah bribes to Prince Bandar. For more than a year, the U.S. has been investigating the specific allegations that Bandar received billions of dollars in bribes, conduited through the Saudi Embassy accounts at Riggs National Bank, now defunct. Under the terms of the Foreign Corrupt Practices Act (FCPA), the U.S. has jurisdiction

to probe and prosecute companies and individuals that engage in bribery on U.S. soil.

During the final months of the Bush Administration, DOJ officials traveled to London, in a failed effort to reach a civil settlement with BAE, that would have ended the U.S. probe *before Bush left office*. It is widely known that Prince Bandar’s ties to the Bush family run so deep that he has often referred to himself as an honorary member of the Bush clan.

Mendelsohn made clear, in his on-camera interview with *Frontline* producer Lowell Bergman, that the Bandar-BAE probe is alive and well at Justice. And this carries potentially dramatic implications.

Sources close to the Justice Department have confirmed that the key to the entire BAE Al-Yamamah bribery probe is the voluminous documentation, provided initially to the British Serious Fraud Office (SFO), by Peter Gardiner, a travel agent who facilitated many of the BAE payoffs to top Saudi officials—including Bandar. “Gardiner kept meticulous records,” a Washington source told *EIR* on condition of anonymity. “When he walked in to the SFO, they were skeptical about his charges, but he just overwhelmed them with his detailed accounts of every expenditure. It was staggering, the amount of money that BAE paid off to the Saudis.”

Gardiner gave a rare on-camera interview to *Frontline*, detailing such payoffs as Bentley luxury cars, the marriage and honeymoon of the children of Prince Turki bin-Nasser and Prince Bandar, and a European Airbus, provided by BAE to Bandar for his personal use. Moreover, Gardiner traveled secretly to Washington last year, to deliver testimony and documents to Mendelsohn’s team.

Bandar and 9/11

Sources close to the Department of Justice have emphasized that, under the FCPA, it is unlikely that Prince Bandar, the recipient of the BAE bribes, could be criminally prosecuted. However, were the Department of Justice to extend its probe to the issue of money laundering, it could shed important light on events surrounding the 9/11 attacks.

In the June 29, 2007 issue of *EIR*, this author reported:

“Between April 1998 and May 2002, some \$51-73,000 in checks and cashier’s checks were provided by the Saudi Ambassador to the United States and his wife to two families in southern California, who in turn



FEMA/Michael Rieger

The scene at New York's World Trade Center, Sept. 18, 2001. "The Al-Yamamah investigation directly implicates some leading participants in the financing of the Sept. 11, 2001 terrorist attacks on the World Trade Center and the Pentagon."

bankrolled at least two of the 9/11 hijackers. The story was investigated by the 9/11 Commission, but never fully resolved, and remains, to this day, one of the key unanswered questions concerning the backing for the worst terrorist attack ever to occur on U.S. soil.

"According to numerous news accounts and the records of the 9/11 Commission, in April 1998, a Saudi national named Osama Basnan wrote to the Saudi Embassy in Washington, D.C., seeking help for his wife, Majeda Dweikat, who needed surgery for a thyroid condition. Prince Bandar bin-Sultan, the Saudi Ambassador, wrote a check for \$15,000 to Basnan. Beginning in December 1999, Princess Haifa, the wife of Prince Bandar, began sending regular monthly cashier checks to Majeda Dweikat, in amounts ranging from \$2,000 to \$3,500. Many of these checks were signed over to Manal Bajadr, the wife of Omar al-Bayoumi, another Saudi living in the San Diego area.

"Around New Year's Day 2000, two other Saudi nationals, Nawaf Alhazmi and Khalid Almihdhar, arrived at Los Angeles International Airport, where they were greeted by al-Bayoumi, provided with cash, and outfitted with an apartment, Social Security ID cards, and

other financial assistance. Al-Bayoumi helped the two Saudi men to enroll in flight schools in Florida. Two months before the Sept. 11, 2001 attacks, al-Bayoumi moved to England, and shortly after that, he disappeared altogether. But before his disappearance, and within days of the 9/11 attacks, agents of New Scotland Yard, working in conjunction with the FBI, raided his apartment in England and found papers hidden beneath the floorboards, according to *Newsweek* magazine, that had the phone numbers of several officials at the Saudi Embassy in Washington. Al-Bayoumi was suspected by the Arab community in the San Diego area of being an agent of Saudi intelligence, which kept tabs on Saudi residents in the area, particularly Saudi students attending college in southern California.

"Sources have told *EIR* researchers that Basnan was also long suspected of being an agent for Saudi Arabia's foreign intelligence service. According to the sources, Basnan was arrested for drug possession in southern California and the Saudi government intervened to get the charges dropped; Basnan also befriended Alhazmi and Almihdhar prior to their deaths on American Airlines Flight 77, which crashed into the Pentagon. At one point, the Basnans, the al-Bayoumis, and the two 9/11 hijackers all lived at the Parkwood Apartments in San Diego.

"Prince Bandar and Princess Haifa denied they played any role in financing the 9/11 hijackers, and claimed that they were merely providing charitable assistance to the Saudi community in the United States. The co-chairs of the Senate Intelligence Committee at the time, Robert Graham (D-Fla.) and Richard Shelby (R-Ala.), accused the FBI of failing to fully pursue this '9/11 money trail.' Sources told *EIR* that the FBI refused to allow the committee to interview the FBI investigators who had probed the Basnan and al-Bayoumi links.

"While Congressional and law enforcement sources

insist to *EIR* investigators that all available leads were pursued and no compelling evidence of Saudi involvement in 9/11 was established, other U.S. intelligence sources maintain that many fruitful areas of investigation simply reached dead-ends before any final conclusions could be drawn. And these sources report that some of the Al-Yamamah funds, including some funds that passed through the Riggs Bank accounts in Washington, financed a migration of Muslim Brotherhood members to the United States, throughout the 1980s and 1990s. That hardly constitutes a smoking gun, these sources emphasize, but raises serious unanswered questions, particularly in light of the fact that the official staff reports of the 9/11 Commission featured a detailed debriefing of Khaled Sheikh Mohammed, the purported mastermind of the Sept. 11 attacks, who admitted that he had been a member of the Muslim Brotherhood since he was 16 years old.”

Since the publication of that *EIR* exclusive, new details have emerged, which beg for answers. The San Diego apartment where 9/11 hijackers Alhazmi and Almihdhar lived, was rented by an FBI informant, who received a reported \$3,500 per month from the Bureau for keeping tabs on the local Muslim community, according to one U.S. intelligence source interviewed recently by *EIR*. The fact that two of the 9/11 hijackers lived under the same roof as an FBI snitch is still a source of great internal turmoil at the FBI, according to the source.

And this has also created a tremendous backlash against former FBI Director Louis Freeh, who is now the attorney for Prince Bandar, as the latter tries to clear his name of any wrongdoing in the Al Yamamah and 9/11 affairs. Freeh, who was FBI Director at the time of the 9/11 attack, and resigned soon afterwards, appeared on the *Frontline* broadcast, to vociferously defend his client against any charges of wrongdoing. According to one source close to the BAE probe, Bandar hired Freeh to be his personal attorney, long before his name surfaced in the Al Yamamah context. “What is certain,” one Washington source with detailed knowledge of the 9/11 probe told *EIR*, “is that there are a whole lot of current and former FBI agents who are furious at Louis Freeh, for his efforts to whitewash Prince Bandar.”

With a new Attorney General, Eric Holder, who has already moved to clean up some of the corruption within the Department of Justice, the story of Al Yamamah, Prince Bandar and 9/11 is far from over.