

# U.S. Investigation Takes Direct Aim at Anglo-Saudi 'Al-Yamamah' Pot of Gold

by Jeffrey Steinberg

Career prosecutors from the U.S. Department of Justice are escalating their investigation into the British arms cartel BAE Systems, centered on billions of dollars in alleged bribes, paid to top Saudi officials, including the former Saudi Ambassador to Washington, Prince Bandar bin-Sultan. According to sources close to the investigation, in addition to charges of violating the Foreign Corrupt Practices Act, Justice Department investigators are now considering adding RICO (racketeering conspiracy) charges, based on BAE evasion of U.S. tax payments.

In further signs of escalation of the targeting of BAE, the Justice Department has issued subpoenas against five executives of the company. On May 12, two executives, CEO Mike Turner and outside director Sir Nigel Rudd, were detained as they arrived in the United States, at Houston and Newark international airports, respectively. Both men had their laptop computers, cell phones, and personal papers briefly confiscated, and they were served with subpoenas to appear before a U.S. grand jury. Sir Nigel Rudd is the chairman of BAA, an airport management firm, and deputy chairman of a leading City of London bank, Barclays. Around the same time that Turner and Rudd were searched and served, the homes of three U.S.-based BAE executives were raided.

Although the BAE probe is ostensibly centered upon the alleged bribes to Prince Bandar and other top Saudi officials, U.S. intelligence sources confirm that there are two other, far more significant issues, that are driving the investigation.

## Unanswered Questions

The first issue is the still-unanswered questions about Prince Bandar and Saudi intelligence's suspected role in, and knowledge of the 9/11 attacks, and the possibility that some of the BAE bribe money was actually used to fund the hijackers. The 9/11 Commission obtained evidence that \$50-75,000 was provided by Prince Bandar and his wife, Princess Haifa, to two men in California, both believed to be Saudi intelligence officers, who, in turn, shared some of the funds with two of the Sept. 11, 2001 hijackers.

Sources report that a 28-page section of the official U.S. Congressional Joint Intelligence Committee study of

the 9/11 attacks, dealing with the Bandar funds and the role of the Saudi intelligence service, was redacted from the declassified final version, "on national security grounds." U.S. Senate Intelligence Committee investigators were reportedly blocked from interviewing FBI agents who had probed the activities of the two suspected Saudi intelligence officers, causing further anger and suspicion, that the full 9/11 story has yet to be told. "The 9/11 issue is still radioactive among many U.S. intelligence and law enforcement officials," one senior U.S. intelligence source acknowledged.

The second issue is the Anglo-Saudi covert fund, accumulated under the "Al-Yamamah" deal, brokered by Prince Bandar with then-British Prime Minister Margaret Thatcher in 1985. Under the oil-for-arms deal, which continues in effect to this day, Britain's MI6 foreign intelligence service has accumulated an offshore, off-the-books fund, estimated at more than \$100 billion, according to current and former U.S. government officials interviewed by *EIR*. Those funds have been reportedly used to promote wars and destabilizations around the globe, dating back to the Afghanistan War of the 1980s, when BAE funds were covertly funneled to the Afghan mujahideen, and were used to purchase Soviet-made weapons for the government of Chad, during its war with Libya.

A recent authorized biography of Prince Bandar boasted about the "Al-Yamamah" slush fund, including the fact that some of the funds went to the purchase of U.S. weapons by Saudi Arabia—through BAE and the British government—bypassing U.S. Congressional oversight.

The Bandar issue is particularly sensitive for the White House, given the Prince's longstanding close ties to the Bush family. Despite these connections, career prosecutors are moving aggressively forward with the BAE probe, in another indication that the ability of the Bush-Cheney White House to ride herd over the key agencies and departments of government, has been significantly weakened.

And there are signs that the U.S. Senate may be getting into the act, as well.

On May 21, the Senate Foreign Relations Committee held hearings on a pending U.S.-British trade treaty, which would grant British defense firms full access to Pentagon

contracts, on an equal standing with American defense firms, and would lift licensing requirements on U.S. arms sales in Britain. While the chairman of the Committee, Joseph Biden (D-Del.) and the ranking Republican, Richard Lugar (R-Ind.), both indicated that they supported the treaty in principle, they both agreed that the State Department had not provided the Committee with sufficient details on the treaty's implementation regulations, and they have postponed, for at least another three months, any action on the matter. Given that BAE Systems is already the largest foreign contractor with the U.S. Department of Defense, the ongoing Justice Department probe could have dramatic implications for the future of the bilateral treaty—and U.S.-British relations in general.

Indeed, sources close to the Pentagon report that a number of no-bid contracts, given to BAE through the U.S. Army's TRADOC (Training and Doctrine Command), have recently been cancelled, and are now being reopened under competitive bidding procedures, through other Pentagon offices. One source told *EIR* that "the backlash against BAE inside the building, and among American defense contractors, competing with BAE," is tremendous. "You have not seen the last of this story," he emphasized.

### **'Al-Yamamah' Revisited**

As *EIR* first revealed in June 2007 ("Scandal of the Century Rocks British Crown and the City," June 22, 2007; and "Will BAE Scandal of Century Bring Down Dick Cheney?" June 29, 2007), Prince Bandar negotiated the first of at least four Al-Yamamah deals with BAE in 1985. Under the arrangement, the Saudis would provide BAE with an average of 600,000 barrels of oil per day, delivered to supertankers at Saudi ports, in return for weapons, training, and maintenance. Between 1985 and 2007, the Saudis paid the equivalent of \$25 billion in oil (based on annual "lift cost" data compiled by British Petroleum). In return, they received an estimated \$40 billion in military equipment and services, plus tens of billions of dollars in kickbacks to select Saudi princes, businessmen, and Ministry of Defense officials, involved in the procurement program.

According to official British government accounts, BAE and the British government's Defense Export Sales Organization (DESO), contracted with British Petroleum and Royal Dutch Shell, to handle the sale of the Saudi oil on the international spot market. According to the same British Petroleum database, the total current dollar value of the oil sales, between 1985-2007, was in excess of \$160 billion.

Former U.S. Treasury Department officials, further, cautioned that the \$160 billion figure is a vast underestimation of the total size of the covert slush fund, because some of the money was invested in offshore hedge funds and other speculative funds, which turned massive profits. Ac-

ording to one U.S. intelligence source, Prince Bandar used \$750 million of his Al-Yamamah kickback to purchase shares in the Carlyle Group private equity fund. As of 2007, that investment was worth nearly \$4 billion.

Prince Bandar's 2006 semi-authorized biography, *The Prince—The Secret Story of the World's Most Intriguing Royal*, by his longtime British friend William Simpson, described the "unique" features of the Al-Yamamah barter deal in stunningly blunt language. Simpson recounted his interview with Tony Edwards, a defense industry executive who headed the DESO for a number of years and 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 phenomenal amount of money generated from the sale of oil comes through DESO, before being paid to British Aerospace."

Simpson continued, "The ingenious diversity of Al-Yamamah, together with the British government's discretion and liberal approach to a unique finance deal, largely founded on the undisputed collateral of the huge Saudi oil reserves, could explain the financial black holes assumed by a suspicious media to be evidence of commissions."

But, Simpson explained, "Although Al-Yamamah constitutes a highly unconventional way of doing business, its lucrative spin-offs are the by-products 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 traced to arms bought from Egypt and other countries, and sent to the Mujahideen in Afghanistan fighting the Soviet occupying forces. Arguably," he concluded, "its consummate flexibility is needed because of inevitable opposition to Saudi arms purchases in Congress. . . . The oil barter arrangement circumvented such bureaucracy."

What has some U.S. military and intelligence officials deeply disturbed, however, and what is one factor driving the current Justice Department probe, is the question of whether some of the Al-Yamamah money got into the hands of the 9/11 hijackers—and whether that was the result of a terrible oversight, or something more sinister.

### **Bandar, Bayoumi, and Basnan**

Certain undisputed facts have been established, through the FBI, joint Congressional intelligence, and 9/11 Com-

mission probes into the World Trade Center and Pentagon attacks of Sept. 11, 2001.

At least two of the 9/11 hijackers, Nawaf al-Hazmi and Khalid al-Mihdhar, were provided with financing, logistical assistance, and other support by a team of Saudi intelligence officers, based in the San Diego and Los Angeles areas. Saudi intelligence officers Omar al-Bayoumi and Osama Basnan also were the recipients of somewhere between \$50,000 and \$73,000 from the Saudi Embassy's bank accounts in Washington, D.C., maintained by Prince Bandar and his wife, Princess Haifa, the sister of the former head of Saudi intelligence, Prince Turki bin-Faisal.

According to FBI surveillance records and interviews with some of the accused Saudi intelligence officers, in early January 2000, al-Hazmi and al-Mihdhar arrived in southern California from overseas. In early February of that year, Bayoumi travelled by car from San Diego to Los Angeles, to meet with Fahad al-Thumairy, an official at the Saudi consulate's Islamic Affairs Office and a prayer leader at the local Saudi-funded King Fahd Mosque, who would be later denied re-entry into the United States, due to suspected terrorist ties. From his meeting with al-Thumairy, Bayoumi drove to a restaurant, seven miles from the consulate, and had a "chance encounter" with the two future 9/11 hijackers. From that point on, right up to the day of the 9/11 attacks, both Bayoumi and Basnan helped al-Hazmi and al-Mihdhar to open bank accounts, find housing, get Social Security numbers and driver licenses, and even register for flight training.

According to Philip Shenon's authoritative account of the 9/11 investigation, *The Commission—The Uncensored History of the 9/11 Investigation*, Bayoumi was bankrolled through a "ghost job" at an aviation company contracted by the Saudi government. Once he established the ties to the two future 9/11 hijackers, Bayoumi's income dramatically increased, both through a pay raise at his "ghost job" and through a steady stream of cash, provided by Osama Basnan, the other Saudi intelligence officer.

Basnan's source of funds was the Saudi Embassy in Washington, from where he regularly received cashier checks. Ostensibly, Basnan had written to Prince Bandar in April 1998, seeking funds to get medical assistance for his wife. Prince Bandar promptly sent a check for \$15,000. By December 1999, just days before the two 9/11 hijackers arrived in the San Diego area, Basnan began receiving monthly cashier checks for \$2,000 to \$3,500—from Princess Haifa. The checks were made out to Basnan's wife, Majeda Dweikat, and were frequently signed over to Bayoumi's wife, Manal Bajadr.

Basnan was known to law enforcement officials in both California and Washington as a protected asset of the Saudi government. He was arrested at one point in West Covina, Calif. on drug charges, which were quashed, through the in-

tervention of the Saudi government. He also had several run-ins with law enforcement in the Washington, D.C. area.

Two months before Sept. 11, 2001, Bayoumi helped al-Hazmi and al-Mihdhar to enroll in a flight school in Florida. He then left the United States and resettled in England. Within days of the 9/11 attack, Bayoumi was interrogated by New Scotland Yard, and his apartment was searched, revealing a list of phone numbers of officials at the Saudi Embassy in Washington. Soon afterwards, he disappeared.

On the night of Sept. 10, 2001, al-Hazmi and al-Mihdhar arrived in Virginia, and checked into the Marriott Residence Inn in Herndon, Va., near Dulles International Airport. They were accompanied by a third hijacker, Hani Hanjour. The next morning all three men would hijack American Airlines Flight 77 and crash it into the Pentagon.

Curiously, the night before the 9/11 attacks, another Saudi was staying at the same Marriott Residence Inn. Saleh ibn Abdul Rahman Hussayen, who would be soon given a top post in the Saudi Ministry of Islamic Affairs, in charge of two of the holiest mosques in the kingdom, arrived in the U.S.A. on Aug. 20, 2001, to tour the country and meet with some of the leading Islamic fundamentalist imams. Shortly after the 9/11 attacks, Hussayen was interrogated by FBI agents, over his having intersected the paths of the three hijackers. But the questioning was cut short, when Hussayen feigned a seizure, and was rushed to a nearby hospital, where doctors concluded that there was nothing wrong with him. Hussayen was ordered to stay in the United States, for further interrogations, but the first day that planes again began flying overseas from the United States, he left the country.

The Saudi Embassy bank accounts at Riggs National Bank, and, later, at HSBC (originally the Hong Kong and Shanghai Banking Corp., of British Opium War infamy), were the accounts through which Basnan received the payments from Prince Bandar and Princess Haifa. Bandar has insisted that the payments were innocent charitable gifts, and had nothing to do with Saudi intelligence operations inside the United States.

American investigators, now probing the BAE affair, are painfully aware that the same embassy accounts received the wire transfers from the BAE accounts at the Bank of England, paying Bandar for his role in the BAE-Saudi Al-Yamamah deal. According to one U.S. law enforcement source, the Justice Department is considering money-laundering charges, on top of the Foreign Corrupt Practices and RICO charges against BAE. Were a money-laundering probe to be opened, it would raise the question of how the Al-Yamamah funds, passed on to Prince Bandar, were spent. And that might get to the heart of one of the darkest secrets of the 21st Century.