

## Will BAE Scandal of Century Bring Down Dick Cheney?

by Jeffrey Steinberg

With the U.S. Department of Justice now confirmed to be investigating money laundering and bribery by the British aerospace giant BAE Systems, Congress and the American people must make certain that the investigation does not turn into one more Bush-Cheney-Gonzales coverup. The issue on the table is far bigger than the alleged \$2 billion in bribes that BAE Systems paid out to former Saudi Arabian Ambassador to the United States Prince Bandar bin-Sultan, through the now-defunct Washington, D.C.-based Riggs Bank. As *EIR* revealed in an exclusive report last week (“Scandal of the Century Rocks British Crown and the City”), at least \$80 billion in unaccounted-for loot has been generated by the Al-Yamamah oil-for-jet fighters barter deal, since it was signed in September 1985.

While British news organizations, led by the *Guardian* and BBC, have published revealing details of BAE bribery and slush funds, involving Prince Bandar, former Chilean dictator Gen. Augusto Pinochet, and the late Dutch Royal Consort, Prince Bernhard, none of the British media has touched upon the full magnitude of the scandal—the approximately \$160 billion in secret oil revenues, generated by the BAE-Saudi Al-Yamamah deal, over the past 22 years (see **Table 1** for the year-by-year cash value of the Saudi oil shipments to BAE, through British Petroleum, Royal Dutch Shell, and the British government’s Defence Export Sales Organization).

British author William Simpson, who wrote the 2006 authorized biography of Prince Bandar, *The Prince—The Secret Story of the World’s Most Intriguing Royal*, on the other hand, provided authoritative details “right from the prince’s mouth” that should be of great interest to American Justice Department and Congressional investigators. What Simpson hinted at is perhaps the biggest covert Anglo-American slush fund in

history—one that the author acknowledged had been used to fund clandestine wars, including the Mujahideen’s war against the Soviet Army in Afghanistan, and covert military actions in Africa.

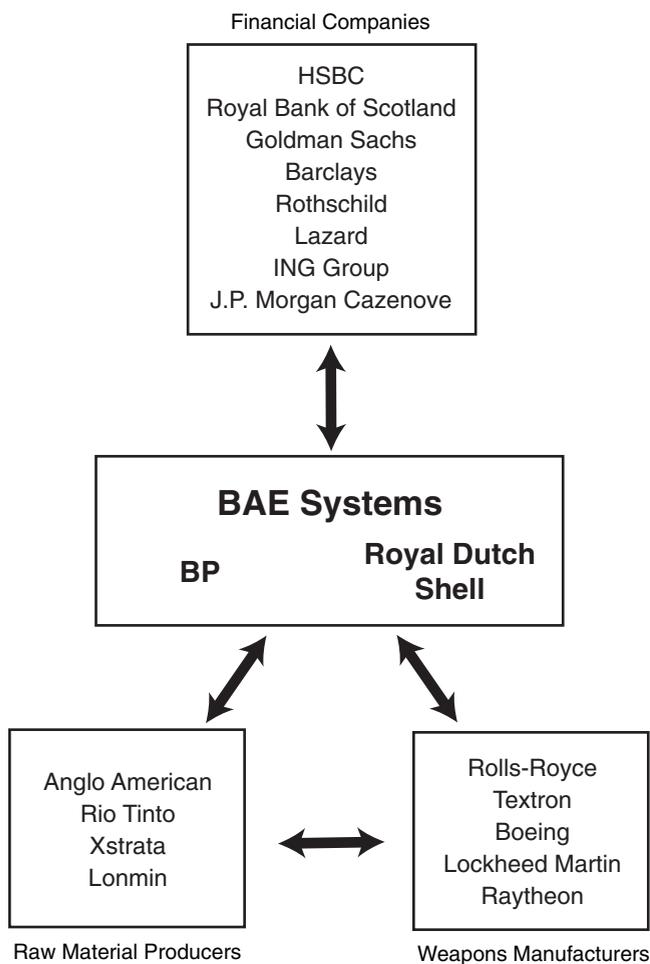
Citing his interviews with Tony Edwards, the one-time head of the British government’s Defence Export Sales Organization (DESO), which administered the Al-Yamamah project, Simpson wrote:

“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.”

What neither Edwards nor Simpson chose to point out was the fact that the oil revenues generated from the 600,000 barrels per day that the Saudis paid into the Al-Yamamah fund from 1985 through to the present, amounted to an estimated \$160 billion—four times the *actual* cost of the entire military package delivered by BAE to Saudi Arabia. Nobody in Lon-

FIGURE 1  
**The Anglo-Dutch Interlocking Directorate Behind BAE**



For an article by John Hoefle elaborating who's who behind this interlocking directorate, see [www.larouhepac.com](http://www.larouhepac.com).

don is talking about where the rest of the money landed—and what it was used for.

### Who Runs DESO, and Why?

DESO was established as a British government entity in the mid-1960s, and has been the private domain of Britain's main defense manufacturers and allied financial institutions ever since. Throughout its history, the director of DESO has always been a director of a major British arms manufacturer, responsible for hawking as much business as possible for the Anglo firms.

But beyond the increase in the British portion of the global arms business, DESO also aimed to secure British control over the entirety of the Western arms business, through off-balance-sheet arrangements that would be impossible to pull off under American law. Simpson revealed that, under Al-

Yamaham, American and other foreign firms were also allowed to cash in on the deal:

"The Al-Yamaham deal Mrs. Thatcher negotiated placed British Aerospace as the prime contractor for the provision of any other military equipment purchased for Saudi Arabia. 'By supporting not just the British aircraft but the American aircraft too,' said Edwards, 'Al-Yamaham was an integral part of supporting the Saudi Air Force in total.' He stressed that DESO and British Aerospace have thus ended up supporting all Saudi aircraft—the Peace Shield program—all funded through Al-Yamaham. Edwards concluded, 'In other words, the value of this stream of income and what it is used for has drifted a little bit over the years into things other than it was originally destined for.'

"In effect," Simpson admitted, "Al-Yamaham would become a backdoor method of covertly buying U.S. arms for the kingdom; military hardware purchases that would not be visible to Congress. It specifically had been structured to provide an unparalleled degree of flexibility whereby the Saudis could purchase military equipment under the imprimatur of DESO and British Aerospace."

Simpson, who wrote *The Prince* as virtually a ghost autobiography of the enigmatic Saudi diplomat Prince Bandar, acknowledged that the sheer magnitude of the oil-for-jets deal raised serious questions of corruption.

"The ingenious diversity of Al-Yamaham," he wrote, "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-Yamaham 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-Yamaham 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-Yamaham 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," Simpson admitted, "its consummate flexibility is needed because of inevitable opposition to Saudi arms purchases in Congress. . . . The oil barter arrangement circumvented such bureaucracy."

Simpson quoted sources close to Bandar, who explained: "What Al-Yamaham did, because it is oil for services, is to say: Okay. Al-Yamaham picks up the tab; Saudi Arabia will sign with the French or whoever, and Britain pays them on their behalf. So suddenly the Saudis now have an operational weapons system complete with its support that doesn't reflect

TABLE 1

**The Value of the Oil Side of the BAE-Saudi Oil for Weapons Deal**

Year	(Dollars per Barrel)		(Billions of Dollars)		(Billions of Dollars)	
	Crude Oil Price		Annual Value of Saudi-BAE Oil Shipments		Cumulative Value of Saudi-BAE Oil Shipments	
	Money of the Day	2006 Dollars	Money of the Day	2006 Dollars	Money of the Day	2006 Dollars
1985	27.56	51.71	6.0	11.3	6	11
1986	14.43	26.45	3.2	5.8	9	17
1987	18.44	32.69	4.0	7.2	13	24
1988	14.92	25.50	3.3	5.6	17	30
1989	18.23	29.61	4.0	6.5	21	36
1990	23.73	36.76	5.2	8.1	26	44
1991	20.00	29.71	4.4	6.5	30	51
1992	19.32	27.84	4.2	6.1	34	57
1993	16.97	23.83	3.7	5.2	38	62
1994	15.82	21.74	3.5	4.8	42	67
1995	17.02	22.74	3.7	5.0	45	72
1996	20.67	26.77	4.5	5.9	50	78
1997	19.09	24.26	4.2	5.3	54	83
1998	12.72	16.22	2.8	3.6	57	87
1999	17.97	22.01	3.9	4.8	61	92
2000	28.50	33.93	6.2	7.4	67	99
2001	24.44	28.21	5.4	6.2	72	105
2002	25.02	28.24	5.5	6.2	78	111
2003	28.83	31.59	6.3	6.9	84	118
2004	38.27	40.83	8.4	8.9	92	127
2005	54.52	56.27	11.9	12.3	104	140
2006	65.14	65.14	14.3	14.3	119	154
2007*	61.00	61.00	6.6	6.6	125	160

\* Figures for 2007 are for first 180 days

Sources: BP, *EIR*

on Al-Yamamah as a project. Therefore, if Saudi Arabia wants some services from the Americans, or some weapons system that they have to buy now, otherwise Congress will object to it later, and they can't get it from their current defense budget, then they simply tell Al-Yamamah, 'You divert that money.'

Between the more than \$80 billion in untraced funds generated through Al-Yamamah, according to *EIR*'s conservative estimate, corroborated by U.S. intelligence sources, and the use of the project as a cover for covert activities around the globe and unauthorized weapons purchases, both the Justice Department and the U.S. Congress have a much bigger series of crimes to probe than the \$2 billion in fees allegedly conducted through the Saudi accounts at Riggs Bank. The issue is the British corruption and subversion of American law on a grand scale.

Prince Bandar's ghost writer, William Simpson, has re-

vealed that Al-Yamamah provided off-balance-sheet covert funding for the decade-long Mujahideen covert war to drive the Soviet Army out of Afghanistan. U.S. intelligence sources have independently confirmed that at least some of those funds went to the recruitment and training of foreign Muslim fighters, who were sent to Afghanistan. Some of those fighters, following the Afghan War (1979-90) would later surface in such faraway places as Algeria, the Philippines, Indonesia, Yemen, Pakistan, and Saudi Arabia, as Islamist insurgents, including members of al-Qaeda.

Simpson also revealed that Al-Yamamah funds went to the purchase of Soviet-made weapons, that were provided to Chad, to drive Libyan forces out of that country. John Bedenkamp, a onetime top aide to Rhodesia's apartheid-era President Ian Smith, and a major arms broker throughout Africa, is currently under investigation by Britain's Serious Fraud



DoD photo/R.D. Ward

*Dick Cheney's downfall may come at the hands of his City of London boosters, rather than Congressional Democrats.*

Office (SFO) for his role in BAE arms dealings in South Africa. U.S. intelligence sources have identified Bedenkamp as a conduit for Soviet arms to African insurgents, raising questions about his earlier involvement with the Al-Yamamah project in these weapons deals fueling wars in Africa.

### Cheney on the Hot Seat

Washington sources have reported to *EIR* that the Al-Yamamah revelations have sent shock waves through the City of London. According to one senior U.S. intelligence source, who spoke to *EIR* on condition of anonymity, "The Al-Yamamah story opens a window into the inner world of Anglo-Dutch financial power. While Al-Yamamah is not the only such off-budget arrangement, it is one of the largest, and it provides a clear picture of a mode of operation—totally outside the control of any government agency, especially the U.S. government. Ultimately, this is a London scandal, not a Riyadh scandal."

One consequence of those shock waves is that Vice President Dick Cheney, according to Washington insiders, is in deep trouble with his London friends. Cheney, the sources report, was the guarantor that the story of the \$80-100 billion fund would never see the light of day. And, while the American and British establishment press have attempted to bury the scandal, either through blacking it out altogether, or focusing attention on tertiary features, like the relatively small flow of cash to Prince Bandar, the *EIR* revelations have saturated the U.S. Congress and have been picked up around the world.

The next chapter is now being written in the scandal of the century, and that could mean the political doom of Dick Cheney. Ironically, it could come at the hands of his own political boosters in the City of London, rather than from Congressional Democrats, who remain divided on the issue of Cheney's impeachment for high crimes and misdemeanors. Ultimately, the real powers behind the throne in London have very low tolerance for failure.

## Book Review

# Is the Sun Setting on Bandar's Covert Career?

by Michele Steinberg

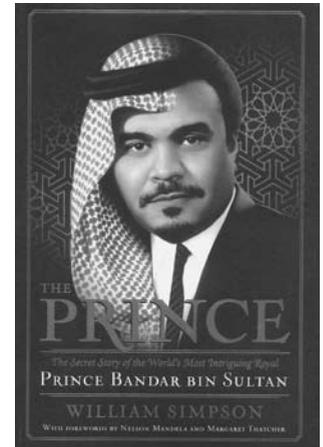
### **The Prince: The Secret Story of the World's Most Intriguing Royal**

by William Simpson

New York: HarperCollins, 2006

480 pages, hardcover, \$32.50

*The Prince* is an arrogant book—written, one assumes, as Prince Bandar bin-Sultan would like to see himself. In this sense, it could be considered a ghost-written autobiography. But for all the grandeur, the book is, at the same time, a bit of a comic-book portrayal, with Bandar, the diplomat, the fighter pilot, the jaunty billionaire, and player in world affairs, *always* succeeding, always coming off as the superhero



and self-viewed savior of the Arab and Western world. Its lack of subtlety in this respect is reminiscent of "Xena: Warrior Princess" reruns. However, this is not a book about a prince, or a diplomat; it's the story of a "spook," a self-styled spymaster—but one, in the context of the BAE scandal—whose luck may just have run out.

For American investigators looking into the BAE and British government's payoffs to Bandar, the book can be useful—but only if, this time, Bandar does not escape the investigator's noose, as he did in the 1986 Iran-Contra investigations by Congress and Special Prosecutor Lawrence Walsh, and in the incomplete investigations of Saudi Embassy payments to figures connected to the 9/11 hijackings. Given what is known about Bandar's career as a top-rank money-lauderer, and funder of covert operations, the current BAE operations could indeed bring down Dick Cheney (see lead article, this section).

*The Prince* provides a great amount of detail on Bandar's *modus operandi*. But the book's most disturbing aspect is the