



Oil-for-food scandal shows pressure U.S. companies face when they work overseas

By JOSHUA FREED

AP Business Writer

652 words

28 October 2005

19:55

Associated Press Newswires

English

(c) 2005. The Associated Press. All Rights Reserved.

MINNEAPOLIS (AP) - Extra money sloshing around in overseas contracts. Demands for donations to a "charity" that's really a front for a government official. It might sound like the U.N. oil-for-food program -- but it's just another day in the world of international business.

"The practice of soliciting bribes and paying bribes to obtain business is unfortunately very common," said **Michael Hershman**, president of the Fairfax Group, a McLean, Va.-based company that investigates allegations of requests for bribes. "It is a practice that is ingrained in the business culture of many countries."

Hershman said a company he worked with won the bid to sell oil equipment to a government. But then the company was told that for the contract to be signed, they would have to contribute to a children's welfare fund.

"In some cases it's that blatant," Hershman said. "The company said we don't do business like that and walked away."

Not all companies are so scrupulous, according to the oil-for-food report released on Thursday. It alleges that 2,200 companies, several with U.S. ties, paid kickbacks to win Iraqi business for oil, food, or medical products.

Bribery demands are worse in some regions and industries than in others, experts said.

Oil and defense industries had a well-deserved bad reputation in this area in years past, said Alexandra Wrage, president of TRACE International (Transparent Agents and Contracting Entities), which promotes anti-corruption measures. But those industries have mostly cleaned up their act, she said. Other industries that haven't gotten as much scrutiny still have corruption problems, she said.

Bribery is more dangerous than it used to be.

Since 1977, the Foreign Corrupt Practices Act has barred U.S. companies from bribing overseas government officials. In 1997 European countries followed suit with their own anti-bribery protocols, which the U.S. also signed. And in the United States, the 2002 Sarbanes-Oxley law made executives liable for fraud at their companies, raising the stakes further.

Wrage said she used to hear from some businesspeople, "'Isn't bribery just a victimless crime?' I don't hear that anymore. It's just become too expensive now," especially for U.S. companies.

"There was a time not that many years ago where it was like the Wild West out there -- companies would do what they thought they had to do to win business, regardless of ethics," Hershman said.

Several experts said European enforcement has been lax, though. Wrage said there have been prosecutions in only 11 countries, and many of them have targeted American companies instead of companies based in their own countries, she said.

The Foreign Corrupt Practices Act bars bribes paid on behalf of companies, even through foreign subsidiaries.

Little Canada-based St. Jude Medical Inc. was one of the companies named in the oil-for-food report, which said an Austrian unit of the medical device company sold \$7.6 million worth of heart valves, medical appliances and medical equipment to Iraq, and paid nearly \$643,000 in suspicious "service fees."

On Friday, St. Jude spokeswoman Angela Craig said the transactions involved an "independent Jordanian company" that sold the goods to Iraq.

"We have found no evidence that any St. Jude Medical entity made any such payments to the Iraqi government," she said.

Craig said St. Jude has strong ethics policies that would prohibit such payments. Such policies have become common at American companies, said Tim Dickinson, an attorney and expert on anti-bribery laws who is representing some of the companies implicated in the U.N. report.

"Most U.S. companies who do a fair amount of business overseas have sophisticated compliance programs in place to make sure these types of payments don't get made," he said.

7

Document APRS000020051028e1as003le