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F.B.I. Charges Arms Sellers With Foreign Bribes

By [DIANA B. HENRIQUES](#)

Sometimes the proposition was delivered in a quiet corner of the Mandarin Oriental Hotel in Miami. Sometimes the setting was the elegant Ritz-Carlton Hotel, a few blocks from the White House.

The topic might be grenade launchers, rifles, handguns, ammunition or bulletproof vests — components of the basic Warlord Starter Kit.

But the question put to a succession of arms industry executives last May was always the same: Would you pay bribes to get a piece of a \$15 million contract to equip the presidential guard of an African country?

According to the Justice Department, almost two dozen executives said yes, put it in writing and wrote checks — without realizing that the African officials getting the bribes were actually undercover [F.B.I.](#) agents.

The play-acting ended on Tuesday, when 22 top-level executives, including a senior sales executive at Smith & Wesson, were arrested in what [Justice Department officials called](#) the first undercover sting ever aimed at violations of the federal ban on corporate bribes paid to get foreign business.

Even in its relatively quiet disclosure of the cases on Tuesday, the Justice Department was careful to withhold any details that might identify or endanger the undercover team, saying that the investigation was continuing.

The case is the biggest prosecution of individuals for foreign corporate bribery ever pursued by the Justice Department. The 16 indictments in the case are also the early fruits of a new initiative for the Justice Department, Lanny A. Breuer, assistant attorney general for the criminal division, said in an interview on Wednesday.

“This is the first time we’ve used the technique of an undercover operation in a case involving foreign corporate bribery,” Mr. Breuer said. “The message is that we are going to bring all the innovations of our organized crime and drug war cases to the fight against white-collar criminals.”

All of the defendants work at, or run, small companies that supply the staples of military and law enforcement life everywhere — small arms, uniforms, bullets — and that jockey for deals at a level well below military industry giants like [Lockheed](#) or [Boeing](#).

The arrests seemed orchestrated to deliver the Justice Department’s message directly to others in the business. All but one of the defendants were arrested on Tuesday in Las Vegas, where they were attending the Shooting, Hunting, Outdoor Trade Show and Conference, known as [the SHOT Show](#), which is billed as “the

world's premier exposition of combined firearms, ammunition, archery, cutlery, outdoor apparel, optics, camping and related products and services.”

The drama began to unfold last spring in the sleek beachfront glamour of the Mandarin Oriental Hotel in Miami. There, on May 13, the curtain went up on a two-city sting worthy of a [George Clooney](#) caper.

After a closely guarded investigation that had taken more than two years, the cast was in place.

There was a mystery figure identified in the indictments as “Individual 1,” a former executive in the law enforcement and military equipment industry who clearly lent credibility to the business deal offered to the defendants, all described as business associates of his.

There was “Undercover Agent 1,” an F.B.I. agent posing as a representative of the defense minister of an unidentified African nation, Country A. And there was “Undercover Agent 2,” another agent posing as a procurement officer who reported directly to the defense minister.

Over two days in Miami, a number of executives sat down in separate meetings with the undercover team to discuss a sales opportunity. A week later, the undercover team moved to the Ritz-Carlton Hotel in Washington, where more executives sat down to talk.

The script varied only in the products on the shopping list.

In each case, the former sales executive said that a friend of his, a self-employed sales agent, was “tasked by Country A’s minister of defense with obtaining various defense articles for outfitting Country A’s presidential guard.”

The two people with the shopping list were actually the undercover agents. The goods would be shipped, not to Africa, but to a warehouse in Virginia. The “bribes” would be paid into a government bank account.

According to the Justice Department, all the defendants agreed to pay a 20 percent “commission” to the sales agent, even after being clearly told that half would go into the defense minister’s pocket, and they sent e-mail messages that confirmed their decisions.

In each case, the indictments said, the defendants completed a small “test” deal to reassure the fictional defense minister that he would personally get half of the 20 percent commission — as a bribe.

According to one indictment, a Florida executive later showed the deal to his company’s outside law firm and sent the undercover team an e-mail message rejecting the corrupt proposal. The same day, he called and negotiated a way to do the deal anyway, [the indictment said](#).

Another of the defendants is Amaro Goncalves, who is vice president for sales at Smith & Wesson in Springfield, Mass. [The company confirmed](#) on Wednesday that Mr. Goncalves was an employee and said it was “prepared to cooperate fully” with [the investigation](#). Mr. Goncalves, free on bail, could not be reached for comment.

The individuals are being prosecuted under the Foreign Corrupt Practices Act. That law, which dates to 1977, prohibits American citizens and companies — and, since 1998, foreign citizens and companies acting in the

United States — from bribing foreign government officials to get or keep business.

For many years, some Foreign Corrupt Practices Act [experts](#) say, the United States waged a lonely battle against such transactions. But Mr. Breuer of the Justice Department said on Wednesday that “international cooperation is growing every day and getting better and better.” He particularly cited the help of British law enforcement agents, who served related search warrants in London on Tuesday.

The work of the F.B.I. was the core of the case. Besides the undercover team, more than 150 agents were involved in serving arrest and search warrants on Tuesday, according to Kevin Perkins, the assistant director of the bureau’s Criminal Investigative Division.

The investigation was led by an F.B.I. squad in Washington that specializes in foreign bribery investigations. New investigations are under way in other parts of the country, as well — one law enforcement source said that prosecutors in Brooklyn now have nearly a half-dozen in the works, compared with none three years ago.

The latest defendants, none of whom have yet been formally arraigned, are all accused of conspiring to violate the act; conspiring to engage in money laundering; and violating the act. The maximum term for the conspiracy and act violations is five years, while the money laundering conspiracy charge carries a prison term of 20 years.

The defendants are scheduled to make their first appearances in United States District Court in Washington on Feb. 3, a Justice Department spokeswoman said. However, the department said in its announcement that all were presumed innocent unless they had confessed or had been convicted.

Mr. Breuer said the real success of the sting would come in the months and years ahead. “From now on,” he said, “would-be F.C.P.A. violators should stop and ponder whether the person they are trying to bribe might really be a federal agent.”

Jenny Anderson contributed reporting.

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