India Puts $750M Italian Helicopter Deal On Hold

Muneeza Naqvi, Associated Press

NEW DELHI (AP) — India's Defense Ministry said Friday that it has put a $750 million contract to purchase helicopters from Italian company Finmeccanica on hold amid allegations that bribes were paid to obtain it.

The ministry said a formal notice has been sent to Finmeccanica's AgustaWestland helicopter division seeking cancellation of the contract. The company has a week to respond to the notice.

"With today's show cause notice, the operation of the contract has been put on hold. The company has been asked to reply to the notice in seven days," the ministry said in a statement.

India signed the contract with AgustaWestland for the purchase of 12 helicopters in February 2010. Three of the helicopters were delivered in December.

India has launched its own investigation into the 560 million euro ($750 million) deal after the Italian defense and aerospace giant's chief executive was arrested in Milan on Tuesday on charges he paid bribes to obtain the contract.

Giuseppe Orsi, the recently removed CEO of Finmeccanica, and Bruno Spagnolini, chief of AgustaWestland, are being investigated on corruption charges involving business done in India.

Orsi on Friday formally submitted his resignation as CEO of the company. In his letter to the Finmeccanica board, Orsi denied wrongdoing, saying he always worked "for the exclusive interest of Finmeccanica and its subsidiaries."

The Finmeccanica board has named its chief operating and financial officer, Alessandro Pansa, as interim CEO until a board meeting can be held in April. It also named a new vice chairman.

Indian Defense Ministry officials have said the contract includes an integrity clause against bribery or the use of undue influence. Under the terms of the clause, if any person or the company is found to have bribed officials or made any kind of payoff, the agreement can be scrapped and the firm blacklisted.

The Defense Ministry had already put on hold the delivery of the remaining nine helicopters.

India is expected to spend $80 billion over the next 10 years to upgrade its antiquated military.

The country has become the world's top arms and defense equipment buyer in

recent years as it tries to keep up with China's growing power in the region and with longtime rival and neighbor Pakistan.

India accounted for 9 percent of all international arms imports from 2006 to 2010, and is expected to keep the top spot for the foreseeable future as it upgrades its air force, army and navy.

This is not the first time that a defense deal in India has been mired in allegations that a company paid millions of dollars in kickbacks to Indian officials.

In the 1980s, then-Prime Minister Rajiv Gandhi's government collapsed over charges that the Swedish gun manufacturer Bofors AB paid bribes to supply Howitzer field guns to the Indian army.

Following the Bofors scandal, India banned middlemen in all defense deals.

From 2007 to 2011, Finmeccanica won an average of 250 million euros ($334 million) per year in orders from the Indian government, and aimed to double that by 2015. Analysts say that ambition could be jeopardized if the current allegations prove to be true.

Orsi took over the post of CEO in May 2011 from Pier Francesco Guarguaglini, who in December of that year also ceded the chairmanship to Orsi under government pressure due to allegations of a slush fund. That investigation has since been closed without charges.

Orsi, who was jailed last Tuesday, was being questioned by prosecutors north of Milan. The CEO of AgustaWestland is under house arrest.

Source URL (retrieved on *07/29/2014 - 4:58am*):
http://www.impomag.com/news/2013/02/india-puts-750m-italian-helicopter-deal-hold?qt-most_popular=0