

HP Execs Suspected of Illegal Payments

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Executives from U.S. computer giant Hewlett-Packard are suspected of paying million-dollar kickbacks to win a contract with the Prosecutor General's Office, German investigators said Thursday.

Three people with links to HP were temporarily arrested in the case, but it is unclear who in Russia received money in the scheme, Wolfgang Klein, a spokesman for prosecutors in Dresden, told The Moscow Times.

He said a total of nine people, among them three Russians and four German citizens, are accused of organizing a global web of shell companies to hide the transfer of 8 million euros (\$10.8 million) in connection with a major deal to equip Russian prosecutors.

The sum was paid over a period of seven years, starting in 2000, when the first contract was signed.

"The money was wired in numerous small tranches until 2006 or 2007," Klein said in a

telephone interview.

He said authorities were investigating allegations of breach of trust, tax evasion and money laundering as well as whether money was funneled out of HP accounts to create a slush fund.

The actual deal, worth 35 million euros (\$47 million), involved the supply of computer hardware and software and installation services for prosecutors' offices nationwide, Klein said.

HP supplied "a state-of-the-art computer system designed to provide secure communications for prosecutors throughout Russia," The Wall Street Journal reported Wednesday. The order included an array of goods such as notebooks, workstations and servers, the report said.

In a bizarre twist, Dresden prosecutors asked their Russian colleagues to help investigate the case, although the accusations imply that officials at the Prosecutor General's Office took the bribes.

The request resulted in a raid at HP's Moscow offices Wednesday, the Investigative Committee said in a [statement](#) on its web site.

Significantly, the German request was handled by the Investigative Committee, an autonomous body that has regularly clashed with the Prosecutor General's Office, nominally its superior.

Klein said his Russian colleagues had confiscated documents but that he did not know when he would obtain them.

No further comment could be obtained from either the Investigative Committee or the Prosecutor General's Office on Thursday.

A spokeswoman for HP Russia on Thursday referred all questions to the company's European headquarters in Switzerland.

A spokeswoman there said the accusations referred to conduct that occurred "almost seven years ago," largely by employees who had left the firm.

"We are cooperating fully with the German and Russian authorities and will continue to conduct our own internal investigation," spokeswoman Anette Nachbar said in an e-mailed statement.

She declined to comment further on the investigation or on the reasons for a leadership change at HP's Russian headquarters.

HP said in October that regional CEO Owen Kemp would be replaced Nov. 1 by Alexander Mikoyan. Kemp had headed operations in the country since 2004. No reasons were given for the change at the time.

Ironically, the case comes at a time when the government is stepping up its anti-corruption campaign. Many corruption cases are being handled by the Investigative Committee and the

Prosecutor General's Office, but officials from both agencies have themselves also been accused of corruption.

Russian prosecutors have also failed to open a criminal investigation into \$7 million in bribes given to officials by German carmaker Daimler, which acknowledged the kickbacks to the U.S. Department of Justice two weeks ago.

Yury Chaika, the current prosecutor general, has held the post since June 2006, when he replaced Vladimir Ustinov, who had been the country's top prosecutor since May 2000.

Klein said it was unclear who received the money because it was channeled through a complex system of accounts in a host of countries.

"It is very hard to find that out because we keep discovering new accounts," he explained, adding that no accounts in Russia had been discovered yet.

The arrests took place in Germany and Switzerland back in December, he said. Klein would not disclose the nationalities of those detained, stating only that they were not Russian and were currently residing in Germany after being freed with restrictions on travel.

All were HP employees at the time of the alleged illicit transfers, and at least two had since left the company, he said.

One of them is a former CEO of International Sales Europe, a now-defunct HP subsidiary that used to handle the company's East European operations, German media reported at the time. He was arrested Dec. 2 at HP's offices in Dornach, near Munich.

A company spokeswoman said at the time that all HP employees involved had worked at International Sales Europe.

The investigation started last year when tax inspectors found suspiciously high bills at a company in the German state of Saxony. Klein did not identify the company, located near Leipzig, but said it was not a HP subsidiary. Its CEO is now among the suspects accused of helping to set up the kickback scheme, Klein said.

The investigation is now being handled by an anti-corruption task force in Dresden, the regional capital.

HP's Russian operations were hit hard by the crisis, but in an interview with The Moscow Times in September, shortly before his departure, Kemp promised that output would return to precrisis levels by 2011.

Based in Palo Alto, California, HP is the world's largest personal computer maker and employs more than 300,000 people worldwide, with more than 1,200 employees in Russia. The company has been operating in Russia since 1969, and it had 11 offices in the country as of last year.

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