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Fraud case continues to stir up dust in Brussels

Official was forced out with no direct evidence against him, critics say

"It was not like they were looking to make money — they were looking to spend money."

When European Union health ministers met last July for an informal gathering in Cyprus, John Dalli, the official responsible for overseeing their work, appeared curiously stressed and tired.

He skipped a welcome dinner and was drawn and visibly fatigued during meetings the next day.

Colleagues, who knew Mr. Dalli as conscientious and focused, were mystified. But their questions were quickly swamped by far bigger ones when, three months later, Mr. Dalli, 64, was suddenly pressured to resign.

Investigators from the European Commission's Anti-Fraud Office had concluded that Mr. Dalli, then commissioner for health and consumer policy, probably knew about an attempt by a Maltese acquaintance to solicit a multimillion-dollar payoff in exchange for help easing a ban on snus, a form of tobacco sold in small pouches and placed between the gum and lip.

Mr. Dalli, who strenuously denied any wrongdoing and who has never been charged, moved back to his home country of Malta, leaving behind him in Brussels a heated and still unresolved debate over what he knew, and did not know, about the affair.

What made Mr. Dalli so tired during those meetings in Cyprus, however, is now finally clear: He had flown more than 16,000 kilometers, or 10,000 miles, for a weekend in the Bahamas part of a quest to move tens of millions of dollars.

Asked about the previously undisclosed trip on July 7-8 to a Caribbean island known for its secretive banks and sun-swept beaches, Mr. Dalli said in a telephone interview Friday that he had gone to meet unidentified friends. He said he made returned at least once in the summer as part of efforts to arrange financing for a philanthropic project.

Barry Connor, a Bahamas resident who rented Mr. Dalli's family a villa on the island, said he recalled being told by Mr. Dalli that he planned to transfer "large amounts" of money for an unspecified venture.

Asked about sums of up to \$100 million, Mr. Dalli said that the money was not for him, that he was acting on behalf of other people who wanted set up a "trust," and that the project was "very personal" and "very confidential." Its purpose, he added, was "to help people in Africa." There was nothing "out of this world" about the Bahamas visits, Mr. Dalli said.

He declined to detail the Africa project but said that while it "has not been set up yet," the "process is still going on." He specified that he did not have any accounts in the Bahamas.

On a follow-up trip to the Bahamas later in the summer, Mr. Dalli stayed at a four-bedroom villa rented at \$8,000 a month. A copy of a lease seen by The New York Times showed that the villa, Seaview Beach, was rented by Claire Gauci Borda, one of Mr. Dalli's daughters, on July 14, 2012.

Mr. Dalli, according to one commission official who spoke on the condition of anonymity because of the sensitivity of the issue, concealed his July trip to the Bahamas by telephoning to officials that he intended to spend the weekend in Malta to see his family.

The European Anti-Fraud Office, more commonly known by its French acronym, O.L.A.F., said that it did not know about the trip and that it would look into the matter, suggesting it could reopen its investigation. "As is usual practice, O.L.A.F. will duly consider any relevant new evidence, within its remit of competence," the office said in a statement sent by e-mail over the weekend.

Even so, Mr. Dalli's philanthropic mission does echo the description by Mr. Connor, the Bahamas landlord, of some of the family's activities and their guests, some apparently from church groups in the United States.

"Normally you get some people coming here with some sort of a scheme, and they've got investors and they're all going to do this and do that," Mr. Connor said during a telephone interview. "No," he said, "they just had money coming and they were going to invest it into charities."

"It was not like they were looking to make money — they were looking to spend money, which

is the reverse" of what people normally are seeking when they arrive in the Bahamas, he said.

The case continues to kick up political dust in Brussels, where the commission insists it needed to pressure Mr. Dalli to leave to protect its credibility and its anti-tobacco legislation, which was under review at the time.

Critics have accused the commission of moving too swiftly to force Mr. Dalli out without any direct evidence against him. Some lawmakers in the European Parliament see this as a sign of how opaque and unaccountable some of the bloc's institutions have become.

At the time of his resignation, Mr. Dalli said he was leaving because José Manuel Barroso, the European Commission's president, would have dismissed him anyway, and he complained bitterly of being railroaded.

The case against Mr. Dalli represents a "gross misallocation of resources," Ingeborg Grässle, a German member of the European Parliament, said in a statement in May, referring to the time and effort dedicated to the investigation by the anti-fraud office. The office "must stop its navel-gazing and cowboy style," she said.

Ms. Grässle has been particularly critical of investigators for taping telephone conversations and taking what she described as procedural failings. She has also called for the director general of the anti-fraud office, Giovanni Kessler, to be suspended.

On Tuesday, the European Parliament, meeting in Strasbourg, will debate a revised rule book for the antifraud office that Ms. Grässle helped negotiate with E.U. governments. Ms. Grässle has also introduced an amendment, in light of the affair, that would allow a supervisory committee automatic access to completed investigations to ensure respect for the rights of people under investigation. The Parliament will vote on the bill Wednesday.

The European Commission has strongly defended the anti-fraud office and insisted that Mr. Barroso had no choice but to demand Mr. Dalli's resignation on Oct. 16.

The case came to the authorities' attention when Swedish Match, a company that makes snus, reported to the commission last May that a Maltese entrepreneur, Silvio Zammit, had asked for up to €60 million, or \$78 million, in return for using his contacts with Mr. Dalli. In its report, Swedish Match included a recording of one of the requests for money made by Mr. Zammit to a tobacco lobbyist.

The aim, officials suspected, was to influence a legislative proposal on tobacco products — and in particular to seek an end to the ban on snus sales that covers all countries in the bloc except for Sweden.

Mr. Dalli, in the recent telephone interview, said he knew Mr. Zammit from his earlier career in Maltese politics but denied that they were close or ever business partners. He said Mr. Zammit worked as a political canvasser.

After the complaint by Swedish Match, the commission asked the antifraud office to investigate. Mr. Barroso received the office's report on Oct. 15 and presented Mr. Dalli some of the findings at a meeting the following day.

The anti-fraud office closed its inquiry before Mr. Dalli resigned. Shortly afterward, it gave its final report to the Maltese authorities, who started their own investigation. The Maltese police said in early June, however, that they had found no evidence of wrongdoing and signaled that they had no reason to continue investigating, according to the Maltese media.

Mr. Dalli, a former finance minister in Malta and management consultant, is set to take a new role advising the Maltese government on the country's hospitals. The job would involve "bringing the management up to scratch," he said.

He said the accusations against him in Brussels were part of what he described as an elaborate effort to entrap him, led by the smokeless tobacco industry. He suggested that the aim was to bring down the bloc's top health official and manipulate legislation.

"There was a complete setup by the tobacco industry that O.L.A.F. didn't even — didn't even — attempt to investigate," Mr. Dalli said. "They tried to construct a case around something to prove that something happened where nothing in fact happened."