

BAE Systems AGM 2004

SIR DICK'S FINAL YEAR

Sir Dick Evan's final year has been an eventful one. He and BAE Systems have been all over the newspapers, often when they'd rather have been keeping a low profile. There were some 'successes' – browbeating the MoD into buying the company's Hawk aircraft and then, with the considerable assistance of the UK government, securing the sale of further Hawks to India.

However, there have been MANY embarrassing headlines emanating from its exports, its sales to the MoD, its business practices (including widespread talk of 'slush funds') and the lack of interest from the big US companies in a merger/buyout.

One headline, 'The Brit who sold to Saddam' (*Sunday Times*, 21/12/03), was provided by Dick Evans himself. At a Whitehall Christmas party, he proudly recounted how he had tried to sell high-tech equipment to Saddam Hussein. Dick Evans was reported as saying: "He handed over a cheque to me for £40m and then we suddenly realised there had been a misunderstanding. He thought he was buying Tornado jets. In fact I was trying to sell him Awacs (Airborne Warning and Control System) planes. As I handed back the cheque I said, 'this is going to hurt me more than it is you'". Astonishingly, his comments were made only three days after the capture of the former dictator. It was a gaff that graphically illustrates the reality of the arms trade, not to mention the ethics and brazenness of Dick Evans and BAE Systems.

BAE SYSTEMS AND BLAIR IN BED

BAE Systems has a turbulent relationship with the MoD and has faced accusations of heavy-handed lobbying tactics and poor project management. However, whatever its problem with the Ministry and its civil servants, BAE Systems can always rely on Tony Blair.

Ever since Blair arrived in government in 1997 it has been apparent that he has supported BAE Systems against all comers and all rational argument. He pushed through controversial sales to Zimbabwe and Tanzania and lobbied, amongst others, the South Korean and South African Presidents on behalf of BAE Systems.

Striking confirmation of the relationship was provided by Robin Cook in his book *The Point of Departure*. He states: 'In my time I came to learn that the Chairman of British Aerospace appeared to have the key to the garden door to Number 10. Certainly I never once knew Number 10 to



come up with any decision that would be incommensurate to British Aerospace.'

The extent to which Blair's love of BAE Systems permeates the UK government isn't entirely clear, but it is clear that BAE Systems receives 5-star treatment from a wide variety of official sources:

- minister after minister trooped out to promote the sale of the Hawk aircraft to India, regardless of the level of conflict over Kashmir.
- corruption allegations, reported to the government, have not been fully investigated.
- changes to guidelines have weakened arms export controls in areas relevant to BAE Systems, most obviously those announced in July 2002 which facilitated the transfer of the company's equipment to Israel via the US.
- the DSEi and Farnborough arms fairs receive financial assistance and ministerial support.
- the Defence Export Services Organisation continues to dedicate 600 civil servants to the arms trade under the leadership of an arms industry boss, currently seconded from BAE Systems.
- there is a proliferation of 'advisory bodies' which give the major arms companies preferential access to civil servants and ministers.
- a new Missile Defence Centre has appeared for no apparent reason other than to help UK companies win US 'Son of Star Wars' contracts, with BAE Systems as the lead contractor.
- and to bring things right up to date, just last month Prince Andrew and the UK's Ambassador to Bahrain opened BAE Systems' first office in Bahrain.

The reason for Blair's affection for BAE Systems isn't immediately obvious. It's often assumed that UK jobs lie at the heart of his interest but BAE Systems' record on that score is poor. A year ago it stated that it would make 470 workers at its Hull Brough plant redundant if it didn't receive a contract from the MoD for Hawk jets. BAE Systems was duly given the contract even though the Treasury said an open competition would save the taxpayer £1 billion (£2 million for each of the 470 jobs!). This April, less than a year on, BAE Systems announced the loss of 760 jobs and the following week a further 1,000 jobs. There has been little outcry. Jobs appear only to be important when BAE Systems wants to win a contract.

Tony Blair is fully aware of this so we need to look elsewhere to understand his enthusiasm for the company. The most likely explanation revolves



around Blair's fondness for big business generally and his zeal for the grand foreign policy/military statement. BAE Systems brings these together in one entity and seems to push all the right buttons.

SELLING ARMS AROUND THE WORLD

Less than twenty percent of BAE Systems' output is sold to the UK. The rest is liberally distributed around the world with a focus on the US Department of Defense (to which it sells more than to the MoD) and, after that, the Middle East. Its Hawk jets alone have been sold to Brunei, India, Indonesia, Kenya, Kuwait, Malaysia, Oman, Saudi Arabia, South Africa, South Korea, UAE and Zimbabwe.

BAE Systems' markets include:

- **Indonesia:** Ground-attack-capable Hawk jets have been used to intimidate in Indonesia's offensive in Aceh. 3,000 lives have been lost since the attack began in May last year.
- **India:** BAE Systems has persuaded the Indian government to spend £1 billion on 66 Hawk jets. After chasing the contract for the best part of two decades, a massive lobbying offensive by Labour ministers sealed the contract. The lobbying did not relent even when India was on the verge of war with Pakistan over Kashmir early last year.
- **Israel:** Despite extreme Israeli military violence since the outbreak of the al-

Aqsa Intifada in 2000, BAE Systems has provided head-up displays for US-built F16s destined for Israel. Its subsidiary, Rokar International, has been the sole-source supplier of counter-measure dispensing systems to the Israeli Air Force.

- **Embargoed countries:** BAE Systems has been looking to sell civil aerospace equipment to countries under arms embargoes in the hope of being first in line to sell military equipment once these embargoes are lifted. Iran and the Democratic Republic of Congo have been targeted, though Libya is likely to be most productive in the near-term. BAE Systems is reported to be in advanced negotiations over Libyan civil aviation infrastructure and the UK government is already pressing the EU to end its arms embargo.

CORRUPTION ALLEGATIONS

BAE Systems continues to receive more than its fair share of corruption allegations. And, despite the unwillingness of the Serious Fraud Office (SFO) and the MoD to investigate, they won't go away.

In September 2003, *The Guardian* published details of its investigation into allegations of a £20m 'slush fund' set up by BAE Systems to bribe Saudi officials. It reported that a confidential letter from the head of the Serious Fraud Office (SFO) to the MoD alleged a possible fraud operation involving BAE Systems in relation to the massive Al Yamamah arms deals with Saudi Arabia. Neither the SFO nor MoD pursued

the allegations despite being provided with a box of relevant invoices and other documents by a former employee of BAE Systems' front company.

Earlier allegations that BAE paid £7m commission into a Jersey trust for Qatar's foreign minister also ended with a failure to investigate. This, despite the SFO being asked for help by the Jersey authorities, and the UK Government admitting that it had a report of this commission payment in 1998.

Other allegations have been met with an alternative official response, if a similar end result. In June 2003 *The Guardian* alleged that 'BAE Systems paid millions of pounds in secret commissions' to win a South African Hawk jet contract. Astonishingly, it stated that the UK government had confirmed the payment but refused to reveal the amount paid. The DTI did, however, say it was 'within acceptable limits'!

There have been other allegations relating to the Czech Republic and India, but none of the allegations draw much of a reaction from BAE Systems. The company has a standard response of ignoring specific allegations and offering a variation on the theme: 'BAE operates rigorously within the laws of both the UK and countries in which it operates.' BAE Systems is certainly careful regarding corrupt practices, but the suspicion must be that it is careful to hide them rather than shun them. *The Guardian* recently reported that in 1997 BAE moved 'filing cabinets full of evidence of corrupt payments to foreign politicians to a vault in Switzerland' using a subsidiary registered in the Virgin Islands.

SPYING ON CAAT

In September last year, the *Sunday Times* reported that a private security company – Threat Response International – had been spying on CAAT for BAE Systems. Information was gathered on CAAT campaigns and activists and even those giving financial support. The article stated that daily reports on CAAT were sent to BAE Systems' security department and that the head of security, Mike McGinty, gave regular verbal briefings to Dick Evans.

Basic figures

(The first three figures are sourced from *Defense News*, 21 July 2003)

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| World ranking | 4 |
| Total military sales | \$15 billion |
| Military sales as % of total sales | 77% |
| Employees | 90,000 (approx. 41,000 in the UK) |
| Military products | fighter and trainer aircraft, warships, submarines, torpedoes, missiles, radar and tactical communications systems, artillery, ammunition. |
| Other interests | RO Defence (100%-owned), MBDA (37.5%), Eurofighter (33%), SAAB (35%), Alvis (29%) |
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