THE UK GOVERNMENT AND ARMS TRADE CORRUPTION: A SHORT HISTORY

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Based on archival sources, this discussion paper examines the UK Government’s approach to corruption within the UK arms industry and shows it has very dirty hands. At the time the Defence Export Services Organisation was founded it was known at the highest level that corruption pervaded the arms trade, but civil servants were told to look the other way and not ask awkward questions about the deals they were helping to seal. Hard evidence of official knowledge of corruption in arms deals in Venezuela and Indonesia is unearthed for the first time. Hitherto unseen documents from the 1970s show how, when confronted with the problem of corruption in the arms trade, officials at the highest level were at pains to ignore their suspicions and devise guidelines to avoid addressing the issue, even allowing publicly-owned companies to continue employing “agents” with no questions asked. It puts the continuing debate over the Export Credits Guarantee Department’s anti-bribery procedures into sharp perspective and demonstrates the incredible irresponsibility of the MoD, DTI, FCO and ECGD in knowingly fostering a corrupt industry.
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Allegations of corruption have long surrounded the arms trade. Joe Roeber, a member of the Steering Committee of Transparency International, has researched corruption in the arms trade more thoroughly than anyone and has shown the arms industry is “hard wired for corruption”.¹ The UK Government has historically been intimately linked with arms exports: since the mid-1960s a dedicated Government department (now called the Defence Export Services Organisation – DESO) has existed to promote arms exports; the UK taxpayer has underwritten billions of pounds worth of arms exports (and accumulated considerable liabilities by doing so) through the Export Credits Guarantee Department (ECGD); and a revolving door has existed between high public office and senior positions in UK arms companies.² To what extent therefore has the UK Government knowingly supported a corrupt industry? This paper attempts to answer this question.

British intellectual culture prefers not to spend much time in contemplating the ugly features of British history, and the relationship between the UK Government and the arms trade is a seriously under-researched area. Roeber has shown through an exhaustive trail through the arms trade literature that corruption is ignored – despite the numerous allegations – and that all commentators concern themselves with strategy and matériel instead.³ In fact the only book based on the archival record to take corruption seriously (in the view of Roeber⁴) is Mark Phythian’s The Politics of British Arms Sales since 1964.

Despite the scanty amount of research on the subject, Phythian’s book, along with original archival research by the Guardian and the author, now enables us to sketch the broad contours of the relationship between the UK Government, UK arms exports and corruption since the mid-1960s. This paper does not purport to be an exhaustive survey of the subject – but to place in the public domain a narrative and interpretation based on archival sources which hopefully can be built on by others.

The genesis for this paper was an article published by the Guardian on 13 June 2003 entitled “web of state corruption dates back 40 years” and the revelations of the court documents of the case of Chan U Seek vs Alvis Vehicles Limited which became public in December 2004⁵. The Guardian article was fiercely rebutted by the Ministry of Defence (MoD) in a response to a Parliamentary inquiry – it called the Guardian’s allegations “totally without foundation” and “irresponsible”.⁶ Researching another issue at the National
Archives in London I came across some papers which seemed to me to quite at
odds with the MoD’s protestations. Some of these papers were subsequently
written about by Rob Evans and David Leigh and this paper is a more detailed
review of my discoveries.

Roeber has shown “corruption is not peripheral; it acts at the centre of
procurement decision-making.” Starting from the axiom that a rational man
who stands to benefit from decisions he makes will tend to take decisions that
increase that benefit, Roeber shows that the peculiar structural characteristics of
the arms trade – large, discrete but rare projects that are life-and-death
competitions for the arms companies (as the number of potential buyers is
tiny); the unaccountability of decision-makers in much of the developing world;
and the secrecy and lack of transparency – make corruption central to the arms
trade. This corroborates Sir Donald Stokes’s dictum that “a great many arms
sales were made not because anyone wanted the arms, but because of the
commission involved en route”.

This paper further substantiates Roeber’s conclusions and also shows that the
Guardian’s central contention that “bribery has been at the heart of DESO’s
mission from the day the unit was launched nearly 40 years ago”, and that the
“UK secretly connives at such payments” is substantially correct. It is in fact the
MoD, along with the Department of Trade and Industry (DTI), the Foreign and
Commonwealth Office (FCO) and ECGD who have behaved “irresponsibly” in
deliberately ignoring practices which were always unethical and possibly
criminal, underwriting corrupt deals with UK taxpayers’ money. Some of these
deals have resulted in large financial losses for the taxpayer, quite apart from
the resulting financial burden borne mainly by the poor in the developing
world, who often have watched their oppressors enriched by unnecessary arms
purchases. It is a shameful record, compounded by the misleading impression
the MoD still gives to Parliament (more of which below).

Little has changed to the present day. There is every reason to suspect recent
and current corruption given the many allegations but it is very hard to prove it
to the satisfaction of the libel laws. For hard evidence it is necessary to go back
thirty years and to look at internal government documents, some (but not all) of
which are in the public domain. There is no reason to think the mindset
revealed there has significantly altered since then. The Trade and Industry
Select Committee’s report into ECGD’s business principles shows that three
arms companies – BAE Systems, Rolls Royce and Airbus – were instrumental in
persuading the Government to water down the ECGD’s anti-bribery procedures
saying the ECGD “had no right to information on the agents they use and the
money to be paid to them”. The Committee’s report noted that “the payment of
commission or fees to agents is generally recognised to be a common method
of paying bribes”. The lobbying meant “companies receiving support from the public purse need make no checks on their business partners to ensure, that to the best of their ability. UK taxpayers’ money is not used by these partners to pay bribes”. As will be seen, the ECGD’s watering down of its procedures to allow companies to provide as little information as they can get away with, particularly with regard to payments to agents, is consistent with Government attitudes towards bribery struck forty years ago.
Bribery in the arms trade – known of at DESO’s birth

In the early 1960s there was a perception in Government and the arms industry that the UK was losing market share to competitor nations in the field of arms sales. The Douglas-Home Government had started to review US and French approaches to selling arms and considering ways of “stimulating sales of arms”.11 The incoming Wilson Government shared Conservative concerns. The then head of Leyland Motors, industrialist Sir Donald Stokes, was brought in by RAF Minister Lord Shackleton and Defence Secretary Denis Healey to review the UK’s arms sales promotion machinery.12

Right from the start of what was to become the Defence Sales Organisation (DSO) and from 1985, DESO, bribery and how to deal with it was at the heart of official deliberations. Lord Shackleton and Stokes met on 7th July 1965 and the minutes record “one major problem which occurred to Sir Donald Stokes would be the difficulty a Government organisation would have in putting down ground bait”.13 Stokes continued “a great many arms sales were made not because anyone wanted the arms, but because of the commission involved en route”.14 A week later at a meeting at which the MoD Permanent Secretary, Sir Henry Hardman, was present, the minutes record that “Sir Donald Stokes had indicated that it was often necessary to offer bribes to make sales”.15 At the highest level it was known from DESO’s birth that an arms exports drive would entail supporting a corrupt industry.

The MoD refuted the Guardian’s allegation that DESO knowingly permitted bribes to be paid on government-to-government arms deals. The MoD’s rebuttal of the Guardian’s claim defined sales made by nationalised companies as Government-to-Government deals. In the mid-1960s arms sales took place in three ways – direct from the MoD; via nationalised companies such as Royal Ordnance Factories, Rolls Royce, Millbank Technical Services and International Military Services (IMS); and via private companies. The Stokes Report had suggested (paragraph 101) “good commercial agents will be of the greatest value to the MoD’s own overseas sales staff; apart from providing an additional source of information, they are better placed than an official to dispense the less orthodox inducements”.16 As I will demonstrate, having recognised that the problem of bribery existed, the Government actually sought to keep it at arms length by ensuring it was done privately via agents – a practice many companies still follow today. Officials deliberately looked the other way. Agents were employed by nationalised as well as private companies to secure sales and this was fully endorsed by the MoD, demolishing its recent
claim to MPs of its own propriety. However, very quickly the problem of Government knowledge and therefore complicity arose as we shall see.

The Wilson Government had decided “not merely to maintain our arms exports at their present level...but to increase them substantially” (Stokes report). To do this the Government set up DSO in 1966 with Healey telling Parliament the UK must secure its “rightful share” of a £1 billion global arms market. Certainly UK arms sales took off towards the end of the 1960s and into the 1970s. A paper for Ministers prepared in May 1974 shows UK arms sales were £100million in 1967/8 rising to £150million in 1968/9. By 1970/1 UK arms sales were double what they were when DSO was founded, a real terms increase of 67% (and around £2 billion in 2003/4 prices).
“We are interested in the end result” – Venezuela in the late ‘60s

A formal directive from Denis Healey setting out the new policy on UK arms exports was issued in October 1966 and distributed to all UK Heads of Mission abroad. Not all FCO missions were comfortable with their new role as arms salesmen. In January 1967 Derek Brinson, the Counsellor and Head of Chancery in Caracas, Venezuela since 1965, wrote to the FCO for guidance. Agreeing with London that once a company had established interest in its products an agent should take over (i.e. that private bribery would be ignored), Brinson asked “are HMG prepared, through an agent, to enter into a government-to-government contract in the negotiation of which there will have been an element of bribery and which will itself reflect that bribery (though in a concealed form)”. The sort of deals he envisaged covered “R.O.F. [Royal Ordnance Factory] products, warship disposals and possibly new construction in Admiralty dockyards”. Brinson stated that in arms sales to Venezuela “the question of bribery would almost certainly arise” and that on government-to-government deals “it is only worth starting the process if we know that at the later stages HMG would be prepared to let an agent do what the attachés cannot”. He stated that Sir Anthony Lincoln (Ambassador to Venezuela from April 1964 to July 1969) had instructed Embassy staff not to get involved in bribery. Brinson also spelt out to London that the efforts of agents would be more likely to bear fruit than those of attachés, and drew attention to the fact that many arms sales were unnecessary (as Stokes had warned): “in Latin America demand does not always originate from the officers or officials, procurement or otherwise, with whom the attachés are in contact. These contacts will reveal genuine demand, but demand can also originate from others, from Presidents down to junior officers, entirely for reasons of personal financial gain; and this demand can be stimulated by an agent who can dangle the carrot of such financial gain.”

He received a devastating reply from H.R. Hubert, OBE, the Director of Army Sales in the MoD (and who sat on Donald Stokes’s advisory group while Stokes compiled his report), in a reply so secret only five copies were made. Hubert said “I am completely mystified by just what your problem is...as I told Bennett in my signal of 31st January, people who deal with the arms trade, even if they are sitting in a government office, live day by day with this sort of activity, and equally day by day they carry out transactions knowing that at some point bribery is involved. Obviously I and my colleagues in this office do not engage in it, but we believe that various people who are somewhere along the lines of our transactions do. They do not tell us what they are doing and we do not

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We are interested in the end result.” Hubert went on to confirm that the role of agents was not merely to place bribes, but also to encourage unnecessary military spending, and that their activities were fully endorsed by the Head of Defence Sales (HDS): “I think I ought to say a little more about the activities of agents. I placed some emphasis on one point and one point alone [bribery], but if they are good they do a great deal more. They lobby officers and officials; they find out about the availability of funds and perhaps suggest to people that availabilities might be created...their activities are complementary to those of the Attaché, and Head of Defence Sales is interested in the Attachés keeping in touch with reputable local agents as part of the work in progressing our sales effort.” The FCO endorsed this line. Leonard Figg of the FCO’s Defence Department wrote to Brinson “we accept the proposition that an agent acting in a government-to-government deal (or of course firm-to-government) should get his commission and the price HMG charge must reflect this cost. Of course the rate of commission an agent will receive is a matter for negotiation, and will, I suppose, take into account what outlay the agent thinks he may incur in the process of winning an order. But once the commission has been negotiated that is the end of the matter as far as the producer is concerned.” In other words a more eloquent version of Hubert’s advice – permit bribes to be paid (“what outlay the agent thinks he may incur in the process of winning an order”) and don’t ask questions (“once the commission has been negotiated that is the end of the matter”). The advice was taken – I have looked through the files on arms sales to Venezuela for the late 1960s and can find no evidence of bribery being mentioned again.

Hubert’s account of the role of agents in arms sales is very similar to industry’s. Take for example the account of Nicholas Prest, former Chairman and Chief Executive of Alvis. In his evidence in the Chan U Seek vs Alvis Vehicles Ltd case, he states “the success of any particular initiative is as much about the prevailing political and prevailing financial climate as it is about the quality of our products (and often more so). Having the relevant contacts and exerting the relevant influence is crucial to this process.”

As Brinson had said in his despatches these were not academic questions. Government files reveal that Venezuela was a significant customer for the UK arms industry in the late 1960s. Total UK arms sales were worth £100 million in 1967/8, £150 million in 1968/9, and £170 million in 1969/70. An FCO paper in 1969 showed that UK arms sales to Venezuela were £8.8 million in 1967/8 and £7.45 million in 1968/9, and identified £9.5 million in prospective sales. Hubert’s letter clearly demonstrates his irritation at the prospect of profitable trade being disrupted. In the papers I have seen put to Ministers about arms sales to Venezuela at the end of the 1960s, corruption is not a consideration among the arguments put for or against particular sales.
Why be awkward and raise the issue when Ministers have already endorsed an export drive for an industry they knew to be corrupt?

The real significance of this exchange goes beyond Venezuela. The file these documents are from is entitled “Use of agents for arms sales” and it is a policy file. The file was kept by the Defence Department in the FCO. The purpose of the Defence Department was “dealing with international defence, training and supply matters and some non-defence international collaborative projects.” Why was this file preserved if it dealt with only an isolated incident? It is likely that at the time it was kept as a reference in case other posts made similar enquiries – within it was the agreed inter-departmental policy on bribery, handy for the desk officer to avoid having to refer the issue to his superiors every time there was an enquiry. Its survival through the FCO’s regular weeding cycles attests to its historical significance.

At the end of Figg’s letter to Brinson there is a reference to an attempt to put a Sir Raymond Smith in touch with Alvis and Daimler in February 1967. Charles Wiggin, an FCO official, referred to him as “a British businessman who lives in Venezuela and is said to have made a great deal of money there... he also seems to have been very successful in promoting British exports to Venezuela. (I believe that he was knighted for his services to British exports). He holds a number of agencies, among them some in the defence equipment field [and] does very valuable work for British interests. He has close connections with Whitehall and our Embassy in Caracas”. The UK Ambassador to Caracas, Donald Hopson, stated that “he still has very powerful friends, and in the new circumstances is being very careful to keep in the background and use go-betweens, one of whom is a very high level contact and (according to Raymond) has the President’s ear. And, of course, his close contacts with Acción Democrática are still very useful, as they hold the purse-strings in Congress.” A later letter by Wiggin states Smith had “no formal contractual relationship” with the MoD.
Employment of agents by MoD and nationalised companies

 Shortly after this exchange of correspondence, the first guidelines about the employment of agents by the MoD itself for arms sales were cleared by the MoD with the Treasury. Agents were to be employed “to promote exports where it is clear that the market could not be exploited without their help”, the agents had to be “persons or firms of repute” and “remunerated on a basis which reflects the services rendered and can be defended as fair and reasonable”. The rules did not preclude the employment of those inside the client government as agents, and no questions had to be asked about what activities the agents undertook.

 Hubert’s reply to Brinson demonstrated that, whether private or nationalised, companies were to involve agents to carry out the bribery that occurred “day by day” in the arms trade. Occasionally DSO directly employed agents, though it preferred not to do so. In September 1967, J.Moreton of the MoD wrote to the Treasury to inform them they were to employ an agent to sell Chieftain tanks to the Netherlands. Moreton wrote “an influential person in Dutch Government circles is known to us and is willing to assist us by promoting interest in the tank”. If the £40-50 million deal for 400 tanks was secured, this person was to receive £50,000 (around £600,000 in 2003/4 prices). The Treasury saw no reason to question this – one wrote “my philosophy is to leave the commercial judgement to the Sales Organisation” and another wrote the commission was “not outrageous”. Intriguingly one of the Treasury civil servants wrote by the description “an influential person in Dutch Government circles” the word “Bernhardt?” Prince Bernhard of the Netherlands was removed from public duties after having allegedly requested $4-6 million in commission from Lockheed on the Dutch purchase of F-104 Starfighter aircraft. In 1967, Bernhard was allegedly active in Lockheed’s attempt to secure the sale of P-3 Orion naval patrol aircraft to the Netherlands, an initiative which ultimately failed. Despite the fact “it was common knowledge that the Prince was on the take” (as a Lockheed executive alleged to Anthony Sampson) and the suspicions of the Treasury, they decided to turn a blind eye, as Hubert would have wished. No questions were asked about why an agent was necessary, what the agent’s activities would be or how they would employ the promised funds.

 As we have seen Hubert had accepted the principle that Royal Ordnance could employ agents on contracts where “an element of bribery” was necessary. By late 1976 Royal Ordnance employed five agents. The following details of this
are given in a draft letter from the then Permanent Secretary to the MoD, Sir Frank Cooper to the Comptroller and Auditor General Sir Douglas Henley.³⁶

- In Chile it used Thomas C. Sargent (appointed February 1970 with an agreed commission of 2.5%) but there was no record of any successful business up to October 1976.

- In Austria Manfred Harrer was appointed in January 1970 at a commission rate of 2.5%. He was the agent for the sale of Royal Ordnance 105mm tank guns and ammunition and had earned a fee on the sale of surplus Centurions for fixed defences.

- In the Netherlands Colonel Douwes Dekker of Goliath Ltd was employed to market the 30mm Rarden and turret from January 1970. He was due 5% on orders up to £100,000 and 4% thereafter with 2.5% for ammunition orders. He did not secure any sales up to October 1976.

- In Japan Mitsui & Company were appointed in April 1975 with an agreed commission of 5% but no orders had been secured by October 1976.

- In Peru Royal Ordnance’s agent was J.K. Blair OBE appointed in March 1972, whose agreed commission was 5% on equipment and 2.5% on ammunition, but had secured no orders up to October 1976.

These agents do not appear to have been particularly successful, at least up until October 1976. A more successful agent for Royal Ordnance was Rini Soewondho. According to Nicholas Prest, the former Chairman and Chief Executive of Alvis, one of the reasons Alvis hired Rini Soewondho to secure arms sales to Indonesia was her ability “to demonstrate a track record to our sales team, having done business there [in Indonesia] for Royal Ordnance.”³⁷ According to the Guardian, Alvis, via agent Rini Soewondho, paid Suharto’s daughter £16.5 million to secure an armoured vehicle sale to Indonesia in the mid-1990s.

Millbank Technical Services (MTS) also employed agents to sell weapons to Iran, Kuwait and Ecuador.³⁸ In the case of Iran and Kuwait MTS’s agents landed big deals. For Iran the agent (whom the MoD admitted in 1978 was Sir Shapoor Reporter, the confidant of the Shah³⁹) was paid 1%-1.5%, including £1 million (worth around £11 million in 2003/4 prices) on the Chieftain tank deal in 1971.⁴⁰ MoD Permanent Secretary Sir Frank Cooper felt that in view of the “substantial orders” the UK arms industry had won in Iran, such large sums were “fair and reasonable”. In Kuwait the agent was paid 3.5%, again seen by Cooper as “fair and reasonable”. In 1976 Kuwait bought 150 Chieftain tanks
for £100 million,\(^4\) and the agent (described by Sir Frank Cooper as “a thoroughly respected member of Kuwaiti commercial and government society and has the entrée to Government Ministers and the diplomatic community. His assistance in securing the contract has been crucial”) presumably took £3.5 million (around £26 million in 2003/4 prices). Kuwait bought $1.66 billion of arms between 1976-80, with the UK securing around $282 million.\(^4\) If all these sales were via MTS’s agent, he would have made around $10 million dollars. In Ecuador the remuneration of MTS’s agent was 10% for sales of BL755 cluster bombs and 105mm light guns.

In Cooper’s draft reply to Sir Douglas Henley about MTS’s agents, Cooper felt there was “no reason to doubt [the payments’] appropriateness and propriety”. It is difficult to see how a role which (according to Hubert and Stokes) apart from paying bribes was basically advocacy and lobbying could justify such fantastic sums unless the role of the payments was to “dispense the less orthodox inducements”. Cooper also claimed the payments were legitimate when tested against the legal advice MTS had sought as to the propriety of the payments. Yet in Henley’s original letter to Cooper we learn that the MoD had said “it would not be normal commercial practice to disclose the fees to the Iranian authorities”,\(^43\) despite MTS’s advice saying “no payment should be made to a servant, employee or agent of the other party to a contract except insofar as both parties were aware of the position” (my emphasis).\(^44\) The Department of Trade had queried this point with the MoD, saying “There is a clear requirement by the Iranians to disclose all commissions paid on business to the Iranian Government and suppliers are not permitted to use, or to pay commission to, an agent in any contract involving the armed forces”.\(^45\) The MoD ignored this advice.

MTS was not the only UK company to employ the services of Sir Shapoor Reporter. Reporter was a key figure in the sale of a tracked Rapier Surface-to-Air Missile (SAM) system to Iran by BAES’s nationalised forerunner the British Aircraft Corporation (BAC). G R Jefferson, the Managing Director of the Guided Weapons division of BAC wrote to Reporter in November 1976: “I wish to pay a very special tribute to you in co-ordinating the many and intricate aspects of our negotiations with the Iranian authorities. My colleagues and I much appreciated the benefit of your advice in the various discussions with top ranking Iranian Ministers and officials...we look upon our association with Iran on a very long-term basis and look forward to an ever expanding scope of our partnership.”\(^46\) DSO knew that BAC employed Reporter – the letter was sent to Reporter care of Ron Ellis (then HDS). Marconi Space and Defence Systems also used Reporter – a letter from A S Walsh of Marconi to Ron Ellis in November 1976 reports a meeting with Reporter going “quite well. The points he raised were interesting and I would like to discuss them with you at some convenient
opportunity.\textsuperscript{47} Geoffrey Welburn, Managing Director of Racal subsidiary the British Communications Corporation (BCC), on trial in 1977 accused of paying bribes for arms sales to Iran, implicated Reporter in corruption in court. His counsel argued “my client’s defence is that he honestly believed that just as in the top echelon money had to be paid to Sir Shapoor Reporter, so in the lower echelons, money had to be paid to the lesser fry.”\textsuperscript{48}
Venezuela was not the only country where explicit evidence exists of official awareness of corrupt practices in arms exports. In Indonesia, the Naval Attaché in Jakarta cabled London in January 1973 to say “it appears that Indon MoD has signed contract for purchase of batteries to be supplied by Chloride Electrical Storage. The contract has been sighted and the end price to the Navy is £529,000. Believed ex UK price would be £340,000. The difference [£189,000, around £2.25 million in 2003/4 prices] is a 55% mark up which presumably would be shared among people in high places in Jakarta.”

Explaining the cancellation of a visit of an Indonesian admiral to London the Naval Attaché stated “if Admiral negotiated direct with Vickers he would probably obtain batteries at our near ex UK price and frustrate individual profits in the process.” None of this stopped arms sales promotion by UK officials to Indonesia and the subsequent decision to increase ECGD cover for arms exports to Indonesia. In October the Defence Attaché in Jakarta cabled London to report on a visit by the Royal Fleet Auxiliary ship Tarbatness to Jakarta to demonstrate “certain types of small arms.” He stated that the Chief of Staff of the Indonesian Air Force had complained about the slowness of a response to his request for 30mm aircraft ammunition. The Defence Attaché wrote “apparently the Indon DA [Defence Attaché] in London is being curiously slow in pursuing this (our Embassy here suspects that he wants to arrange a source of supply which will give him a cut).”

The expectation of Stokes that corruption would accompany the policy of increased efforts to sell UK arms certainly appears to be borne out by evidence in Government files. I have only looked at arms sales files specific to Indonesia and Venezuela. There are many files on arms sales in the National Archives and important customer countries have considerable numbers of files. Just a preliminary look at FCO Middle East Department and MoD records identifies 61 files on arms sales and military aid to Saudi Arabia from 1967 to 1974 – there are no doubt other files held. Due to Government advice to its officials to turn a blind eye, references to corruption in these files are probably few and far between and probably amount to no more than the occasional reference as in the Jakarta Embassy’s cables (the Chloride incident was probably only reported as the Indonesian admiral’s visit had been cancelled). However, absence of evidence is not evidence of absence. Officials clearly had a vested interest in not writing down their full knowledge in case of leaks and potential repercussions for their careers in Government (as well as missing a chance to join the gravy train on retirement by taking up a lucrative contract with an arms company).
Nevertheless we can still state with confidence that corruption was extremely widespread in UK arms exports into the 1970s and beyond. The evidence for this is contained in a high-level April 1976 DTI paper entitled “special commissions and allied payments” which looks at the activities of the whole of UK industry. The paper was written by Robin Gray, a Deputy Secretary at the Overseas Projects Group at DTI and sent to J.E. Herbecq, second permanent secretary at the Civil Service Department. The paper was copied to Sir Douglas Allen (Cabinet Secretary and Head of the Civil Service), Sir Frank Cooper (Permanent Secretary at the MoD), Sir Norman Price (Chairman and Permanent Secretary at the Inland Revenue), N.F. Cairncross (Deputy Under-Secretary and Head of Criminal and Probation and After-care Departments at the Home Office), Norman Statham (Deputy Under-Secretary at the FCO – among whose responsibilities were the Financial Relations Department and the Trade Relations and Export Departments of the FCO), N. Jordan-Moss (a Deputy Secretary at the Treasury), C.H.W. Hodges (Assistant Secretary of the Exchange Control Division at the Treasury), and J.C. Hooton (a Principal Assistant Solicitor and Under Secretary at the Treasury Solicitor’s Department). The only official I have been unable to identify is Bennett (Bank of England).

Around the time this paper was written a US Securities and Exchange Commission investigation had revealed over 450 US companies having made illegal payments worth US$400 million to foreign officials. As a result of this investigation the US was considering introducing anti-corruption legislation and the actual trigger for enacting this was the admission by a Lockheed Executive in February 1976 to a Senate committee hearing that the company had paid bribes to Japanese officials in order to sell aircraft.

The DTI paper begins by quoting Bernard Shaw’s Pygmalion: “Have you no morals, man? Can’t afford them, governor”. It then refers to the annex of the paper provided by the Treasury and Bank of England. The annex states “‘special commissions’ are aside from and in addition to commissions which are ordinarily paid to overseas agents for their normal services. Typically, special commissions are not supported by documentary evidence and are usually paid into a numbered account in a third country, e.g. a numbered account in Switzerland. The amount involved varies.” It notes that exchange controls in force at the time meant the Government knew of such commissions. It notes the Exchange Control Act 1947 “has not been used to endeavour to ensure that persons outside the jurisdiction behave according to the law in their

Knowledge of bribery practices at the highest levels
own countries or that such persons observe any particular moral code or ethics”. Noting “the existence of and need for special commissions if business is not to go elsewhere has long been recognised”, it goes on to say “only recently have the amounts begun to escalate beyond, say 25%, to levels of 100% or more. A possible reason for this lies in the rich new oil markets of the Middle East and elsewhere where bribery has for centuries been endemic but which until recently has not emerged as such a striking factor in the international export scene.”

Reviewing this startlingly frank evidence held by the Bank of England and the Treasury the DTI noted “most of the special commissions are paid into accounts in third countries – the implications of corruption are thus clear. We are alone among advanced industrial countries, through the Exchange Control, in knowing about these payments and authorising them.” (my emphasis) Referring to the Treasury and Bank of England annex the paper continues: “the Department of Trade and Industry agrees with these conclusions. The Department has some knowledge of particular transactions involving questionable payments by British firms – in some cases firms have told us what they have done...the Department is also aware – for example through ECGD operations – that large commissions, additional to normal commissions, are sometimes paid...in general contact with industry it has been implied that in some parts of the world Special Commissions are a necessary part of successful business operation. The person receiving the commission is usually in a position to sway the purchasing decision and to facilitate consequential import arrangements.” In other words some of the UK’s most senior officials, the DTI, and the ECGD were fully aware of the systematic nature of corruption in UK industry’s (and therefore the arms industry’s) activities abroad.

The paper then reviews ongoing international action on corruption. It concludes that “one of our principal difficulties is that the Government, through the Exchange Control, has positive knowledge, and is clearly involved in a way in which Governments in other advanced industrial countries are not”. The paper rejects UK unilateral action on bribery so as not to lose business, for data protection reasons (!) and because of the difficulty distinguishing between bribes and “legitimate” commissions. It gives as another reason the potential embarrassment of captains of industry “there must be many companies in the United Kingdom and individuals who know that the Government already has information...that could damage their reputations”.52

The Foreign Corrupt Practices Act was introduced in the US in December 1977. Crucially it prohibits payments through third parties – precisely because of the general practice of using agents to keep companies at arms length from bribes. What is astonishing is that despite recognising that it was the only
country to have direct knowledge of payments by companies to agents, and was therefore well aware of the extent of bribery, the UK chose not to follow the US lead in trying to stamp out bribery.

We can feel confident that the arms trade was a key concern in the drawing up of the DTI paper. The evidence for this is the previous examples of knowledge I have cited, and the actions of Sir Frank Cooper in the immediate aftermath of the paper’s preparation (see below). Further, Roeber has convincingly argued that the arms “industry’s share of corruption is grossly disproportionate to its share of trade”, citing a CIA report revealing that the arms trade accounted for 40-45% of total corruption in world trade. The US Department of Commerce reported that “half of all bribes paid between 1994 and 1999 involved defence contracts, despite the fact that arms constitute only 1% of world trade”.53 We know that senior managers in UK arms companies have worked for British intelligence,54 and it is highly likely that many UK arms industry executives have been MI6 “assets”, and thus the UK Government is likely to have drawn similar conclusions.

The follow-up paper to the DTI paper was prepared for a meeting of permanent secretaries on 26 April 1976. It is very similar to the initial DTI one. It stated that “Department of Trade officials do not have direct knowledge of ‘Special Commissions’, but there is a strong impression amongst those concerned, as distinct from hard evidence, that the practice is widespread”. It continued “Export Credits Guarantee Department practice is to insure any commission as part of the overall contract price; they do not enquire whether any part of the commission may be in the nature of a bribe”.55
By 12 April 1976, in the light of the Lockheed revelations in the US and the impending arrest (on 14 April) of Lt Col Randel of the DSO on bribery charges, Permanent Secretary at the MoD, Sir Frank Cooper decided that “in view of the current interest in the subject of special commissions” HDS should be issued with guidelines on the subject. Cooper felt that DSO should avoid directly employing agents and that if they were employed the fees should not be “excessive”. Cooper felt that in a firm-to-government contract “it would be wrong for any MoD official to suggest that improper or unlawful means should be adopted, or knowingly to assist any firm in adopting improper means” (my emphasis). The status quo could continue but anything worse than that was now formally banned. The failure by the MoD and other government departments to put in place any procedures to actually prevent bribery shows that the government was not interested in stopping the practice, however, and that officials were free to ignore obvious signs that bribery was taking place as long as they themselves were not involved – a practice that amounts to complicity. The eventual directive was issued on 9th June 1976 and stated that public money was not to be used for illegal or improper purposes; that officials should not engage in or encourage illegal acts, that DSO should avoid employing agents and if any agent was employed they should be reputable and not demand an “excessive” fee. In other words, private bribery was still acceptable, but public bribery was not. In the MoD critique of the Guardian’s article, it states that these guidelines were “to ensure the legality and propriety in the handling of Government-to-Government contacts at that time”. What it of course fails to mention is that DSO had operated for a decade with guidelines permitting agents within the client government to be employed with no questions asked as to what they did with their money, despite knowing bribery was rife in the arms trade and allowing it to be present (albeit in a “concealed form”) in government-to-government deals, and that it decided to deliberately ignore the substantial private bribery that the Government knew to be occurring. Crucially it allowed agents to be employed by nationalised companies, meaning the taxpayer would still facilitate bribes. Irresponsible behaviour indeed!

In a revealing minute from E G Cass of the MoD to Cooper’s private secretary titled “Post Lockheed”, Cass set out his views on the draft guidelines. Reviewing the suggestions (later implemented) on the use of agents by DSO he said “If these principles are applied I think we could claim to have exercised proper care. If an isolated case came to public notice in which an agent had acted

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improperly we could claim that we had done all that could be expected of us”.  

He was satisfied at procedures which by his own admission could not stop bribery. The fact that Cass was the Director-General of Internal Audit in the MoD at the time speaks volumes for the irresponsibility prevailing in senior official circles.

Shortly after this the Comptroller and Auditor General, Sir Douglas Henley, started corresponding with Cooper about a country among the “rich new oil markets of the Middle East and elsewhere where bribery has for centuries been endemic but which until recently has not emerged as such a striking factor in the international export scene”. The forerunner of BAE Systems, British Aircraft Corporation (BAC), had a contract called Saudi Arabian Air Defence Project (SADAP), where payments for the deals were made via the MoD’s accounts. Henley noted that “consultants’ fees” were likely to exceed £30 million. He noted that of the three criteria MTS’s lawyers had seen as necessary to avoid corruption none had been met, with rates of commission much higher than those paid for Iranian or Kuwaiti contracts; no information provided as to the recipients of the consultants fees; and that a separate confidentiality agreement had been requested for them.  

Cooper stressed that it was a firm-to-government transaction (despite it being run through the MoD accounts) and that he had “sought from BAC assurances at the highest level that the agents to whom the payments are made are reputable companies or individuals; that they (BAC) regard their services as providing an adequate return for the payments which are made to them and, finally, that to the best of BAC’s knowledge the appropriate authorities in the customer Government accept the position of the agents in relation to the contract. I have received assurances in writing accordingly.”  

Replying, Henley noted that the MoD and BAC had to know the recipients of commission to ensure that payments were only made to those the customer was aware of. He continued that the transactions’ “unusual nature and large magnitude are such that Parliament would now expect them to receive very special scrutiny and to be informed of the situation.”  

Cooper replied that the MoD agreed to BAC’s confidentiality request as “a normal commercial precaution” and that “we ourselves have not thought it necessary to know the identity of the recipients” as long as BAC gave assurances and their accounts were certified by auditors. Henley’s reply was that BAC’s auditors did not know the names of the recipients either and that even if commercial auditing standards were still satisfied by this, this was not ideal. Cooper’s parting shot was that “it is accepted Government practice to avoid over extensive enquiries. We must have regard for the risk of unnecessary interference in industry’s business and for placing firms at a disadvantage with their competitors”.  

As a concession Cooper reissued his 1976 directive to HDS. It was amended so that in cases where firms asked for MoD approval for
fees or commissions to be included in the final price, the MoD should obtain assurances from the firm that the agents are reputable, providing “an adequate return” for the payments and “to the best of the firm’s knowledge” the position of the agents should be accepted by the customer Government.65 Cooper’s guidelines again allowed the Government to turn a blind eye to corruption by accepting companies’ word that nothing was wrong at face value. Additionally, as Cooper well knew, MoD approval of specific contract terms was not necessary for most private arms sales.
Protecting corruption: the guidelines in action

The implications of these guidelines for corruption become clear when many of the corruption allegations surrounding the UK arms industry in the last quarter century are examined. In each case the Cooper guidelines functioned to allow the Government to claim innocence and avoid scrutiny of whether bribes took place. Whether bribes were actually paid on each of the deals mentioned it is not possible to know without a full investigation. But the Government’s prior knowledge of a systematic problem gives plausibility to the allegations of corruption in each of the deals, and makes the Government complicit in having deliberately refused (to the present) to put in place any effective procedures to deal with the issue.

Just three years later Cooper found himself before Parliament trying to defend actions that had been taken under his own guidelines. International Military Services (IMS), a publicly-owned company which ceased trading in 1991, was found to have deposited just under half a million pounds into a Swiss bank account as “consultancy” on an arms deal. The MoD told the Public Accounts Committee (PAC) that it did not “condone” bribery, a statement that as we have seen was dishonest. It emerged that, following Cooper’s own guidelines, the MoD had “undertaken not to require IMS to supply documentation relating to the company’s commercial partnerships with third parties”, and as a result Cooper could not be certain whether or not a bribe had been paid. Cooper did however concede that the figure paid was a percentage of the value of the contract.66
Parliamentary scrutiny of the issue of corruption, even when lurid allegations were in the public domain, has been weak. In April 1989 (later Lord) Peter Levene, then Chief of Defence Procurement, was questioned by the PAC. Previously he was Managing Director of United Scientific Holdings (owners of Alvis plc) from 1968-1985 and Chairman 1982-1985. Before a PAC investigation, the then Chairman of the Committee Conservative MP Robert Sheldon asked Levene “are you satisfied that no improper commissions have been paid to United Kingdom citizens?” Levene answered that the MoD were not involved in commissions and that it was a matter for the companies concerned. Leaving aside the weakness of Sheldon’s question which missed the point entirely (the publicity around the Randel case in the late 1970s, which contained lurid accounts of bribes allegedly paid to Shapoor Reporter, a confidant of the Shah of Iran, for a Chieftain tank deal should have alerted Sheldon to the real problem), Levene’s answer is interesting. The witness statement of Nick Prest, until recently Chairman and Chief Executive of Alvis plc shows that Levene was involved in the unsuccessful attempts by Alvis to sell armoured vehicles to Indonesia in the 1980s. The then agent of Alvis, Chan U Seek, was abandoned at the end of the 1980s due to his failure to secure the sale of Alvis vehicles to Indonesia. A new company called PTSK was appointed by Alvis and it was through this company that, according to the Guardian, £16.5 million was paid by Alvis to Suharto’s daughter to secure an armoured vehicle sale to Indonesia in the mid-1990s. It is difficult to regard Levene’s answer as anything but disingenuous – although Chief of Defence Procurement at the time, his background in the arms industry would have left him well experienced of the seedier aspects of the arms trade, aspects he chose not to disclose to Parliament, but instead to hide behind the Cooper guidelines.

The Al-Yamamah allegations, made in the Observer newspaper a month prior to Levene’s testimony, were investigated by the National Audit Office (NAO) on behalf of the PAC. PAC’s Chairman Sheldon refused to publish the NAO’s report into Al-Yamamah in 1992, and it remains secret to this day. Sheldon has said that no improper payments were made by the MoD, no evidence of fraud or corruption was found, and that the deal complied with Treasury accounting rules. All of the above statements are probably true if the SADAP project is anything to go by. It is difficult to believe Sheldon was stupid enough to lie about the findings. There are of course many reasons why the report has stayed secret. What the NAO report almost certainly does reveal is an abject Government failure to ask questions at the time despite extremely dubious
commissions being paid (allegedly up to 30%), and probable evidence of bribery. Instead the report probably reveals how the Cooper guidelines allowed extreme irresponsibility to prevail, with no questions asked but the public being made liable for the deal through the ECGD. To my knowledge no action has been taken as a result of the report.

Scrutiny of the issue has remained weak to this day – in large part due to lack of political will. In a recent report the OECD concluded that although some MPs stressed the “importance of putting in place efficient legislation and institutions in the fight against foreign bribery”, one “MP with significant oversight responsibilities regarding sensitive industries stated, however, that, in his view, bribery in international business transactions was inevitable, and that disallowing it could be dangerous as companies would then not be able to compete on a level-playing field”.69 While there are some irresponsible MPs (and, no doubt, government officials) who continue to believe it is important that UK companies have the right to break the law in order to compete abroad, the Government and arms companies are unlikely to change their behaviour.

Scrutiny has also been poor by UK Government agencies such as the ECGD. Using Indonesia again as the example, the ECGD has recently admitted that when underwriting the sale of armoured vehicle sales in the 1990s referred to above, they underwrote the commission but sought no information at the time about the identity of Alvis’s agents or the purpose to which the commissions were to be put. The ECGD’s only action with regard to the allegations has been to forward them to the police. The ECGD has not even attempted to gain the full court documents in the Chan U Seek vs Alvis Vehicles case, preferring to read the truncated versions on the internet.70 The ECGD stuck to Cooper’s “turn a blind eye” line, even when committing over £100 million of UK taxpayers money to underwriting the deal. The NAO has been able to “establish that ECGD complied with the assessment procedures in force at the time when applications for export cover... were being considered” but that the application forms did not disclose the identities of the agents “in accordance with those procedures”. This underlines Susan Hawley’s demonstration that an “institutional culture has existed within the ECGD of almost completely disregarding corruption as a serious risk factor”.71 The NAO says “ECGD told us that they had no information about the recipients of commission payments in respect of these contracts” (my emphasis). Although, thanks to NGO pressure, the ECGD introduced potentially effective anti-bribery measures in April 2004, they soon backed down in the face of arms company lobbying and had to be taken to Judicial Review to be forced to hold a public consultation about their U-turn.
Who picks up the tab?

There have been many other corruption allegations over the years, in addition to the examples already discussed. The UK taxpayer through the ECGD has been underwriting corruption for decades and the amount of guarantees for arms contracts provided by the ECGD is enormous. Between 1989-90 and 1997-98 £7.379 billion worth of arms sales were underwritten (averaging £819 million a year and a quarter of all ECGD cover issued). Between 1998 and 2001 arms exports received almost half of all ECGD guarantees issued. This has also cost the taxpayer huge sums – the ECGD has made a loss on the “defence” sector in every one of the last 12 years.

Apart from the UK taxpayer who else is paying for corruption in the arms industry and UK Government complicity in it? The answer is the poor in the developing world. As Susan Hawley has written “the World Bank estimates that the Philippines lost a total of $48 billion between 1977-1997 because of corruption. A recent report from the African Union suggests that Africa loses $148 billion a year to corruption. And in Latin America, in countries such as Colombia and Brazil, corruption has been estimated to cost each person some $6,000 a year”. She argues corruption “diverts public expenditure away from areas such as health and education in which bribery returns may be small, to more lucrative sectors such as construction, defence and oil and gas”.
Conclusion

In answer to the question I set myself at the start of this paper – to what extent therefore has the UK Government knowingly supported a corrupt industry? – the documentary evidence so far uncovered shows the UK Government knew all along that the arms industry was riddled with corruption; concealed this knowledge from Parliament and the public; and decided to lavish support on it anyway, underwriting it with UK taxpayers money and paying public officials to promote it. These are not the only negative consequences – Roeber shows that corruption serves to inflate the size of the global arms trade beyond what it would be if purely strategic considerations applied – by underwriting corruption the UK has contributed to an increased level of weapons production and proliferation than otherwise would be the case.

The MoD has deliberately misled MPs into believing it acts with propriety, when in fact it prefers to ignore the issue. The historical record shows the gross irresponsibility of officials who connived at it and, when contemplating in 1976 what to do about it, decided to sweep it under the carpet.

Little appears to have changed since then – corruption allegations continue to surround UK arms deals. The ECGD’s weakening of its anti-bribery procedures in December 2004 following pressure by BAE Systems, Rolls Royce and Airbus shows that government officials are still prepared to take a “see no evil, hear no evil, speak no evil” approach to bribery. The lack of prosecutions for bribery in the UK and the failure of government to put proper resources into investigating bribery allegations continues to send a green light to companies willing to pay bribes abroad. Until organisations such as DESO, ECGD and the Export Control Organisation in the DTI get serious about making sure bribery is investigated and prosecuted, things are unlikely to change. And the Government is unlikely to get serious unless parliament and the public hold them account.
National Archive documents available on the CAAT website

The documents can be found at www.caat.org.uk/information/issues/corruption

Venezuela

1. A 1967 letter from the UK Embassy in Caracas to the Foreign Office saying the “question of bribery” would “almost certainly” arise on Government-to-Government arms sales to the country and asking whether it is acceptable practice in Government-to-Government deals.

2. A reply to the Embassy in Caracas from a senior figure in the Defence Sales Organisation (DSO) in the MoD. It categorically states bribery occurs “day by day” in the arms trade, says DSO turns a blind eye and focuses on achieving sales. It states the role of agents is to pay bribes, encourage unnecessary military spending and that their work is “complementary” to DSO’s.

Indonesia

3. A 1973 cable from the Naval Attaché in Jakarta to the MoD. It notes an Indonesian Admiral’s visit to London has been cancelled to protect a “mark up which would presumably be shared among people in high places in Jakarta” (of around £2.25 million in current prices) on an arms sale from the UK to Indonesia.

4. Another 1973 cable from the Defence Attaché in Jakarta to the MoD reveals Embassy suspicion that the Indonesian Defence Attaché is trying to arrange a “source of supply” on a sale of 30mm ammunition to Indonesia “which will give him a cut”.

High-level discussions on corruption

5. A DTI briefing paper lays out with startling frankness high-level Government knowledge of corruption in deals by UK companies overseas. It shows how the Government had knowledge of dubious commissions through Exchange Control and that the ECGD backed such deals with public money. It rejects unilateral action on the issue.
Guidelines on the use of agents in arms sales

6. The first guidelines in 1967 on the Defence Sales Organisation’s use of agents in arms deals. Note the rules did not preclude the employment of those inside the client government as agents, and no questions had to be asked about what activities the agents undertook.

7. The guidelines of June 1976 issued by MoD Permanent Secretary Sir Frank Cooper. The guidelines ban the use of agents by DSO, but permit it by nationalised and private companies, and do not require MoD officials to ask any questions about the activities of agents employed in the deals they were promoting.

8. The amended guidelines of August 1977 issued by Sir Frank Cooper require the MoD to gain “assurances” from firms who want to pay commissions to agents on deals taking place under a Government-to-Government umbrella. No further scrutiny about the activities of agents employed is required.

More dodgy deals

9. A 1976 letter from BAC (the nationalised forerunner to BAE Systems) to Sir Shapoor Reporter (via the Head of Defence Sales in the MoD) thanking him for his assistance on a Rapier sale to Iran. At a 1977 trial one of the defendants implicated Reporter in corruption.

10. Another 1976 letter shows Sir Shapoor Reporter also had links with Marconi.

11. A 1967 letter from the MoD announcing the appointment of a Dutch agent to the Treasury. Although the Treasury civil servants appear to believe the agent is Prince Bernhard (later removed from public duties after having allegedly requested millions in commission from Lockheed on the Dutch purchase of F-104 Starfighter aircraft), they endorse the appointment.
Notes

TNA refers to The National Archives

5. Guardian, 8th, 9th, 10th, and 11th December 2004.
9. There is still a lack of clarity about whether bribery of foreign officials was actually illegal under UK laws before the Anti-terrorism, Crime and Security Act was passed in 2001. The Government were forced to add anti-bribery provisions to the Act folloiwng searing criticism from the OECD that bribery of foreign officials may not actually be illegal in the UK
15. TNA: AVIA 65/1670 Minutes of Permanent Secretary’s meeting, 14th July 1965.
17. The Politics of British Arms Sales Since 1964, op cit, p64.
19. TNA: FCO 49/542 Minute from J.E. Cable, FCO to Private Secretaries to Ennals, Hattersley and Goronwy Roberts, 15th May 1974.
21. TNA: FCO 46/190 Derek Brinson to Leonard Figg, Defence Department, FCO 18th January 1967.
22. TNA: FCO 46/190 H.R.Hubert to Derek Brinson, 2nd February 1967.
23. TNA: FCO 46/190 Leonard Figg to Derek Brinson, 22nd February 1967.
25 TNA: FCO 49/542 Minute from J.E.Cable, FCO to Private Secretaries to Ennals, Hattersley and Goronwy Roberts, 15th May 1974.
27 For example see TNA: FCO 7/1336 Memo from C.D.Wiggin to Lord Chalfont, 7th November 1969.
28 TNA: FCO 7/1706 Minute from C.D.Wiggin to Robert Tesh, Defence Department, FCO, 9th June 1970.
31 From The National Archives catalogue.
32 TNA: T 225/2918 Letter from Cyril Hewertson, DS13, MoD to John Patterson, HM Treasury, 4th May 1967.
33 The Politics of British Arms Sales Since 1964, op cit, p87.
35 The Arms Bazaar, op cit, p123.
36 TNA: PJ 1/43 Draft Letter from Sir Frank Cooper to Sir Douglas Henley, October 1976.
37 Statement of Nicholas Martin Prest, Chan U Seek vs Alvis Vehicles Ltd, paragraph 35.
38 TNA: PJ 1/43 Draft Letter from Sir Frank Cooper to Sir Douglas Henley, October 1976.
39 The Politics of British Arms Sales Since 1964, op cit, p89.
40 Ibid.
41 The Politics of British Arms Sales Since 1964, op cit, p238.
42 The Politics of British Arms Sales Since 1964, op cit, p237.
43 TNA: PJ 1/43 Letter from Sir Douglas Henley to Sir Frank Cooper, 1 September 1976.
45 PJ1/43 Minute from M W Hunt, Department of Trade, to Mr Hodgkiss, Department of Trade, 3 November 1976.
48 The Politics of British Arms Sales Since 1964, op cit, p89.
52 TNA: DEFE 68/147 Paper enclosed with letter from Robin Gray, DTI to J.E.Herbecq, Civil Service Department, 20th April 1976.

54 One of the reasons for the collapse of the 1992 trials of Paul Henderson, Chief Executive and Managing Director of Matrix Churchill and Mark Gutteridge, Matrix Churchill’s Export Sales Manager, charged with breach of export controls, was that they had been informants for British intelligence.


56 TNA: DEFE 68/110 Memo from J F Howe, Private Secretary to Sir Frank Cooper to Deputy Under Secretary (FB), 4th May 1976.


58 TNA: DEFE 68/147 Minute from E G Cass to Private Secretary to Sir Frank Cooper, 14 April 1976.


60 TNA: DEFE 68/110 Letter from Sir Frank Cooper to Sir Douglas Henley, 2nd May 1977.


64 TNA: DEFE 68/110 Letter from Sir Frank Cooper to Sir Douglas Henley, 10th August 1977.


70 Letter from ECGD to Dr Susan Hawley, The Corner House, 23 March 2005.


73 See *Turning a Blind Eye: Corruption and the UK Export Credits Guarantee Department*, op cit, p24.

74 See *Turning a Blind Eye: Corruption and the UK Export Credits Guarantee Department*, op cit, p17–18.
CAAT was set up in 1974 and is a broad coalition of groups and individuals working for the reduction and ultimate abolition of the international arms trade, together with progressive demilitarisation within arms-producing countries.

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