

# Info for BAE's 2011 AGM

This document provides information about some of the areas of BAE's business that give cause for concern. The information provides notes and quotes that might be of interest and use, rather than attempting to provide a full-blown analysis of BAE.

Note

Referencing of BAE Annual Report: "BAE AR26", for example, refers to page 26 of BAE's Annual Report 2011

## Contents

<b>Global Sales</b>		2
	Home markets	2
	Saudi Arabia	2
	India	3
	Libya	4
	Israel	4
	Taking responsibility, in BAE's words	5
<b>Corruption</b>		5
	Tanzania sentence, December 2010	6
	"The legacy, the historical issues"	6
	Ongoing problems	8
<b>Political Influence</b>		9
	Impact of the influence	9
	Perpetuating the influence	9
<b>A UK Company?</b>		11
<b>Wasted skills</b>		12
<b>Some of its weaponry</b>		14

# GLOBAL SALES

BAE's arms are sold indiscriminately around the world. The company has military customers in over 100 countries and around 95% of its sales are military.<sup>1</sup> Its focus over the past few years has been on increasing sales to the US, specifically targeting equipment for the conflicts in Afghanistan and Iraq, and supplying Eurofighters and other arms to the Saudi Arabia regime.

BAE routinely supplies countries the UK Foreign Office Human Rights report considers as having "the most serious wide-ranging human rights concerns."

## Home markets

*BAE AR14-15 - "Our business is focused on the defence and security markets, and our home market investments in Australia, India, Saudi Arabia, the UK and the US. Sweden and South Africa are no longer viewed as home markets, but remain an important part of the Group's Land & Armaments business.*

*The home markets in which the Group operates have been refined on the basis of strategic alignment, market materiality, financial and risk profile, and the presence of a sustainable business. The Group will continue to look for additional home markets, and its current focus is on markets in South America and Asia."*

## Saudi Arabia

Saudi Arabia is classified as having serious wide ranging human rights concerns by the UK Foreign & Commonwealth Office's Annual Report on Human Rights (2010).<sup>2</sup> The Saudi regime is also in an armed conflict with Yemeni al-Houthi rebels.<sup>3</sup>

Saudi Arabia is one of BAE's big three markets and has been the focus of its export activities for decades. As part of the Al-Yamamah deal BAE Systems provided military equipment including Tornado and Hawk jets (and maintenance) from the mid-1980s. In 2007 BAE signed a deal to sell Saudi Arabia 72 Eurofighter Typhoons in a £4.4 billion deal called The Salam ("peace") Project.

Although the headlines of BAE's relationship with Saudi Arabia is dominated by fighter aircraft, BAE also provides a wide range of other arms to the country. This includes the Tactica armoured vehicles which were used by Saudi Arabian forces to assist the regime in Bahrain to suppress dissent (see below).

### BAE Annual Report on Saudi Arabia

*BAE AR27, Saudi Arabia section - "Outlook: Regional tensions combined with enduring high oil prices result in robust budgets and increasing opportunities."*

*BAE AR73 - "The Group seeks to sustain its long-term presence in the Kingdom of Saudi Arabia through delivering current programmes and industrialisation, and developing new business in support of all Saudi military and paramilitary forces."*

### Saudi Tactica armoured vehicles to Bahrain

---

1 [www.defensenews.com/static/features/top100/charts/rank\\_2009.php?c=FEA&s=T1C](http://www.defensenews.com/static/features/top100/charts/rank_2009.php?c=FEA&s=T1C)

2 [fcohrdreport.readandcomment.com/human-rights-in-countries-of-concern/](http://fcohrdreport.readandcomment.com/human-rights-in-countries-of-concern/)

3 Heidelberg conflict barometer 2010 – p.76 [www.hiik.de/en/konfliktbarometer/pdf/ConflictBarometer\\_2010.pdf](http://www.hiik.de/en/konfliktbarometer/pdf/ConflictBarometer_2010.pdf)

BAE AR73 - "All 200 Tactica land vehicles have been delivered to the Saudi Arabia National Guard. In 2010, 157 vehicles were accepted by the customer and entered into service. The remaining 43 vehicles are expected to be accepted in the first quarter of 2011. The business continues to support these vehicles in accordance with a separate contract"

Jane's Defence Weekly 23.3.2011 - "A Saudi-led brigade arrived in the Bahrain capital Manama on 14 March to assist in the dispersal of mostly Shia protesters seeking to overthrow the ruling Sunni monarch in the tiny Gulf state... Jane's analysis of the images broadcast from Bahrain has determined that the vehicles being used by the Saudi forces are UK BAE Systems Global Combat Systems Tactica internal security vehicles. These provide the crews with protection from small arms fire and hand grenades but not improvised explosive devices. A total of 216 were ordered in late 2006, but not for the Saudi army. They are armed with 7.62mm or sometimes .50 machine guns."

Saudi aircraft used against Yemen rebels in late 2009-early 2010

Amnesty International report 25.8.2010<sup>4</sup> - "Foreign governments especially the UK and US governments have supplied jet fighter aircraft, associated weaponry, upgrades and related technical assistance to Saudi Arabia. Such governments have provided a high level of ongoing in-country technical support relating to the operation of those fighter jets, their ordnance and management, so their personnel on the ground are likely to be aware that, during the period of attacks in Yemen, Saudi Arabian aircraft departed from bases carrying visible ordnance, returning later with empty pylons. These governments will now be aware of the allegations that Saudi Arabian aircraft carried out indiscriminate attacks and other violations of international humanitarian law that resulted in deaths of Yemeni civilians."

Amnesty International 25.8.10<sup>5</sup> - "Amnesty arms experts believe it extremely likely that the Saudi air force deployed UK-supplied [BAE supplied] Tornado fighter-bombers in the strikes and is calling for the UK government to urgently investigate the matter and meanwhile suspend any further arms supplies to Saudi Arabia."

## India

BAE on India

BAE AR73 - "In India, BAE Systems plans to develop its home market strategy through existing and, if appropriate, additional joint ventures and partnerships to address the future requirements of the Indian armed forces, in new product and support activities."

BAE website<sup>6</sup> - "BAE Systems has been a partner with Indian Industry for over 50 years. Aircraft have led the industrial relationship, with the Jaguar, Harrier, and most recently, Hawk aircraft being built or undergoing final assembly in-country. BAE Systems now offer the opportunities for further collaboration in Land and Naval Systems."

Eurofighter Typhoon

BAE news release<sup>7</sup> - "Underlining its commitment to Typhoon, BAE Systems will continue its vigorous support of the Typhoon bid for the Medium Multi Role Combat Aircraft (MMRCA) programme at Aero India that starts February 9th in Bangalore. As well as the leadership of BAE Systems India, the company will bring the

4 [www.amnesty.org/en/library/asset/MDE31/010/2010/en/da8bd0cc-37ab-4472-80b3-bcf8a48fc827/mde310102010en.pdf](http://www.amnesty.org/en/library/asset/MDE31/010/2010/en/da8bd0cc-37ab-4472-80b3-bcf8a48fc827/mde310102010en.pdf)

5 [www.amnesty.org.uk/news\\_details\\_p.asp?NewsID=18958](http://www.amnesty.org.uk/news_details_p.asp?NewsID=18958)

6 [www.baesystems.com/WorldwideLocations/Regions/India/](http://www.baesystems.com/WorldwideLocations/Regions/India/)

7 [www.baesystems.com/India/NewsReleases/india\\_nr\\_7/index.htm](http://www.baesystems.com/India/NewsReleases/india_nr_7/index.htm)

*largest and most senior team ever to the biennial event, including; Alan Garwood, Group Business Development Director; Guy Griffiths, Group Managing Director International; and former UK Chief of the Air Staff, Air Chief Marshall Sir Glenn Torpy (retd), BAE Systems' Senior Military Advisor."*

## Artillery sales

BAE AR31 - *"In land, India is trialling the M777 howitzer in advance of a potential purchase and further opportunities exist to sell FH77-B05 artillery."*

Jane's International Defence Review, June 2010 - *"India's Ministry of Defence has approached the US government to acquire via the foreign military sales route 145 BAE Systems M777 155 mm 39-calibre lightweight howitzers with SELEX Laser Inertial Artillery Pointing Systems valued at USD647 million. These lightweight howitzers would equip the army's two new mountain divisions presently being raised for deployment along the northeastern Chinese frontier."*

## Libya

### Guy Griffiths, MBDA and anti-tank missiles

In May 2007 the Prime Minister Tony Blair visited Libya and signed an Accord on a Defence Cooperation and Defence Industrial Partnership. He was accompanied by Guy Griffiths of MBDA (37.5% owned by BAE). Following from the agreements signed, MBDA was awarded a \$218m contract for anti-tank guided missiles.<sup>8</sup> The *Times* (13.9.2009)<sup>9</sup> reported that "during the talks, Libya also spoke with MBDA about its intention to buy surface to air missiles, a deal which would have been worth at least £200m but later fell through."

Guy Griffiths has been at BAE/MBDA for the past 30 years and is now BAE Group Managing Director and a member of BAE's Executive Committee (BAE AR13). He has responsibility for BAE's interests in MBDA.

### Armoured vehicles

World Tribune 6.3.2011<sup>10</sup> - *"Officials said the Defense Department had been approaching the signing of a deal to sell 50 armored personnel carriers to Libya. They said the Pentagon deal, estimated at \$77 million, was to have been contracted to BAE Systems and Turkey's Nurol.... The project was reportedly canceled in late February amid the revolt in Libya. Officials said congressional leaders had demanded the end of export plans by the State Department."*

## Israel

### Joint Strike Fighter / F-35

Israel has ordered the Joint Strike Fighter<sup>11</sup> - a Lockheed Martin aircraft with "principal industrial partners" BAE Systems and Northrop Grumman. The JSF/F-35 is seen as the global replacement for the F-16.

### CS gas

<sup>8</sup> Jane's Defence Weekly, 8.8.2007

<sup>9</sup> [www.timesonline.co.uk/tol/news/uk/scotland/article6832402.ece](http://www.timesonline.co.uk/tol/news/uk/scotland/article6832402.ece)

<sup>10</sup> [www.worldtribune.com/worldtribune/WTARC/2011/ss\\_military0247\\_03\\_08.asp](http://www.worldtribune.com/worldtribune/WTARC/2011/ss_military0247_03_08.asp)

<sup>11</sup> [www.lockheedmartin.com/news/press\\_releases/2010/101007ae\\_f35\\_israeli-next-gen.html](http://www.lockheedmartin.com/news/press_releases/2010/101007ae_f35_israeli-next-gen.html)

Defence Technology of Casper, Wyoming is owned by BAE Systems.<sup>12</sup> It manufactures and sells “aerosol sprays, speciality impact munitions and crowd management products”.

It has been reported by the “progressive Jewish” news website Mondoweiss that one of Defence Technology’s customers is the Israeli Army, and that the Stinger, a Defence Technology tear gas grenade, has been used in the West Bank.<sup>13</sup> [note, this is the only source found for this information]

According to Defence Technology,<sup>14</sup> the Stinger is designed to, “*psychologically and physiologically maximize less-lethal force against the most stubborn of crowds, the Stinger® rubber ball grenade offers the multiple stimulus of light, sound, rubber pellets and optional CS or OC chemical agents.*”

## Taking responsibility, in BAE's words

*BAE AR 11 - “During the year, a major focus has been on embedding a culture of Responsible Behaviour across the business.”*

*BAE AR15 – Values: “Trusted*

*We deliver on our commitments:*

- We are honest and take responsibility*
- We can be relied upon*
- Everyone matters”*

# CORRUPTION

In 2004, following compelling evidence in the media, the UK’s Serious Fraud Office (SFO) began investigating BAE deals with countries including Saudi Arabia, South Africa, Tanzania and the Czech Republic. However, in 2006 Tony Blair quashed the investigation by the Serious Fraud Office into BAE’s multi-billion pound – and corruption-riddled – deals with Saudi Arabia, one of the world’s most authoritarian regimes. However, a US Department of Justice (DoJ) investigation into multiple deals including those with Saudi Arabia, continued,

In early 2010, the DoJ agreed a plea bargain with BAE. The company was sentenced “to pay a \$400 million criminal fine, one of the largest criminal fines in the history of DOJ’s ongoing effort to combat overseas corruption in international business and enforce U.S. export control laws.”<sup>15</sup> This covered corruption on arms deals with Saudi Arabia, the Czech Republic and Hungary, although BAE only had to admit to making false statements in regulatory filings.

The SFO was left with, as Private Eye<sup>16</sup> referred to it, “the crumbs of a £30m settlement over BAE's

12 BAE Systems – Brands – Defence Technology,

[www.armorholdings.com/products/group/brands/defense\\_technology.aspx](http://www.armorholdings.com/products/group/brands/defense_technology.aspx)

13 Mondoweiss, 1.1.2011, [mondoweiss.net/2011/01/the-teargas-grenades-that-killed-jawaher-abu-rahmah-were-most-likely-made-in-the-usa.html](http://mondoweiss.net/2011/01/the-teargas-grenades-that-killed-jawaher-abu-rahmah-were-most-likely-made-in-the-usa.html)

14 [www.defense-technology.com/products.aspx?pid=1088](http://www.defense-technology.com/products.aspx?pid=1088)

15 [www.justice.gov/opa/pr/2010/March/10-crm-209.html](http://www.justice.gov/opa/pr/2010/March/10-crm-209.html)

16 Private Eye, 1.4.2011

corrupt Tanzanian radar system contract.” In this instance, BAE only had to admit to false accounting.

## Tanzania sentence, December 2010

The sentencing hearing at Southwark Crown Court on 20 December was told that BAE used to have “overt” and “covert” agreements with its advisers. These included, for the Tanzania deal, Shailesh Vithlani. He received a total of \$12.4 million from BAE – 1 per cent of the contract price direct from the company for his “overt” work, and a rather more lucrative 30 per cent for his “covert” work, which reached him via two offshore companies. The first, owned by BAE, passed the money to the second, owned by Vithlani.

The clearly unhappy Judge, frustrated by the “plea agreement”, repeatedly pressed the SFO and BAE’s lawyers about the \$12.4 million. His sentencing remarks make it clear that BAE was making the payments to Vithlani “with the intention that he should have free rein to make such payments to such people as he thought fit in order to secure the Radar Contract for the defendants, but that the defendants did not want to know the details.”

As reported by the *Guardian* 21.12.2010<sup>17</sup>:

*“A judge has declared he was 'astonished' at claims that BAE Systems, Britain's biggest arms firm, had not acted corruptly when its executives made illicit payments to land an export contract.*

*Mr Justice Bean said it was 'naive in the extreme' to believe that a 'shady' middleman who handed out the covert payments was simply a well-paid lobbyist.*

*The judge concluded that BAE had concealed the payments so that the middleman had free rein to give them 'to such people as he thought fit' to secure the contract for the company. BAE did not want to know the details, he added.”*

The *Guardian* goes on to say that the judge “pointed out that no individual was prosecuted, even though the payments were deliberately hidden by BAE’s executives and the use of the middleman was ‘personally approved’ by its then chairman, Sir Richard Evans.”

As reported by BAE:

*BAE AR7 - “In February 2010, the Company announced a global settlement of certain regulatory investigations with the US Department of Justice (DoJ) and the UK Serious Fraud Office (SFO), including an agreement with the SFO which provided for a payment of £30m for the benefit of the people of Tanzania less any penalty imposed by the Court in connection with the agreed basis of settlement. A penalty of £500,000 (together with costs of £225,000) was imposed by the Court in December 2010. The remaining balance of £29.5m (together with interest) will be applied by the Company for the benefit of the people of Tanzania in accordance with the applicable Company policies, including those relating to business conduct and the making of charitable contributions.”*

The judge's full sentencing statement is available at: [www.caat.org.uk/issues/bae/r-v-bae-sentencing-remarks.pdf](http://www.caat.org.uk/issues/bae/r-v-bae-sentencing-remarks.pdf)

## “The legacy, the historical issues”

BAE and its apologists have systematically portrayed the corruption investigations as relating to ancient matters. “Historic” crops up frequently. An example is chairman Dick Olver's comments to the BBC following the plea bargain settlements:

---

<sup>17</sup> [www.guardian.co.uk/world/2010/dec/21/bae-fined-illicit-payments-middleman](http://www.guardian.co.uk/world/2010/dec/21/bae-fined-illicit-payments-middleman)

*"We're satisfied with that global settlement,' said chairman Dick Olver. 'It allows us to draw a very heavy line under the legacy, the historical issues. We're obviously pleased to see uncertainty removed for our shareholders.'" <sup>18</sup>*

The crimes certainly happened in the past (those yet to happen are outside the SFO's remit), but they are not remotely historical in the sense that BAE tries to convey:

The Tanzania payments continued up to December 2005. That is, <sup>19</sup> **after** the SFO investigation started and **after** Dick Olver became chairman of BAE.

The DoJ case relating to Saudi Arabia, the Czech Republic and Hungary covered offences "continuing to at least 2002"<sup>20</sup>

## Who was around at the time?

On the board in 2005

- Dick Olver became chairman in July 2004
- George Rose joined the board in April 1998, and has just retired (31 March 2011)
- Michael Hartnall joined the board in 2003
- Peter Mason joined the board in 2003
- and Roberto Quarta joined the board in 2005.

Ian King

The present Chief Executive joined the board in 2007 but has been senior within BAE for more than a decade having been appointed to the post of Group Managing Director for Customer Solutions & Support (CS&S) at the start of 2001.<sup>21</sup> Customer Solutions & Support was responsible for the Saudi Al Yamamah programme.

Dick Evans

Dick Evans, architect of the Al Yamamah deal, chief executive of BAE from 1990-1998 and then chairman until July 2004, was in charge of BAE through the period under most intense investigation. He was interviewed by the SFO in 2005, though was released without charge.

There is no doubt that activities being claimed as "historic" would have taken place under Dick Evans watch. However, he remained with BAE until after the 2010 plea-bargain:

*BAE AR118 - "Sir Richard Evans retired as a director and Chairman on 30 June 2004. He remained employed in a part-time customer relationship role and ceased to be an employee on 29 February 2008. He subsequently became a member of the Company's Home Market Advisory Board for Saudi Arabia of which he ceased to be a member on 28 February 2010 upon the expiry of his contract. His consultancy fees in 2010 for the period of time he spent in the role of a member of the Home Market Advisory Board were £47,000 (2009 £246,954)."*

An additional snippet from Dick Evans in the *Telegraph*, 14.6.2010<sup>22</sup> - *"Karim Massimov, Kazakhstan's prime minister, has left it to the plain-spoken former BAE Systems chairman to sum up the Kazakhstan Investment Summit. 'As a guy who's spent most of his career*

18 [news.bbc.co.uk/1/hi/business/8501689.stm](http://news.bbc.co.uk/1/hi/business/8501689.stm)

19 [www.caat.org.uk/issues/bae/bae-opening-statement-20.12.10.pdf](http://www.caat.org.uk/issues/bae/bae-opening-statement-20.12.10.pdf)

20 [www.justice.gov/criminal/pr/documents/03-01-10BAE-information.pdf](http://www.justice.gov/criminal/pr/documents/03-01-10BAE-information.pdf)

21 [www.baesystems.com/AboutUs/CompanyStructure/Leadership/IanKing/index.htm](http://www.baesystems.com/AboutUs/CompanyStructure/Leadership/IanKing/index.htm)

22 [www.telegraph.co.uk/finance/comment/7824856/Former-BAE-boss-Sir-Dick-Evanss-other-home-is-in-Kazakhstan.html](http://www.telegraph.co.uk/finance/comment/7824856/Former-BAE-boss-Sir-Dick-Evanss-other-home-is-in-Kazakhstan.html)

***in the aerospace and defence industry, I know a lot about corruption,' says Sir Dick. 'I'm probably better qualified than a lot of people to talk about it. I think it will increasingly become a barrier into investment, not just into Kazakhstan, but in other developing countries.'***

*Given the bribery allegations that dogged his final days at BAE, it's a bold topic. But here, Sir Dick can get away with pretty much anything. At home he may be a faded titan of British industry, but in Kazakhstan, he's the leading foreign courtier to President Nursultan Nazarbayev."* [emphasis added]

## Julian Scopes

Julian Scopes worked for the MoD for 20 years then, in 1997, became Regional Managing Director Europe. In July 2003 he became BAE's Head of Government Relations and UK Business Development (leading UK lobbying efforts<sup>23</sup>) and in September 2008 he was appointed President of BAE Systems India.<sup>24</sup>

The next month he was interviewed by the SFO. As the *Financial Times* (23.10.2008<sup>25</sup>) reported - "Mr Scopes, 55, was interviewed as part of an SFO probe into a suspected conspiracy to bribe people in high positions over arms deals in countries including Austria and the Czech Republic, people close to the matter said.

*Mr Scopes - a former regional managing director for Europe for BAE - declined to comment. The SFO declined to comment on Mr Scopes but said a 55-year-old man was arrested and interviewed on Sunday on suspicion of corruption, before being released on police bail to appear next year."*

Clearly any "history" involving Julian Scopes was of little concern to BAE. On his appointment to the BAE India post in 2008, Ian King stated "*Julian will prove invaluable to the strategic development of BAE Systems in India. Appointing someone of Julian's calibre and seniority is an indication of our determination to rapidly develop our presence and partnerships in India successfully for all concerned."*<sup>26</sup>

Scopes no longer appears to be in that role, but it is unclear what role he now holds or, indeed, if he is with BAE.

## Ongoing problems

### Investigation into BAE's auditor

While the investigation of BAE is at an end, that of its auditor has started. The Accountancy & Actuarial Discipline Board announced in October 2010 that it was looking at the conduct of KPMG Audit plc as BAE's auditor "*from 1997-2007 in relation to the commissions paid by BAE through any route to subsidiaries, agents and any connected companies. Also any other professional advice, consultancy or tax work provided to BAE by KPMG between those dates in respect of (i) commission payments paid by BAE and (ii) the status, operation or disclosability of Red Diamond Trading Ltd., Poseidon Trading Investments Ltd. and Novelmight Ltd "*<sup>27</sup>

### Possible debarment of BAE from exporting US arms

BAE Systems may face serious restrictions on its operations as the US State Department is considering debarment. The threatened curb on the export of US equipment comes after the company's 2010 admission of conspiracy to violate US arms-export laws. Such a move

23 [www.prweek.com/news/184846/BAE-appoints-Scopes-crucial-UK-lobbying-post/?DCMP=ILC-SEARCH](http://www.prweek.com/news/184846/BAE-appoints-Scopes-crucial-UK-lobbying-post/?DCMP=ILC-SEARCH)

24 [www.baesystems.com/Newsroom/NewsReleases/autoGen\\_10881105125.html](http://www.baesystems.com/Newsroom/NewsReleases/autoGen_10881105125.html)

25 [www.ft.com/cms/s/0/a57398f8-a099-11dd-80a0-000077b07658.html#axzz1KfQI4eq9](http://www.ft.com/cms/s/0/a57398f8-a099-11dd-80a0-000077b07658.html#axzz1KfQI4eq9)

26 [www.baesystems.com/Newsroom/NewsReleases/autoGen\\_10881105125.html](http://www.baesystems.com/Newsroom/NewsReleases/autoGen_10881105125.html)

27 [www.frc.org.uk/aadb/press/pub2407.html](http://www.frc.org.uk/aadb/press/pub2407.html)



would come as a great blow to BAE's non-US business although any penalty on BAE Systems plc would not affect the US operation BAE Inc.<sup>28</sup>

## POLITICAL INFLUENCE

Although arms companies are not particularly large by international business standards – BAE, one of the world's three largest arms producers, is ranked 398th in the FT Global 500 – they are incredibly powerful due to their political connections. A complex web of relationships between arms companies and government means that policy-making is distorted in favour of arms company interests.

### Impact of the influence:

- It helps ensure unquestioning Government support for arms exports. In the midst of the brutal suppression of protest in the Middle East, Prime Minister David Cameron chose to go ahead with an arms promotion tour of Egypt, Kuwait, Qatar and Oman. He clearly wasn't to be dissuaded by ethical concerns, appropriateness, or even the PR accident-waiting-to-happen. The delegation included arms company bosses including BAE chief executive Ian King.<sup>29</sup> A similar tour to India last year saw BAE sell 57 Hawk jets to India in the headline deal of a David Cameron-led trade delegation.
- It means that the needs of arms companies are disproportionate in procurement decisions. This was most painfully apparent in last year's aircraft carrier debacle - there is no doubt that if the contracts hadn't been so lop-sided in BAE's favour at least one of the carriers would have been cancelled. And, in the past few days, the programme has become substantially more expensive.<sup>30</sup>
- It can lead to the undermining of UK institutions. The ending of the BAE-Saudi SFO investigation in 2006 is a blatant example.
- It reinforces the view of national security as being a military matter. This undermines UK security both through the impact of arms sales and military interventions but also through the marginalising of major, non-military, security threats such as climate change, energy insecurity and inequality.

### Perpetuating the influence

Arms company, and especially BAE, influence is felt via a plethora of mechanisms. There are, of course, high-level advisory bodies such as the National Defence Industries Council (see below), but at least as important is the mesh of day-to-day connections. These include procurement relationships, arms export relationships (such as through the Government's dedicated arms sales unit: UK Trade &

---

28 Financial Times, 7.3.2011, The Register 7.3.2011 [www.theregister.co.uk/2011/03/07/bae\\_faces\\_state\\_debarment/](http://www.theregister.co.uk/2011/03/07/bae_faces_state_debarment/)

29 [www.independent.co.uk/news/uk/politics/cameron-attacked-for-egypt-visit-with-defence-sales-team-in-tow-2221695.html](http://www.independent.co.uk/news/uk/politics/cameron-attacked-for-egypt-visit-with-defence-sales-team-in-tow-2221695.html)

30 The BBC, 28.4.2011, has reported that “The firms building the Royal Navy's two new aircraft carriers say the cost has risen by at least £1bn and possibly almost £2bn” ([www.bbc.co.uk/news/uk-13218582](http://www.bbc.co.uk/news/uk-13218582))

Investment's Defence & Security Organisation and its "Trade Ambassador" Prince Andrew), lobbying company efforts, and personnel contacts not least via the "revolving door".

### **Revolving door**

The 'revolving door' provides a steady stream of government ministers and officials to companies, whose contacts and influence can then be tapped. Two high-profile examples in recent months are:

February 2011 - **Sir Sherard Cowper-Coles**, former UK envoy to Saudi Arabia, has been hired by BAE Systems. Cowper-Coles left the Foreign Office last October. This February he took up post as BAE's international business development director, focusing on the Middle East and south-east Asia. According to a US cable given to WikiLeaks, Cowper-Coles "had a profound effect" on the decision of the Serious Fraud Office (SFO) to end the investigation into BAE's Al-Yamamah arms deal.<sup>31</sup>

January 2011 - **Air Chief Marshal Sir Glenn Torpy**, in charge of the Air Force from April 2006 until July 2009, has become a senior adviser at BAE Systems. Just before leaving the Air Force Torpy endorsed the controversial Eurofighter Typhoon, the contract for which is held by BAE.<sup>32</sup>

### **National Defence Industries Council (NDIC)**

The NDIC is "the most senior forum for consultation between the Government and industry on defence matters".<sup>33</sup> At their June 2010 meeting, 13 senior arms industry figures (and one trade union representative) had access to 16 top-level government people including the Defence Secretary Liam Fox and three other ministers.

The industry participation in the NDIC is drawn from the Defence Industries Council which is chaired by BAE's chief executive Ian King.

---

31 Guardian 18.2.2011; Telegraph 18.2.2011 & 12.3.2011

32 Private Eye, 4.2.2011

33 [www.mod.uk/DefenceInternet/AboutDefence/CorporatePublications/FinanceandProcurementPublications/MinutesOfTheNationalDefenceIndustriesCouncilIndic.htm](http://www.mod.uk/DefenceInternet/AboutDefence/CorporatePublications/FinanceandProcurementPublications/MinutesOfTheNationalDefenceIndustriesCouncilIndic.htm)

# A UK COMPANY?

BAE is now an international company with five "home markets". The largest of these is the **US**, followed by the **UK**. The others are **Saudi Arabia, Australia** and **India**. BAE's 2010 Annual Report states that it continues to look for further home markets, focusing on South America and Asia.

Despite the frenetic waving of the union jack by BAE, it is entirely unrealistic to expect BAE and its international shareholders to prioritise any one country's armed forces over those of another on anything other than financial grounds. BAE should not be granted influence and contracts on the basis of it being a "national champion".

BAE AR138 – asset location (Carrying value of non-current assets), 2010, £m

United States	10,022
United Kingdom	2,582
Rest of Europe	1,105
Saudi Arabia	734
Asia and Pacific	621
Africa, Central and South America	31

BAE AR139 – customer location, 2010 sales, £m

United States	10,129
United Kingdom	4,306
Saudi Arabia	3,186
Rest of Europe	2,793
Australia	1,028
Rest of Asia and Pacific	339
Africa, Central and South America	317
Rest of Middle East	217
Canada	77

BAE AR20 - Employment numbers (excluding those in equity investments/joint ventures)

United States	39,200
United Kingdom	38,400
Australia	5,700
Saudi Arabia	5,300

## Moving to the US?

There has been talk of BAE relocating to the US for years. A recent comment was from Forbes 9.11.2010<sup>34</sup> -

*"The special relationship that BAE Systems has with the Pentagon gives it access that other European defense companies will probably never enjoy. But it also raises a question: if Linda Hudson succeeds in growing her part of the company even as military demand contracts sharply in Europe, will it still make sense for the company to be headquartered in the United Kingdom? With America likely to provide most of the parent company's revenues in the years ahead, it may be only a matter of time before BAE Systems executives decide to move their headquarters where the money is."*

---

34 [blogs.forbes.com/beltway/2010/11/09/british-based-bae-systems-shifts-u-s-strategy/](http://blogs.forbes.com/beltway/2010/11/09/british-based-bae-systems-shifts-u-s-strategy/)

# WASTED SKILLS

The Government and BAE use 'jobs' to justify indiscriminate arms selling because it is the one justification that the UK public is inclined to accept.

BAE does employ many workers with valuable skills. But this is not an argument for continuing to throw public money at the company, but rather one for funding areas that will make a beneficial use of these skills. The money should be being spent on projects that genuinely benefit the security and economy of the country, with the most obvious candidate being renewable energy technologies.

## **The bottom line is that BAE's workers are paid for by taxpayers**

Procurement is directly funded by taxpayers.

BAE makes great play of its high-tech work and its Research and Development, but in 2010 80% of this was funded directly by "customers", i.e. governments (BAE AR35 – 2010 R&D expenditure was £1,298, of which £270 was funded by the Group.)

Arms exports are subsidised. In the words of the *Financial Times*' Alan Beattie (10.8.2010)<sup>35</sup>, "You can have as many arms export jobs as you are prepared to waste public money subsidising."

## **Spending public money on areas other than arms will create at least equivalent numbers of jobs**

The *Financial Times* stated in September 2009<sup>36</sup>, in response to a report from the Defence Industries Council, that "*Spending on defence is no better at creating jobs than support for other sectors. Defence R&D may produce spin-offs, but so too may R&D with civilian applications.*"

Research in the US<sup>37</sup> found that for each billion dollars spent on the military 8,555 jobs were created, while the same sum created 17,687 jobs in education and 19,795 in mass transit (other sectors are also given). The average pay for a mass transit worker was lower than for military spending but the pay for education workers was higher. The study did not cover renewable technologies.

## **The skills required for renewable technology are extremely similar to those in the arms sector, and there is an engineering skills shortage**

Perhaps the most telling comment has been provided by the arms industry itself. In September, the President of General Dynamics UK (also Vice President-Defence of the arms industry's trade association) was trying to make the case for continued high spending on arms. He told the parliamentary Defence Committee<sup>38</sup> that  
"... the skills that might be divested of a reducing defence industry do not just sit there waiting to come back. They will be mopped up by other industries that need such skills. We are talking about high-level systems engineering skills, which are often described

35 [www.ft.com/cms/s/0/2b8b272e-a4b4-11df-8c9f-00144feabdc0.html](http://www.ft.com/cms/s/0/2b8b272e-a4b4-11df-8c9f-00144feabdc0.html)

36 [www.ft.com/cms/s/0/738b3d98-9803-11de-8d3d-00144feabdc0.html#axzz1JDCanqbP](http://www.ft.com/cms/s/0/738b3d98-9803-11de-8d3d-00144feabdc0.html#axzz1JDCanqbP)

37 R Pollin and H Garrett-Peltier, The U.S. Employment Effects of Military and Domestic Spending Priorities, University of Massachusetts' Political Economy Research Institute, October 2007  
([www.peri.umass.edu/fileadmin/pdf/other\\_publication\\_types/PERI\\_IPS\\_WAND\\_study.pdf](http://www.peri.umass.edu/fileadmin/pdf/other_publication_types/PERI_IPS_WAND_study.pdf))

38 [www.publications.parliament.uk/pa/cm201011/cmselect/cmdfence/c451-i/c45101.htm](http://www.publications.parliament.uk/pa/cm201011/cmselect/cmdfence/c451-i/c45101.htm)

*as hen's teeth. It is an area in which the country generally needs to invest more. You can think of the upsurge in nuclear and alternative energy as being two areas that would mop up those people almost immediately."*

Taking a more positive approach, in the Insider magazine last November,<sup>39</sup> the CEO of the West of England Aerospace Forum said

*"This [the cut in the MoD budget announced last year] is a perfect opportunity for diversification and renewable energy presents a massive new market..."*

*He argued that the technologies that defence and aerospace companies specialise in are not dissimilar from the niche technologies required to manufacture wind, solar, and wave systems.*

*'A turbine blade is not dissimilar to a helicopter blade. It's electrical and mechanical engineering,' Warburton said.*

*"What is an aircraft made of? What are components of a vehicle made of? When you think about it the technology in the defence industry is very value added and is very flexible."*

### **The renewables market is already large and, unlike the stagnant arms market, is growing swiftly and has massive potential**

The introductory paragraph for a Jane's conference taking place in May 2011<sup>40</sup> states - *"The defense market worldwide is worth a trillion dollars annually. The energy and environmental market is worth at least eight times this amount. The former is set to contract as governments address the economic realities of the coming decade; the latter is set to expand exponentially, especially in the renewables arena."*

Despite all the support which it receives from the Government, BAE's UK workforce is in long-term decline and its role in the UK economy is unexceptional.

Jane's Defence Weekly projects<sup>41</sup> that BAE's military manufacturing will decrease from the March 2011 figure of 32,700 to 18,900 in 2015. It also states (p.29) that, in 2010, *"industrial footprints and portfolios were trimmed to match the opportunities available and efficiency programmes were launched. For example, BAE Systems cut about 6,000 jobs in the UK between 2009 and the close of 2010 while driving an international growth programme in tandem."*

---

39 [www.insidermedia.com/insider/south-west/41418-/](http://www.insidermedia.com/insider/south-west/41418-/)

40 [home.janes.com/events/conferences/e2ds2011/](http://home.janes.com/events/conferences/e2ds2011/)

41 20.4.2011 (p.24)

# SOME OF ITS WEAPONRY

BAE Systems develops weaponry in three main areas: land, sea and air. It also provides services and products in areas such as “system integration & electronics” and “intelligence security & resilience”.<sup>42</sup>

**Land:** BAE Systems makes “armoured combat vehicles, major and minor calibre naval guns and missile launchers, canisters, artillery systems and intelligent munitions”.<sup>43</sup>

- Armoured combat vehicles eg. [Tactica](#) (as deployed by Saudi Arabia to Bahrain, see above) & [Bradley Armoured Vehicles](#)
- Munitions eg. [105mm Ammunition](#) & [Excalibur](#) artillery shells
- Artillery systems eg. [High mobility artillery rocket system](#) & the [M777 155mm Lightweight Field Howitzer](#) (as being marketed to India)
- Unmanned systems eg. [Lemur](#) remotely controlled weapon system & [Armed Robotic Vehicle](#).

**Sea:** BAE Systems makes a range of “warship, submarine, auxiliary vessel programmes and naval armaments”.<sup>44</sup>

- Warships eg. [Queen Elizabeth Class Aircraft Carriers](#) & [Romania frigates](#)
- Submarines eg. [Astute Class Submarine](#) (attack submarine)
- [Radar](#)
- Naval guns eg. [57-mm Mk 110 Mod 0 Naval Gun System](#) & [Long Range Land Attack Projectile \(LRLAP\)](#).

**Air:** BAE Systems delivers “air capability through five programmes: Typhoon, Nimrod MRA4 [though this has been scrapped by the UK MoD], Hawk, F-35 Joint Striker Fighter (JSF), and Unmanned Air Vehicles (UAVs)”.<sup>45</sup>

- Combat aircraft eg. [Typhoon](#) & [F-35 Lightning II](#) (see below) BAE also produces subsystems for other combat aircraft such as the F-16
- [Hawk](#) jet trainer
- Unmanned Aerial Vehicle eg. [Taranis](#) & [Mantis](#) (see below)
- Missiles and counter-measures eg. [Advanced Precision Kill Weapon System \(APKWS\)](#) & [Countermeasures Dispensing Systems](#).

## Eurofighter

The Eurofighter Typhoon has been developed by BAE Systems (33%), EADS-Military Aircraft (Germany) (33%), Alenia Finmeccanica of Italy (21%) and EADS-CASA (Spain) (13%).<sup>46</sup> It is in operation with the air forces of those countries and has also been sold to Austria and Saudi Arabia.

The Eurofighter has been dogged by cost overruns, delays and questions over its role. It was designed as an air-to-air combat fighter but, with little apparent use for this, it is in the process of being converted

---

42 BAE Systems – Capabilities, [www.baesystems.com/Capabilities/index.htm](http://www.baesystems.com/Capabilities/index.htm)

43 BAE Systems – Land, [www.baesystems.com/Capabilities/Land/index.htm](http://www.baesystems.com/Capabilities/Land/index.htm)

44 BAE Systems – Sea, [www.baesystems.com/Capabilities/Sea/index.htm](http://www.baesystems.com/Capabilities/Sea/index.htm)

45 BAE Systems – Air, [www.baesystems.com/Capabilities/Air/index.htm](http://www.baesystems.com/Capabilities/Air/index.htm)

46 [www.eurofighter.com/media/press-office/facts-sheet-mediakit/background-information.html](http://www.eurofighter.com/media/press-office/facts-sheet-mediakit/background-information.html)

into a bomber.

Even 14 years ago the former Minister of State for Defence Alan Clark stated that Eurofighter was *"essentially flawed and out of date ... we must find a less extravagant way of paying people to make buckets with holes in them"*<sup>47</sup>

In March this year, a National Audit Office report on the "Management of the Typhoon Project"<sup>48</sup> stated: *"The development costs of Typhoon have more than doubled to £6.7 billion from the original approval in 1987"* and that *"The Department now has a better grasp of the costs of the Typhoon project. By the time the aircraft goes out of service, on current plans, the Department estimates that it is likely to spend some £37 billion on the capability"*.

## Drones

Drones are unmanned aerial vehicles (UAV's) which are currently controlled by a pilot via a remote system, or fly autonomously based on a pre-programmed flight path. There are two main categories of UAVs – to gather intelligence/surveillance/reconnaissance and to deliver weapons.

BAE Systems has been developing a number of drones including the **Taranis** which is hoped to be an "autonomous stealthy Unmanned Combat Air Vehicle (UCAV) that would ultimately be capable of precisely striking targets at long range, even in another continent."<sup>49</sup>

In March 2011, BAE Systems announced a partnership with French company Dassault Aviation to build an Anglo-French drone. Whilst there are no specifics available on this model it is expected to be armed, self-piloting, capable of long flights and will be based on the Mantis.<sup>50</sup>

UAV technology is worrying on many levels

- Civilians are often victims of attacks. A report on US Predator Drone attacks in Pakistan found that 32 per cent of the 1210 people killed during 2004-2010 were civilians.<sup>51</sup>
- Drones are frequently used in 'extrajudicial killings'. According to the UN Special Rapporteur on extrajudicial executions, "Targeted killings pose a rapidly growing challenge to the international rule of law.... The most prolific user of targeted killings today is the United States, which primarily uses drones for attacks."<sup>52</sup>
- There are growing concerns that "the geographical and psychological distance between the drone operator and the target lowers the threshold in regard to launching an attack and makes it more likely that weapons will be launched."<sup>53</sup>
- There is a steady move towards fully autonomous drones "able to take off, fly, and select and dispatch 'targets' without the need for human involvement, the so called man-in-the-loop".<sup>54</sup>

## Nuclear Weapons

Trident

In the UK, BAE stated in 2008 that it is "involved in early concept work for a next generation

---

47 Hansard, 9 July 1997

48 National Audit Office Report (HC 755 2010-2011): Ministry of Defence: Management of the Typhoon Project – Summary (point 11), ([pdf - 444KB](#))

49 [www.baesystems.com/Newsroom/NewsReleases/autoGen\\_110618155736.html](http://www.baesystems.com/Newsroom/NewsReleases/autoGen_110618155736.html)

50 [www.reuters.com/article/2011/03/14/bae-dassault-idUSLDE72D15620110314](http://www.reuters.com/article/2011/03/14/bae-dassault-idUSLDE72D15620110314)

51 [counterterrorism.newamerica.net/sites/newamerica.net/files/policydocs/bergentiedemann2.pdf](http://counterterrorism.newamerica.net/sites/newamerica.net/files/policydocs/bergentiedemann2.pdf)

52 The United Nations Office in Geneva, 2.6.2010, [www.unog.ch/unog/website/news\\_media.nsf/%28httpNewsByYear\\_en%29/73F4C83992E3BFB0C1257736004F8D41?OpenDocument](http://www.unog.ch/unog/website/news_media.nsf/%28httpNewsByYear_en%29/73F4C83992E3BFB0C1257736004F8D41?OpenDocument)

53 Fellowship of Reconciliation, Convenient Killing, Sept 2010 [www.for.org.uk/files/drones-conv-killing.pdf](http://www.for.org.uk/files/drones-conv-killing.pdf)

54 [www.for.org.uk/files/drones-conv-killing.pdf](http://www.for.org.uk/files/drones-conv-killing.pdf)

of ballistic missile submarine.”<sup>55</sup>

In the US, BAE provides “system integration support for the Trident II (D5) Fleet Ballistic Missile Strategic Weapon System program and the nuclear-powered guided missile submarines (SSGN) attack weapon system program.”<sup>56</sup>

## MBDA

BAE Systems owns a 37.5% stake in MBDA which is producing the ASMPA nuclear missile. This will replace the ASMP, a “strategic and ultimate deterrent air-launched nuclear missile, for deployment by France’s strategic air forces”.<sup>57</sup>

---

55 [www.baesystems.com/BAEProd/groups/public/documents/bae\\_publication/bae\\_pdf\\_cr\\_crreportpge8and9.pdf](http://www.baesystems.com/BAEProd/groups/public/documents/bae_publication/bae_pdf_cr_crreportpge8and9.pdf)

56 [www.baesystems.com/Newsroom/NewsReleases/autoGen\\_107115145914.html](http://www.baesystems.com/Newsroom/NewsReleases/autoGen_107115145914.html)

57 [www.mbd-systems.com/mbda/site/ref/scripts/EN\\_ASMPA\\_290.html](http://www.mbd-systems.com/mbda/site/ref/scripts/EN_ASMPA_290.html)