

BAE SYSTEMS: The facts you need to know



BAE Systems: An overview

BAE Systems is the world's largest arms producer according to the Stockholm International Peace Research Institute (SIPRI). It sells arms to countries the UK Foreign Office's Human Rights report classifies as "major countries of concern".

Products include: Combat aircraft, nuclear weapons (via MBDA), missiles, artillery guns, munitions, armoured vehicles, tanks, unmanned aerial vehicles, warships, radar systems, nuclear submarines and shackles used in Guantanamo Bay and Saudi Arabia (from their subsidiary Hiatts[1]).

Global sales

BAE's arms are sold indiscriminately around the world. It has military customers in over 100 countries. 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 to Saudi Arabia. Other export deals include sub-systems for Israeli F-16 fighter aircraft and sales to both India and Pakistan. In 2008, company sales exceeded £18.5 billion, with about 95 per cent of these being military.

Military customers of note have included:

- Israel
- Pakistan
- India
- Indonesia
- Saudi Arabia
- Colombia
- Romania
- Tanzania
- Qatar
- UAS
- Brazil
- Afghanistan
- Thailand
- Poland
- Lebanon
- South Africa
- Zimbabwe
- Oman
- Malaysia
- Kenya
- Egypt
- Uruguay
- Sri Lanka
- Chile

A 'UK' company?

BAE is now an international company with seven "home markets". The largest of these is the US, followed by the UK. The others are Australia, Saudi Arabia, Sweden, South Africa and, as of 2009, India. BAE is unlikely to prioritise UK interests, which is supported by the figures on the decline in BAE jobs in the UK (see table). As its Annual Report states, its strategy is "to deliver sustainable growth in shareholder value."

BAE - committed to UK jobs?

In 2000, BAE employed 52,600 people in the UK. By 2008 this had dropped to 32,800, with further reductions of 590, 1,116 and 642 being announced during 2009 (see table). Over the same period, BAE has radically expanded its operations in the US to position itself for contracts from its most important customer, the Pentagon.

In 2010 there have been approximately 4,000 redundancies announced for the UK.

Corruption and Bribery

Allegations of corruption in the aftermath of major BAE deals are a common occurrence. Once

the Serious Fraud Office (SFO) had begun its investigation in 2004 with regard to Saudi Arabia, its investigation spread, encompassing deals with six other countries. (South Africa, Chile, Tanzania, Qatar, Romania, Czech Republic).

In February 2010 BAE agreed to plead guilty to "accounting irregularities" in a 1999 sale of radar equipment to Tanzania and was fined £30 million, while being simultaneously fined \$400 million by the US Department of Justice for conspiring to defraud the US and for making false statements under the Foreign Corrupt Practices Act.

Saudi Arabia and the Al-Yamamah deal

The Guardian newspaper first disclosed in 2003 how BAE Systems operated a £20-million slush fund to "entertain" Saudi princes who might favourably influence its chances of winning the "al-Yamamah" deal to buy warships and fighter jets. "Allegations include the provision of prostitutes, sports cars, yachts, first-class plane tickets, Mercedes cars with drivers, unlimited restaurant meals, cup final tickets, club memberships, gambling trips, TV sets and sound systems." An internal BAE security report referred to allegations of "sex and bondage with Saudi princes". [2]

Allegations have surfaced from investigations by The Guardian, BBC's Newsnight and the Serious Fraud Office (SFO). They contended that bribes totalling £1bn were paid to the Saudi Prince Bandar by BAE systems in return for the £43bn Al-Yamamah arms deal, in which BAE systems sold Tornado aircraft to Saudi Arabia. Also implicated for corruption in parts of the deal were Rolls Royce and Thorn EMI, and individuals supported the deals included Mark Thatcher and Jonathan Aitkin as well as the Thatcher government.

In 2006 Tony Blair closed the SFO investigation in the arms deal after lobbying from BAE systems and threats made by the Saudi Government that it would cancel the new BAE systems Al-Salam Eurofighter deal and end intelligence sharing.

CAAT and The Corner House challenged the closure of the investigation in the High Court and won. The High Court quashed the SFO decision to terminate the investigation. In a strongly worded judgement, the Court described how BAE and the Saudi regime had lobbied Tony Blair and his ministers to have the investigation dropped. The judges went so far as to describe the Saudi threat as a "successful attempt by a foreign government to pervert the course of justice in the United Kingdom"[3].

The decision was later appealed in the House of Lords by the government and BAE. The Lords decided that the investigation could legally be stopped for reasons of national security but Lady Hale said that "I confess I would have liked to be able to uphold the decision ... of the divisional court. It is extremely distasteful that an independent public official should feel himself obliged to give way to threats of any sort"[4].

The decision was later condemned by the Organisation for Economic Cooperation and Development (OECD) for their failure to tackle bribery looking specifically at the failure to investigate BAE systems.[5]

South Africa

More than £100m was secretly paid by the arms company BAE to sell war planes to South Africa, according to allegations in a detailed police dossier. The leaked evidence from South African police and the British Serious Fraud Office quotes a BAE agent recommending "financially incentivising" politicians. In the 1999 arms deal, the ANC government in South Africa agreed to spend a controversial £1.6bn buying fleets of Hawk and Gripen war planes. Critics said the country, beset by unemployment and HIV/Aids, could not afford it. The Hawks, unwanted by the military, cost twice as much as Italian equivalents. It is alleged that BAE systems funnelled corrupt payments to Fana Hlongwane, advisor to Joe Modise, the Defence

minister and others.[6]

BAE is accused in the reports of corrupt relationships with an arms tycoon, John Bredenkamp, blacklisted in the US for his links with Robert Mugabe of Zimbabwe. According to leaked files BAE's former marketing director for southern Africa, Allan McDonald told police that Bredenkamp "gave progress reports directly to Mike Turner". Turner, who has been interviewed under caution by the SFO, stepped down as BAE's chief executive in 2008. The SFO dropped all charges in relation to South Africa in February 2010. Bredenkamp-linked companies were paid £40m by BAE to promote the arms deal. [7]

Chile

In September 2005 The Guardian newspaper reported that BAE had secretly paid £1 million to General Pinochet in return for help over arms deals between 1997 and 2004. The payments were said to have appeared in US banking records, unearthed by a Chilean judge pursuing Pinochet for tax evasion. A Serious Fraud Office team is reported to have met the judge in Santiago but the investigation has since been dropped.[8]

Tanzania

In 2001, Tony Blair overruled Clare Short and Gordon Brown to grant an export licence for BAE's sale of a military air-traffic control system to one of the world's poorest countries, Tanzania. The World Bank had pointed out that the contract was extremely expensive – Tanzania could have bought a better system elsewhere for a quarter of the price. In January The Guardian newspaper revealed that BAE Systems allegedly paid a \$12m (£6.2m) "commission" to an agent who brokered the deal.[9] In February 2010 BAE agreed to plead guilty to "accounting irregularities" in regard to the Tanzania case with a fine in the region of £30 million. This settlement has yet to be signed off by the UK courts.

Qatar

Following the sale of a package of UK arms to Qatar in 1996, BAE reportedly paid a £7m "commission" into three Jersey trust funds under the control of Qatar's Foreign Minister. A criminal investigation began in Jersey in 2000 but, with Qatari pressure, the investigation ended in 2002 on "public interest" grounds. The Qatari Foreign Minister denied any wrongdoing but agreed to pay Jersey £6m for "perceived damage".

Romania

In June 2006, with the arrest of a BAE agent, it emerged that the 2003 sale of two ex-Royal Navy frigates to Romania by BAE was under investigation by the SFO and Ministry of Defence Police. Payments of £7 million in "secret commissions" were allegedly made to clinch the £116 million ship refurbishment deal.[8]n The SFO dropped all charges in relation to Romania in February 2010.

Czech Republic

In November 2006 the sale of Gripen fighter aircraft to the Czech Republic became linked with an SFO investigation. An initial deal to buy 24 of the aircraft was cancelled because the Czech Government had to deal with the devastating floods in 2002. However, two years later, a lease deal for 14 Gripen aircraft was signed. In 2003 The Guardian said that the US had accused BAE of "corrupt practice" following reports from the CIA and rival arms companies and that the Czech police had confirmed bribery attempts by BAE. In February 2007 Swedish broadcaster SVT showed hidden-camera coverage of a former Czech foreign minister admitting that "money changed hands" with politicians over the Gripen deal. That month a senior Swedish prosecutor started an investigation into the contract due to the involvement of Saab, the part-BAE-owned

manufacturers of Gripen aircraft. Czech police re-opened their inquiries and the Czech Attorney-General is pursuing the case.[8]

BAE tries to reform but fails

The Lord Woolf report (May 2008) was commissioned and paid for by BAE Systems in reaction to the scandals reported over corrupt deals and bribery.

The report was criticised for making very limited ethical recommendations without looking at past deals or wider questions such as the ethics of arming oppressive regimes.

It can be seen that corporate self-regulation is inadequate in the best of cases, yet alone for a company that has been mired in corruption allegations for decades, and an industry that Transparency International rates as one of the most corrupt business sectors. Arms deals are often large and complex, are shrouded in officially sanctioned secrecy and a small group of people make the decision to buy. The environment is perfect for corruption.

“Lord Woolf’s recommendations will not prevent corruption and they might do worse: they could provide the mechanism that ensures that bad behaviour goes undetected, by cloaking every transaction in a veil of procedural goodwill. The awful bureaucracy that will be erected within the weapons dealer is a small price to pay for being left to get on with the unpleasant business of arming our more unsavoury allies.

Nothing in the Woolf report addresses the fundamental question of how we catch the corrupt and how you proscribe behaviour that is never unilateral and always complicit.”

The Times, 7th May 2008 [10]

The government has failed to hold companies to account for corruption. In 2010, BAE agreed settlements with the Serious Fraud Office in relation to its deal with Tanzania, and with the US Department of Justice in relation to deals with Eastern European countries and the Al-Yamamah deal with Saudi Arabia. The SFO's own investigation into Al Yamamah was shut down in 2006 after intervention from Tony Blair.

Vince Cable said of the settlement that. "The one positive thing is we have now had an acknowledgement from BAE Systems that unacceptable practices were being conducted. But nobody has been brought to account." He added: "The British government was up to its neck in this whole business. Government ministers were almost certainly fully aware of what was happening."

How the Government supports BAE’s dodgy deals

BAE’s dodgy deals couldn’t have happened without the help provided over recent decades by both Conservative and Labour governments.

The UK government provides astonishing levels of political and financial support to the arms industry in general, and BAE in particular. Perhaps most importantly, the company had a loyal servant in Tony Blair. In his autobiography, former Foreign Secretary Robin Cook observed “I never once knew number 10 come up with any decision that would be incommensurate to British Aerospace”. Tony Blair went out of his way to promote arms deals for the company (in Saudi Arabia, South Africa, India) and overruled cabinet colleagues to approve controversial arms export licences (to Tanzania, Zimbabwe).

- In 2001 BAE sold a £28 million Watchman air traffic control system to Tanzania, one of the world’s poorest countries. The deal was pushed through by Prime Minister Tony Blair, despite opposition by his International Development Secretary Clare Short, who, said she did not think the contract “could have been made cleanly”. In 2002 the International

Civil Aviation Organisation said the system used dated technology and was not adequate for civil aviation. Norman Lamb MP, who compiled a dossier on the deal, said a modern system could have been provided for 10% of the cost.

- The Serious Fraud Office's investigations into BAE's corrupt multi-billion pound deals with Saudi Arabia were stopped after personal intervention by Tony Blair.
- UKTI DSO provides members of the armed forces to demonstrate BAE's equipment to potential buyers - including many demonstrations of its M777 Howitzer and L119 Light gun, and using the Royal Air Force to demonstrate Eurofighters at international arms fairs

The support systems that promoted BAE's sales remain in place

The Government is still working on behalf of BAE, and other arms companies, to promote weapons sales to unstable and repressive regimes and countries with urgent development needs. The government unit that supports these sales is UKTI DSO which exists solely to help arms companies make deals. It is funded by the UK taxpayer.

FOOTNOTES

[1] The Guardian 6/5/2008, David Leigh & Sadie Gray, "BAE paid too little heed to ethics, says report"
<http://www.guardian.co.uk/business/2008/may/06/baesystemsbusiness.armstrade>

[2] The Guardian 11/9/2003, David Leigh & Rob Evans, "BAE accused of arms deal slush fund"
<http://www.guardian.co.uk/world/2003/sep/11/bae.freedomofinformation>

[3] High Court Judgement, http://image.guardian.co.uk/sys-files/Guardian/documents/2008/04/10/judgment_corner_house_100408.pdf

[4] Guardian 31/7/2008 "He was confronted by an ugly and unwelcome threat",
<http://www.guardian.co.uk/world/2008/jul/31/bae.armstrade2>

[5] Guardian 17/10/2008, Andrew Sparrow, "Government condemned for failure to tackle bribery",
<http://www.guardian.co.uk/politics/2008/oct/17/5>

[6] Mail and Guardian 12/1/2009, **Sam Sole and Nic Dawes, "BAE's web of influence in South Africa"**
<http://www.mg.co.za/article/2007-01-12-baes-web-of-influence-in-south-africa>

[7] The Guardian, 6/12/2008, David Leigh and Rob Evans, "BAE accused of £100 m secret payments in South Africa arms deal" <http://www.guardian.co.uk/world/2008/dec/06/bae-arms-trade>

[8] A seriously funny attempt to get the Serious Fraud Office in the dock! September 2007, Campaign Against the Arms Trade

[9] The Guardian, 13/2/07, George Monbiot, "The Parallel universe of BAE: covert, dangerous and beyond the rule of law, <http://www.guardian.co.uk/commentisfree/2007/feb/13/bae.foreignpolicy>

[10] The Times, 07/05/08, Carl Mortished, "Woolf report into BAE throws a cloak of goodwill over an immoral trade",
<http://business.timesonline.co.uk/tol/business/columnists/article3883072.ece>

USEFUL RESOURCES

- CAAT Website:
www.caat.org.uk/
- CAAT Universities Network Micro-Site:
<http://universities.caat.org.uk/>
- The Guardian: The BAE Files:
www.guardian.co.uk/world/bae

- Disrupting Arms Company Recruitment Guide:
<http://universities.caat.org.uk/campaign-materials>
- Study War No More:
www.studywarnomore.org.uk/
- University Clean Investment Campaign:
www.caat.org.uk/campaigns/universities/intro.php
- Weapons Out of Warwick:
<http://weaponsoutofwarwick.wordpress.com/>
- Lord Woolf's report on 'Ethics, global companies and the defence industry'
http://ir.baesystems.com/investors/storage/woolf_report_2008.pdf

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BAE Systems: The facts you need to know

This is the Campaign Against Arms Trade (CAAT) a short guide on BAE Systems, the worlds' largest arms producer.

It covers the; investigations and corruption allegations, the real story on British jobs, the global nature of the company, the Woolf report, and the governments support of BAE Systems dodgy deals.

The Campaign Against Arms Trade (CAAT) in the UK works to end the international arms trade.

The arms business has a devastating impact on human rights and security, and damages economic development. Large scale military procurement and arms exports only reinforce a militaristic approach to international problems.

In seeking to end the arms trade, CAAT's priorities are:

To stop the procurement or export of arms where they might:
exacerbate conflict, support aggression, or increase tension

Support an oppressive regime or undermine democracy
threaten social welfare through the level of military spending

To end all government political and financial support for arms exports
and to promote progressive demilitarisation within arms-producing countries.

CAAT considers that security needs to be seen in much broader terms that are not dominated by military and arms company interests. A wider security policy would have the opportunity to reallocate resources according to actual threats and benefits, including addressing major causes of insecurity such as inequality and climate change.

CAAT values the diversity of opinion amongst its supporters and is committed to nonviolence in all its work.