

BAE hit by corruption claims 6/14/2003

Allegations of corruption involving BAE Systems, the government-sponsored arms firm, have been identified by the Guardian in a further three countries.

The new allegations are in India, where BAE is currently renewing efforts to sell the Hawk fighter/trainer; Qatar, where a relative of the ruler was paid £7-million; and South Africa, where the then defence minister is alleged to have been bribed, also to buy Hawks.

The claims mirror the advice of the businessman Sir Donald Stokes nearly 40 years ago to the government's newly created arms sales unit, Deso -- revealed this week in the Guardian. He said it should target key officials and use local agents to dispense "the less orthodox inducements".

Roger Berry, the Labour chairman of the Commons quadripartite committee that examines the arms trade, said of the Guardian's series that he was writing to the government demanding answers: "These are extremely important issues which parliament should investigate." He said companies could be made to declare that they will not bribe to get an export licence.

Vincent Cable, the Liberal Democrat trade spokesperson, said he was referring to the police the Guardian's earlier disclosures of BAE bribery allegations in the Czech Republic and Deso's involvement in authorising bribes.

"The traditional, cosy special relationship between the Ministry of Defence and BAE must not be allowed to get in the way of a proper examination of these serious allegations," Cable said.

He called for Deso, the defence exports services organisation, to be shut down. "There are far too many unhealthy relationships involving Deso, the export credits guarantee department, the defence industry and overseas governments. The government should clean up its act and get out of this business altogether."

In India, undercover transcripts obtained by investigators allege an agent for BAE Systems -- manufacturer of the Hawk jet -- made corrupt approaches to a party treasurer linked to the Indian defence minister, George Fernandes.

This was revealed when a team of local journalists disguised themselves as Indian arms sellers.

Their undercover videotapes recorded a claim by the treasurer of the defence minister's party of an approach by an alleged confidential agent for BAE, a businessman named Sudheep Chaudhury.

BAE said: "It does not matter what is said in whatever manufactured document you have. BAE does not and has not used agents in India."

According to the tapes, the treasurer rejected the approach -- but for one reason only. He had already been signed up by the Hawk's Russian rivals, he said, for a "special commission" of 10% of the value of the deal.

The tapes, which were made by Tehelka.com, an online team of journalists, caused a huge scandal in India because they implicated the defence minister in a wide range of bribery allegations.

Deso is heavily involved in the Indian bid. In 1988 the then head of Deso, BAE's own Sir Colin Chandler, told a private meeting in London of plane firms: "Doing business in India has always required the use of agents. Following the Bofors scandal the official Indian view on the matter has been quite emphatic. The word is, as I was told: 'There shall be no agents'. However, it is not quite as simple as that ..."

In the Bofors scandal, three millionaire traders, the Hinduja brothers, still face a belated trial, accused of hiding multi-million pound "commissions" from the Swedish howitzer company in Swiss banks.

When the Tehelka "sting" was taped, an Indian army general told them: "There is a famous bloody arms dealer called Mr Chaudhury. You must have heard of him. Bloody everywhere, he roams around in a 500SEL Mercedes. His claim to fame was that his brother-in-law was a chairman of Hindustan Aeronautics [the Indian state plane-makers]."

Subsequently, the undercover journalists met RK Thain, the treasurer of the Samata party, to which the defence minister belonged.

Thain was filmed explaining to them how he passed on shares of commissions to party funds and politicians, and described a meeting he had in 1998 in Delhi: "That Sudheep Chaudhury. That guy approached me. He is the man who was looking after the Hawk interest. I went to Sudheep Chaudhury's house. He says, 'Mr Thain, why you want to go with MiG? They will not get the order. Both of us, let us, let us make an understanding. Why competition? If you want, I can give you a letter where all positive points of the British Hawks are there ..."

Thain said he was forced to tell him: "But I am sorry. I cannot shake hands with British Hawk ..., I don't like to run around, run after two companies in the same job. I have feeling that I must work for MiG. So, I am sorry, I cannot work for British Hawk."

In Delhi, Chaudhury's assistant told us: "He is medically unfit at present. He has been away for most of the time". Chaudhury did not respond to invitations to comment. Thain has not commented since the tapes were published.

Fernandes was forced to resign after the Tehelka exposures, but was later reinstated. A commission of inquiry is taking place into his activities and those of Chaudhury but has produced no result so far.

In another part of the world, in Qatar, Sheikh Hamad bin Jassim bin Jaber, the ruler's influential cousin, was paid a £7-million commission into a secret Jersey trust run by Grindlay's bank. The Serious Fraud Office traced the payment to BAE and to a deal to sell Piranha armoured cars, originally brokered in 1996 by Michael Portillo, then the Tory defence secretary, now on the BAE board.

However, police investigations into the sheikh were halted when he paid £6-million to the Jersey authorities to compensate them for "inconvenience". The government

admits the Foreign Office had a report of this commission payment in 1998, the year the Piranhas were delivered.

In South Africa, the successful £1,5-billion sale of a consignment of BAE Hawks to the poverty-stricken country has been consumed by scandal since it was signed in 1999.

One politician from the ruling African National Congress who was close to an official investigation alleged: "The defence minister, Joe Modise, was bribed." He said investigators believed "money was paid to the ANC for their 1999 election fund, and £500 000 also went to Modise. It was paid into a Saudi bank, transferred to their Algerian branch, and moved from there to Mozambique."

He said that Aermacchi, the Italian rival to BAE, was informed that, to win, a deal had to be done with "sub-contractors" -- in reality a front company owned by associates of Modise. (A US company, Bell, which lost out on a helicopter contract, revealed that it had been pressured in the same way.)

Documents show that Modise intervened to prevent the cheaper Aermacchi trainer being selected. They also show the BAE-Saab partnership promised lavish investment in South Africa by way of industrial "offsets". This was to include the enrichment of Conlog, a company in which Modise was a shareholder.

The heavily sanitised 2001 report by the South African auditor general contented itself with saying that Modise's behaviour had been "extremely undesirable" and was under further investigation -- investigations which have never been concluded. Modise subsequently died. BAE never proceeded with the Conlog investment and told us it "did not pay bribes".

BAE said the authorities had thoroughly investigated and found the allegations to be baseless. - Guardian Unlimited © Guardian Newspapers Limited 2003