Allegations of £1 million in arms bribes paid to Pinochet

Simon Whelan
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Britain's largest armament manufacturer, BAE Systems, is identified on American banking records as clandestinely paying the former dictator General Augusto Pinochet £1 million. According to allegations made by the British *Guardian* and the Chilean *La Tercera* newspapers, their research shows that front companies situated in the British Virgin Islands acted as a conduit for most of the payments made in return for Chilean armament contracts.

Amidst calls by Opposition Members of Parliament for a parliamentary investigation, the Liberal Democrats defence spokesman, Michael Moore, said the allegations raised "exceptionally serious questions" concerning links between BAE and Chile. Under British law since 2002 it is illegal for British companies to make corrupt payments to foreign nationals.

These revelations might jeopardise a £134 million contract signed earlier this month by BAE and the Chilean authorities for the British firm to refit three Type 23 former Royal Navy frigates for the use of the Chilean navy.

Pinochet led the 1973 military coup that overthrew the democratically elected administration of President Salvador Allende. Officially 3,000 Chileans were tortured and executed during this period, but many believe these figures to be an underestimation. Pinochet currently awaits trial in Chile after being stripped of his immunity concerning charges of kidnap and murder.

The two newspapers obtained access to documents from the Chilean authorities, which corroborate how covert payments to groups linked to Pinochet were made as recently as June 30, 2004. Asked by the *Guardian* why BAE was making illicit payments to Pinochet, the corporation stated, "We at BAE Systems have clear and rigorous policies which govern the conduct of our relationship with third parties. We require all our employees to adhere to these policies and comply with the law." This line of argument suggests that, if found guilty, BAE might offer the law courts a scapegoat.

Described by the BBC as "the lynchpin of the UK defence industry," BAE was recently a major exhibitor at a large and prestigious international arms fair in London. The Department of Trade and Industry holds a golden share in the company to protect "national interests." However, such an elevated status has not prevented the corporation from coming under investigation by the Serious Fraud Office concerning the suspicion of money laundering and false accounting.

The most serious charge levelled against BAE is the existence of a £60 million Saudi Arabian slush fund. The author Said Aburish revealed in his book *The Rise and Coming Fall of the House of Saud* how the corporation enjoyed intimate relations with influential members of the Saudi royal family, including Prince Turki bin Nasr, the son-in-law to Crown Prince Sultan. Superfluous arms contracts are sold to the Middle Eastern state and oiled through large bribes amounting to tens of millions of pounds.

Only two weeks after the revelations concerning Pinochet and BAE, the *Guardian* revealed that Prime Minister Tony Blair and Defence Secretary John Reid have personally acted as salesmen for BAE to sell the Saudis the Typhoon fighter plane. The newspaper suggests that in return for the finalisation of the contract, reputed to be worth £40 billion, the Saudis want charges dropped concerning the slush fund, British Airways to resume flights to the kingdom and the return of certain political dissidents from British shores who the theocracy finds troublesome.

Chilean judge Sergio Munoz is chasing Pinochet for

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tax evasion. In August, Munoz's court application to the American authorities to obtain banking records regarding the ex-dictator was accepted. The records cast light on vast amounts of money flowing into banks like Coutts—the British royal family's bank—in Miami. The bank operated accounts allegedly linked to Pinochet from 1993 until 2004. Coutts denies any wrongdoing and was recently bought out by Spanish bankers, Santander, who refused to comment.

Documents held by Chilean authorities apparently reveal how BAE paid money into Coutts' accounts in its own name and also through Red Diamond Trading—what the *Guardian* called "an offshore entity which does not appear on BAE's published accounts."

Peter Urofsky, former assistant head of the fraud division of the Department of Justice, told the *Times* newspaper that American authorities would be able to investigate Pinochet's financial affairs under the Foreign Corrupt Practices Act because certain transactions have depositary receipts in the United States. Such a scenario could lead to both the Department of Justice and the US Securities and Exchange Commission investigating the Chilean general's finances.

The research outlines how payments by BAE went to offshore firms in the British Virgin Islands: Tasker Investments, Cornwall Overseas and Eastview Finance, controlled by Pinochet's financial advisor Oscar Atkin. In a US Senate committee investigation earlier this year, Atkin was described as Pinochet's financial "conduit."

BAE is alleged to have wooed Pinochet with substantial financial payments during the 1990s and to have consequently won contracts from the Chilean military. During the period Pinochet was courted, he was no longer president but was still the self-appointed head of the Chilean armed forces. He apparently visited Britain repeatedly as a guest of BAE and was persuaded to purchase and manufacture under licence Rayo a Royal Ordinance designed cluster bomb and rocket system.

Towards the end of the 1990s BAE wished to sew up a deal with Chilean authorities and utilised Pinochet to promote their rocket system. The British arms manufacturer is currently attempting to sell them a naval electronics system. The British Ministry of Defence describes Chile as a "key market."

In October 1988, Pinochet was detained in Britain as a result of a Spanish arrest warrant. He was allowed to return to Chile in 2000 by the Blair government on the spurious grounds that he was too ill to stand trial. Since his return to Chile, Pinochet has made a truly remarkable recovery.

The *Guardian* first alleged secret payments to Pinochet by BAE in late December of last year. At the time bank records observed by a Washington Senate investigation showed sums of £2.5 million in Pinochet's bank records linked to an arms purchase made by the Chilean authorities from Royal Ordinance, a subsidiary of BAE. Investigating an unexplained $12 million acquired by Pinochet, the Senate subcommittee heard that the money was handled by the Washington-based Riggs Bank's London branch. Riggs are already under investigation for money laundering.

The US Senate also found that Riggs established two offshore companies in the Bahamas, Ashburton and Althorp, where Pinochet deposited $8 million. His official income at the time was $90,000 per year.

Only a week prior to the Senate subcommittee hearings Pinochet was indicted by the Chilean courts and placed under house arrest. A sample charge of 10 murders from the infamous Operation Condor are levelled at the Chilean dictator.

On September 28 investigators from the Ministry of Defence and the Serious Fraud Office flew to Chile to investigate the claims against BAE, as part of a long-standing probe into corruption allegations against the company.

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