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Jan Figg

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Thank you for your letter of 22 December enclosing Hubert's of 15 November. The particular hare which gave rise to this correspondence has gone to ground. The Naval and Military Attaché will be writing to Hubert about this, but Hubert's letter raises certain questions about sales methods which we feel need clarifying. Since they also affect the other Services (and to some extent cover the same ground as earlier correspondence about Defence Supply Attachés) I am copying this letter to Dodds in the Ministry of Defence, in his capacity of deputy to Mr. Raymond Brown, as well as to Hubert.

2. As far as concerns hardware produced by private firms there is little difference between us. We feel, with respect, that the resident attachés with their day-to-day contacts are better placed than visiting officials to do the job of promoting and spotting interest in what Britain has to offer, though it is useful to know that they can call on help from London or from the nearest Defence Supply Attaché if they get out of their depth technically. But we entirely agree that once there is interest the firm itself must take over, and if it has not already got an agent, appoint one. Nor, as implied in paragraph 10 of Hubert's letter, did we intend to suggest that one agent should represent all British industry for arms sales; merely that for the particular package deal referred to in my letter one man might be suitable. Even when a possible sale is brought to our notice by a contact man or intermediary who claims that only through him can the business be got, we realise that it is entirely up to the firm or firms, in agreement with their regular agents if they have one, whether or not to use the contact man for the particular job.

3. Where I am not so sure that we see eye to eye is over hardware produced by H.M.G. - i.e. R.O.F. products, warship disposals and possibly new construction in Admiralty dockyards - where the result would be a Government-to-Government contract. (The idea of a sale to a Venezuelan agent can be discounted.) Hubert says (para. 4) that as far as the R.O.F.s are concerned there is no reason why an agent should not be appointed, though he would have to be a man of repute (para. 8). But neither you nor he have given a clear answer to the particular question: given the margin of profit involved, are H.M.G. 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 this bribery (though in a concealed form) in that

/the price

L.G.W. Figg, Esq.,
Defence Supply Section,
FOREIGN OFFICE.

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the price will include hidden commissions of one sort or another? My Ambassador feels that we must have a clear answer to this, otherwise it is probably a waste of time for the attachés to try to promote interest in articles of Government production. Sooner or later the question of bribery would almost certainly arise. (I seem to remember that a warship disposal to another Latin American country, negotiated on a direct Government-to-Government basis, fell through at the last moment because the Admiralty, obviously, could not increase the price and hand over the extra.) No member of the staff of this Embassy could get involved in this sort of thing and sooner or later, therefore, negotiations would have, in our view, to be handed over to an agent. But it is only worth starting the process if we know that at the later stages H.M.G. would be prepared to let an agent do what the attachés cannot.

4. This is not just an academic question. It does not affect sales to the Venezuelan Air Force, which by their nature are all firm-to-Government; but the new Naval and Military Attaché's first soundings in his fields show that there is possible demand for Government-produced hardware, especially R.O.F. production in the naval and military fields. Moreover, 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 type of demand can be stimulated by an agent who can dangle the carrot of such financial gain. If Hubert were to appoint an agent, not necessarily Pedraza, for the R.O.F.s, it might be possible to stimulate also this artificial sort of demand. But it is no use considering this further or suggesting names until we have a categorical answer to the question in paragraph 3.

Yours ever

Frank Brinson

(D.N. Brinson)