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LONDON. S.E.1.

Your Ref. 1193

Our Ref. 10/Overseas/413

2nd February, 1967.

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Thank you for sending me a copy of your letter of the 18th January to Leonard Figg about agents.

2. May I start by saying I am completely mystified by just what your problem is. On the one hand you made it quite clear that where there are no agents there is no hope of business, and on the other hand your repeated references to bribery suggest that the idea that the a British Government Department should engage in activities which have some connection with it is quite harrifying to you. I should very much like to know whether you are pressing us to appoint agents in order to get expert business or whether you are insisting that we should have no truck with you in anything so wicked which might besmirch the good name of the British Government.

3. As I told Bennett in my signal of 31st January, <sup>A</sup> people who deal with the arms trade, even if they are sitting in a Government office, live day by day with this sort of activity, and equally day by day they carry out transactions knowing that at some point bribery is involved. Obviously I and my colleagues in this office do not ourselves engage in it but we believe that various people who are somewhere along the chain of our transactions do. They do not tell us what they are doing and we do not enquire. We are interested in the end result.

*at Embassy*  
4. I am sorry that my letter of 15th November was not specific enough. I certainly was not trying to burke the issue, and it may be of help to you if I set out two possible transactions. If first of all we take a sale of armoured vehicles, these will probably be sold as Government-to-Government transactions, and if the main manufacturers have not already got an agent in Venezuela we shall do what we can to get them to appoint one. They will pay the commission. I doubt if they will interest themselves in detail in what is done with it and I certainly shall not. From the point of view of the customer, the transaction is likely to be Government-to-Government and somebody will receive encouragement for seeing it through. <sup>at the Embassy</sup> You have made it clear that you are quite happy about such an arrangement.

5. If we take now a possible deal on guns and ammunition it will also be a Government-to-Government deal. It is quite

/probable

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probable that I will appoint the same agent; it is equally probable that he will pursue his sales promotion activities in the same way. Armoured vehicles and guns and ammunition could well be sold to the Venezuelan Army in a single contract. ~~Could you let me know whether you would have any objection to this sort of arrangement, and if so, on what grounds?~~

*Mr. Robinson was* <sup>6/2</sup> I think I ought to say a little bit more about the activities of agents. ~~You have placed some emphasis on one point and one point alone, but if they are good they do a great deal more.~~ They lobby officers and officials; they find out about the availability of funds and perhaps suggest to people that availabilities might be created; they sniff out the activities of our competitors and they sing the virtues of our equipment and our services. They are active inside the Government organisation, whereas a Defence Air Service Attache can only work from the outside. As far as the local work is concerned, their activities are complementary to those of the Attache, and Head of Defence Sales is interested in the Attaches keeping in touch with reputable local agents as part of the work of progressing our sales effort.

*Mr. Robinson's letter has asked*  
5. In paragraph 3 of your letter under reply, you ask whether H.M.C. is prepared through an agent to enter into Government-to-Government contracts. I reckon to do Government-to-Government negotiations direct, the agent being present or absent according to the custom of the country. Generally they do their work behind the scenes and do not appear at the negotiating table, but if it is customary in Venezuela for them to form part of the negotiating team I am perfectly happy to have them there, and in one or two countries in which I have conducted negotiations the agents have been present. Should we get to the negotiating table I should be grateful for your advice as to the way to handle this aspect.

*He says* Finally I should like to refer to your paragraph 2 where you say that the Attache can do the work better than we. His work and mine, or indeed that of M.A/O.E., are complementary and not alternative. He may be an expert on a particular type of equipment and on that equipment should be able to take things further than in others, but he cannot be an expert on everything and experts are necessary. In particular, he is not an expert on commercial aspects. M.A/O.E. has considerable experience of putting over to foreign countries our concepts, the particular qualities of the equipment we use and the particular ways in which we use them. Unless any Venezuelan equipment is chosen exclusively on commercial considerations there is a need to put over our philosophy and the particular characteristics of the hardware we have to offer. M.A/O.E. is the expert on this, and should there be a need for a specialised knowledge he can arrange for Armoured Corps or Artillery specialists to come with him or to follow up his activities. If we are fortunate enough

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FROM: H. R. HUBERT, C.B.E., DIRECTOR OF ARMY SALES

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to get to the negotiating table I think I must be there, because it is rare that a country will look at a price and delivery offer and say yes or no.

7. I hope that all the above makes clear my attitude to the question of agents and commissions and the necessity for visits from London if we are to have any hope of business. Caracas Signal MA/14 of 10th January about the demonstration of French armour and helicopters is surely the most telling indication that equipment is not sold just by the efforts of Attaches, though we ourselves ask for a great deal of effort from them as part of our sales campaigns.

I am copying this letter to Leonard Figg of the Foreign Office. ✓ B

H. R. HUBERT

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