

Issue Brief – May 2016


Tax evasion and weapon production

*Mailbox arms companies
in the Netherlands*

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Wapenhandel**
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Introduction

The revelations of the leaked Panama Papers in April 2016 pushed the issue of tax and tax evasion high up the international political agenda. Prompting scandals and high profile resignations, the 11.5 million documents from the offshore law firm Mossack Fonseca unveiled some of the tricks and strategies that countless politicians, businessmen and elites use to avoid taxes. Among them were arms companies and arms traders, including blacklisted individuals as well as major arms corporations such as Italian arms giant Finmeccanica.

However Panama is just one of the many countries offering corporations secrecy and means of avoiding tax. The Netherlands is another leading player, providing a legal home to thousands of corporations, attracted by its low tax rates, its lack of transparency requirements and its bilateral investment agreements with many nations. Corporations with nothing more than a postal address are able to evade taxes in their own countries, file arbitration claims using Dutch investment agreements, and hide ownership and account details. Amongst the big companies using the Dutch evasion routes are a large number of arms manufacturers and major international defence companies.

Who are these tax evading arms companies and what are their strategies? In this report, Stop Wapenhandel and Transnational Institute publish their findings resulting from a search through the Dutch Chamber of Commerce. We found a large number of arms-producing companies with shell companies established in the Netherlands. Most of the production of these companies takes place in the major western arms-producing countries; the United States, United Kingdom, France and Germany. The arms companies turned out to have zero or minimal personnel presence in the Netherlands. Their almost empty offices and sometimes only having a mailbox allows them to legally pay as little tax as possible.

The top 100 global arms companies¹ has been used as the starting point for this research. Of the almost US\$ 450 billion annual defence production, these top 100 companies are responsible for \$392.6 billion.

The research uncovered the following facts:

- 6 of the top ten biggest arms companies have legal structures in the Netherlands
- One-third of the hundred biggest defence companies turned out to have one or more holdings in the Netherlands
- 30 of the top 100 arms companies have one or more holding structures in the Netherlands with an annual production worth \$203 billion. So one of every two dollars earned with weapon production has financial structures based in the Netherlands.
- A further 18 companies with a total defence production of \$42 billion have an establishment, but not a known holding in the Netherlands

Many of these companies have a record of corruption that goes beyond tax evasion. The Stockholm International Peace Research Institute (SIPRI) estimates that corruption in arms trade contributes approximately 40 per cent to all corruption in global transactions. Furthermore, an OECD report on implementing anti-corruption policies, stated that “out of the 22 foreign bribery allegations mentioned, 12 concern mailbox companies.”

Tax evasion by arms companies is therefore doubly cynical. For not only are arms companies using, as all companies do, economic infrastructure paid for by taxes, their products too are paid for by taxes. The lion share of what arms companies produce is bought by governments. Moreover, much of their research and development is subsidised by governments or done in cooperation with publicly funded universities and/or research institutes. And prices paid by tax payers are inflated further because of high levels of corruption. As this study shows, arms companies profit in all possible ways from public money but contribute as little as possible to the public purse.

The biggest cost of hosting disreputable arms companies is of course the countless human lives destroyed or devastated by conflict. Helping arms companies avoid their financial responsibilities assists this deadly trade. It is time to acknowledge that the Netherlands by providing such an attractive tax haven for these arms companies bears some responsibility for both the financial and human costs caused by their activities.

CHAPTER 1

A short history of Dutch tax law



In the late nineteenth century, it was the Dutch banker and Minister of Finance Nicolaas Pierson who introduced a wealth tax and rudimentary business tax. With this, he put a minimal burden on the elites, of which he himself was a part. His name lives on in the MeesPierson bank, until the present day, the bank of the Dutch royal family.

As the economy became more and more internationally organised, this created a financial problem for the elites, because many had possessions both in the Netherlands and in Germany. And economic activities were taxed both at home and due to cross-border activities met similar taxes abroad. Duke Willem van Bentinck, an established name in the history of the Dutch political class, complained about being taxed twice, both by the Germans and in the Netherlands.

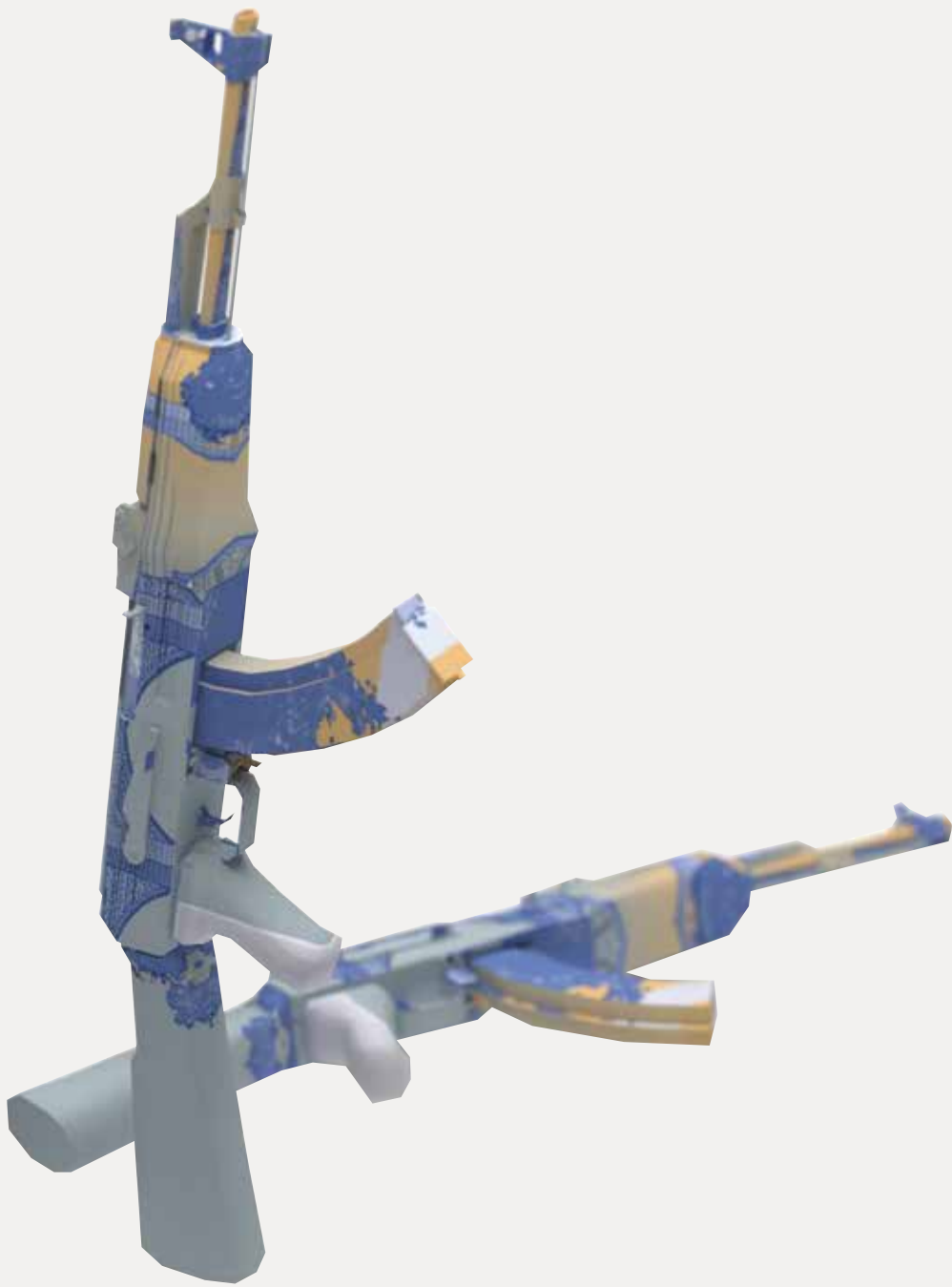
The Dutch government wanted to tackle this problem for its wealthy leisure class and its business community. A tax treaty between Prussia and Austria-Hungary of 1899 was seen as the method of choice and the government started to broker a similar treaty with Germany. The principles of a new policy were debated in the parliament and summarised by parliamentarian Sam van Houten as: "...taxes are not levied twice on the benefits of a limited company, flowing into the cash-books of another limited company under nominative shares."² This policy laid the foundation for the present-day lucrative Dutch tax regulations and is part of the reason the Netherlands became one of the principal havens for tax avoidance.³

During World War I, the neutral Netherlands tried to gain as much as possible from its position by being an intermediary for trade between enemies, a policy that made treaties that prevented double taxes as even more desirable. After World War I the Netherlands decided to negotiate tax treaties with a larger number of other countries. It took several years before the first treaty was concluded with Belgium. But soon Sweden, the UK and Hungary followed. Nowadays the Netherlands has tax treaties with almost 100 countries⁴ opening the possibility of treaty shopping.

It made the Netherlands a transit harbour, not only for goods but also for capital.⁵ The (temporary) movement of Dutch transnational corporations to the Dutch Antilles during World War II and a tax treaty with the United States in the fifties made the Dutch tax system even more attractive. Nowadays, the Dutch Antilles are not as lucrative as they used to be and lag behind other tax havens such as the Cayman Island and Guernsey. In 2013 however, in a EU study *European Initiatives on eliminating tax havens and offshore financial transactions*, it was stated that: "In the end, the (Netherlands) relationship to the Netherlands Antilles is probably the most important factor for its attractive tax environment. The territories benefit from the so-called Tax Arrangement for the Kingdom with the Netherlands. This has a similar effect as a tax treaty resulting in companies established in the Antilles being able to obtain a beneficial reduction of Dutch withholding tax."⁶

CHAPTER 2

Tax evasion in the Netherlands



The Netherlands has designed a “highly competitive fiscal climate” said a 2013 European Parliament study.⁷ There are 6,200 foreign companies with a Dutch branch held for fiscal reasons. Together they have established between 12,500 to 20,000 companies (figures vary considerably differ in different publications⁸) in the Netherlands to profit from tax evasion. Roughly ninety per cent of these companies only exist on paper. €10.2 trillion has been flowing in and out of the Netherlands in 2010⁹. For comparison, the GNP of the Netherlands in that year was €602 billion. Tax revenues were low: €402 million in corporate income tax, €83 million from sales tax or VAT and €164 million in payroll tax.

Dutch multinationals end up having an effective tax rate (ETR) of 8% to 20%, while the European average corporate tax is 22.6%.¹⁰ Abuse of taxes in the European Union cost the EU countries 1 trillion euros a year, according to former EU-commissar Algirdas Šemeta.¹¹ It is a sector which creates almost no employment and income. According to recent estimates the Dutch state earns roughly €2-3 billion annually because of tax constructions. Letterbox offices in the Netherlands are offered for only €63.75 monthly at zakenadres.nl¹², for example. Some are also available with a telephone and someone to answer it for you.

Most of the tax evasion involving the Netherlands has to do with cheaply shifting capital in and through its territory using the Dutch tax treaty system. The jargon used to describe the methods include participation exemption, transfer pricing and interest routes. The routes, laws and methods are complicated and inventively used, but research by a number of NGOs working together in the Tax Justice Network, and also by journalists and European Parliamentarians, have tried to make the system more transparent in order to expose its flaws.¹³ A European Parliament study explains why the Netherlands is a favourite for tax evasion:

1. The ‘participation exemption’ exempts dividends and capital gains from subsidiary companies abroad from corporate income tax in the Netherlands. For example by using the so-called Dutch Sandwich, with even its own wiktionary lemma: “A form of tax avoidance, based on the Double Irish arrangement, in which revenues from income of sales of the products shipped by the second Irish company are first booked by a shell company in the Netherlands, taking advantage of generous tax laws there. (...)”¹⁴
2. The unusually large Double Taxation Treaty network substantially reduces withholding taxes on dividend, interest and royalty payments between treaty countries and the Netherlands. The Netherlands has almost 100 tax treaties. Most of those treaties, for example a recent treaty with Kenya¹⁵, include a phrase like “any unresolved issues arising from the case shall be submitted to arbitration if the person so requests.” This means that it will be submitted to the arbitrage judgement of ISDS, which is included in most Dutch trade/tax treaties and is now well-known because it is a controversial part of trade agreements such as TTIP and CETA. In a more recent treaty however – with Indonesia¹⁶ – the ISDS clause as Indonesia started to realise its dangers¹⁷ and changed the treaty accordingly.
3. The advance tax ruling system gives certainty to multinationals about how the income of their Dutch subsidiaries will be taxed.¹⁸ When needed, a corporation can negotiate with the fiscal authorities, seated in Rotterdam. A tax deal, a so-called ruling, is valuable for four years and the privilege of entities who have 5 million euros to offer for the Dutch economy. They also require at least half of the members of the board to live in the Netherlands. The agreements are made e.g. in situations that are “factual in nature, such as the value of certain premises, the depreciation period of business assets or the level of the minimum salary a director and major shareholder should earn. The agreement may also relate to facts which will take place in the future.”¹⁹ This ‘tax certainty in advance’ has been much criticised but the Dutch government is not willing to give it up.

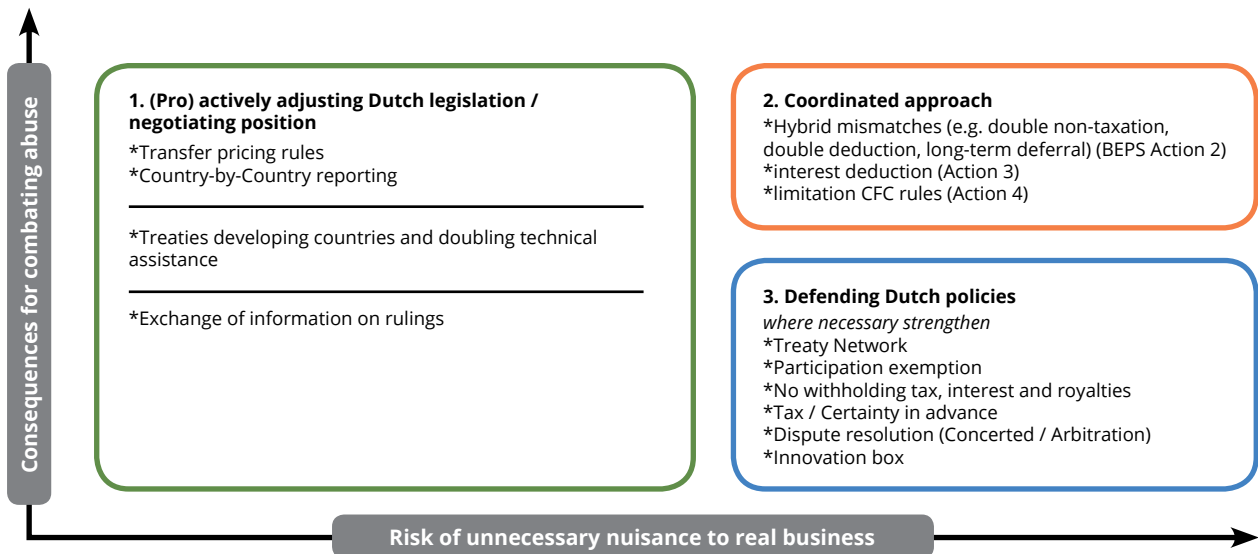
OECD regulation

The position of companies listed in the Netherlands will change with the implementation of the new Organisation for Economic Cooperation and Development (OECD) guidelines, published in October 2015. Transfer pricing – minimising taxable profits by paying royalties to subsidiaries, for the use of the brand name, patents etc, in other words all that is valuable but not a material asset – will come under new rules to prevent this misuse.

The OECD recommends phrases in treaties to exclude treaty abuse strategies, such as corporations claiming treaty benefits in situations where these benefits were not intended to be granted, thereby depriving countries of tax revenues. The Dutch government promised to implement these rules (or ultimately terminate treaties²⁰) as soon as possible and also with non-OECD countries.

Overall the Dutch government is not keen to implement the OECD guidelines. But it takes the position that only resisting new policies “will bring us into an un-defendable isolation and should unnecessarily harm the reputation of the Netherlands. There for we must cleverly move with the flow by coordinated and binding international changes.”²¹ The government will defend (and adapt) the lion share of existing Dutch tax legislation, such as the Netherland’s network of tax treaties and its lack of withholding taxes on interest and royalties. Those are the foundation of the Dutch tax regime, making it attractive and transparent for international corporations. This position is sketched in the following figure:

Dutch policy priorities on implementing OECD-guidings on BEPS



The Green box on the left lists the items which will be adapted to the OECD guidelines. High placed items have priority. Exchange of information is lowest in this box because Dutch rulings are always according “to the law, policy and jurisprudence.”²² Items in the orange box will be part of a coordinated approach which means in general via European Union structures. The blue box is what will be defended. First of all, the treaty network, but also the participation exemption, which like the network of treaties has been so central to tax evasion. The Government considers this as a valuable part of the Dutch tax system.²³

How effective the changes will be remains to be seen. The Tax Justice Network doubts if the “Dutch sandwich”, for example, is effectively tackled by the new rules.²⁴

CHAPTER 3

Top 10 defence industries and Dutch holdings



Table 1: Largest 10 global defence companies and their corporate presence in the Netherlands

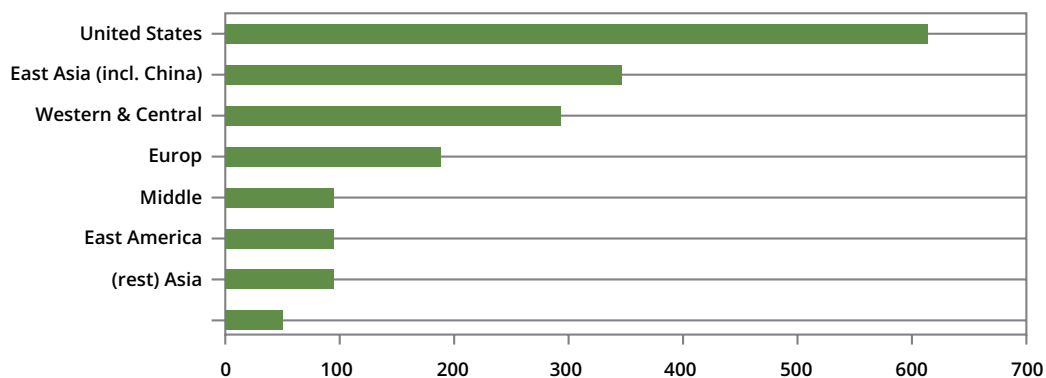
Company	Country	2014 Defence Revenue (in US\$ millions)	2014 Total Revenue (in US\$ millions)	Revenue From Defence	Holding in the Netherlands	Number of employees (2013)	Trust	Working capital in euros (2013)
Lockheed Martin	US	40,128.00	45,600.00	88.00%	Lockheed Martin Netherlands Holdings B.V.	0	Nationale Trust Maatschappij NV	23,000
Boeing	US	29,000.00	90,762.00	32.00%	Boeing Netherlands C.V.	0	Strawinskylaan 2745 A Trn 16th	-
					Boeing Netherlands B.V.	52	Strawinskylaan 2745 A Trn 16th	4,967,299
					Boeing Netherlands Holdings B.V.	0	Strawinskylaan 2745 A Trn 16th	-
BAE Systems	UK	25,449.00	27,411.30	92.80%	BAE SYSTEMS Holdings B.V.	0	SGG Management (Netherlands)	-827,137
					BAE SYSTEMS Shared services (overseas) Ltd	1	SGG Management (Netherlands)	-
					Royal Ordnance B.V.	2	SGG Management (Netherlands)	1,607,557
					BAE SYSTEMS Finance B.V.	0	SGG Management (Netherlands)	-1,013,957
					Muiden Chemie International	2	SGG Management (Netherlands)	3,354,693
Raytheon	US	22,228.20	22,826.00	97.40%	-			
General Dynamics	US	18,561.00	30,852.00	60.20%	General Dynamics European Holdings B.V. Dissolved December 24, 12-2014.	4	Teleportboulevard 140, 1043EJ Also listed in a list of publicly traded US companies with Tax haven Subsidiaries in tax havens and offshore capital.	-329,340,464
Northrop Grumman	US	18,400.00	23,979.00	76.70%	Northrop Grumman Int. Holdings B.V.	0	James Wattweg 22, Vlaardingen	-
					Northrop Grumman Finance Europe B.V.	0		41,968
					Northrop Grumman Sperry Marine Holdings B.V.	0		-6,826
					Northrop Grumman Asia Holdings B.V.	0		-
Airbus Group	NL	14,609.50	80,686.40	18.10%	Airbus Group	-	Mendelweg 30, 2333CS Leiden	-513,000,000
					EADS Finance	0		3,789,874
					Airbus Group Proj B.V.	0		-
					Airbus DS Holdings B.V.	4		-106,250,000
					Astrium International Holdings B.V.	1		(2014) -907
United Technologies	US	13,020.00	65,100.00	20.00%	United Technologies Holdings AMZ B.V.	0 0	Nationale Trust Maatschappij NV	45,086,000 0.01
Finmeccanica	Italy	10,561.40	19,486.80	54.20%	-			
L-3 Communications	US	9,808.00	12,124.00	80.90%	-			

World defence production is worth approximately US \$450 billion (about €400 billion) annually; which is about a quarter of world military expenditures. The ten biggest weapon producers are responsible for 45 per cent (US\$ 202 billion) of all arms production in financial value. Most arms are produced for the domestic market. Seven of the ten biggest weapon producers are from the United States. The United States is responsible for the lion share of weapon production and 40 per cent of the global defence budget. The other three biggest weapon producers from the top ten are headquartered in Europe; these are BAE of the UK, Finmeccanica of Italy and Airbus with production primarily based in Germany, France and Spain and juridically based in the Netherlands. The biggest companies are producing large weapon systems such as military planes, helicopters, ships, missiles, engines, and electronic systems.

It is hardly surprising that the top three are companies which produce primarily aircraft. Military aviation is responsible for US\$ 200 billion²⁶ which is 45 per cent of the global total defence production.

World military expenditures, 2014

Source: SIPRI military expenditure database. In US\$ billions.

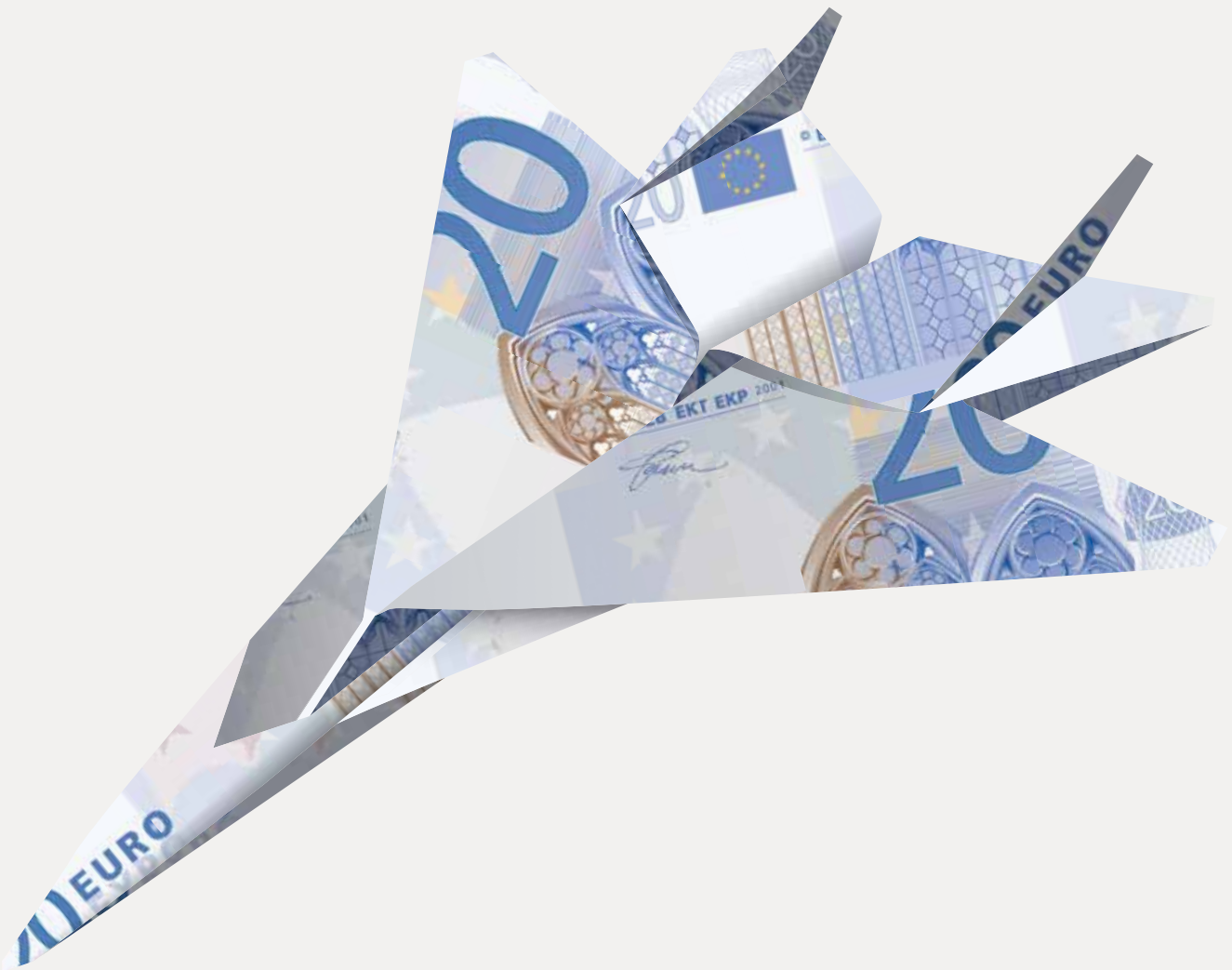


These companies do not only produce for their home market. They are also responsible for most of the global arms trade. And - contrary to public assumption - most arms trade is legal, even to countries such as Sudan, Egypt, Pakistan, India. Arms go to conflict regions, to countries committing gross human rights violations and even to countries with child soldiers.²⁷ Some countries are excluded from the arms market by UN embargoes but often those arms embargoes are limited in scope. EU countries have their additional list of arms embargoes. Despite this, most of the market is open for sales.

The biggest arms-producing companies are not necessarily the biggest companies when total production is taken into account. Hewlett Packard (HP) for example lists 40 on the defence top 100, but is the biggest company in the list if total revenues civil (98% of revenues) and defence (2% of revenues) are combined. The largest number of Dutch holdings by a top 100 defence company thus is not only - or even mainly - attached to defence production. In that sense, of the total turnover, HP is followed by the two major global aircraft producers Boeing and Airbus, with a large section for the production of civil airliners. Lockheed Martin takes a seventh place in this respect; although it produces military planes it has no position in the civil aircraft market.²⁸ That is also the case for BAE, the number three on the Top 100, but the number 14 when total revenues are taken into account. On average the big ten earn two thirds of their revenues from defence.

CHAPTER 4

Tax evasion by company

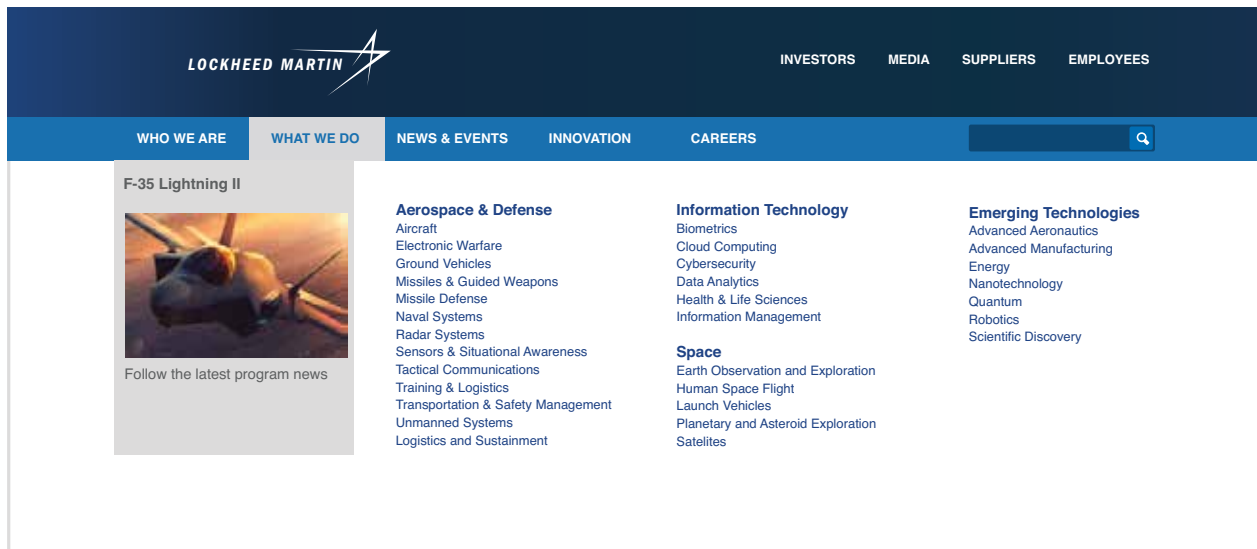


Six out of the ten biggest arms companies have tax constructions in the Netherlands. More than half of the top 100 biggest arms companies have a holding or establishment in the Netherlands.

Lockheed Martin

Lockheed Martin on its own is producing almost 10 per cent of all arms in the world, in financial value. The producer of the F-16 and Joint Strike Fighter (F-35) jets, it is by far the biggest defence company. Recently, the Pentagon warned²⁹ against further consolidation in the U.S. weapons industry because fewer defence contractors could lead to higher costs, decreased innovation and less competition. The gap between Lockheed Martin and the number two, Boeing, is eleven billion dollars. In his book on the company, 'Prophets of War', William Hartung writes: *"President Dwight D. Eisenhower (...) never would have dreamed that a single company could accumulate the kind of power and influence that is now wielded by Lockheed Martin."*

The company receives one out of every ten dollars spent by the Pentagon. It provides a range of products varying from interrogators for Guantánamo to Hellfire missiles. Lockheed Martin is also the largest US nuclear weapons contractor,³⁰ managing crucial laboratories, plants and fighter aircraft fitted to launch or drop nuclear bombs.



The Dutch holding of the company, Lockheed Martin Netherlands Holdings B.V., is a full subsidiary of Lockheed Martin Overseas Corporation based in Wilmington, Delaware (US). Lockheed also has a company with non-financial activities in the Netherlands: Lockheed Martin Commercial Flight Training B.V. This is a full subsidiary of LM Netherlands Holdings and employed 188 persons in 2013 (it has a number of daughter companies named SIM Lease 1-3, 5-6 and Sim-Industries Production). This company sells flight simulators all over the world.

Lockheed Martin has a long history of tax avoidance. In the late sixties, it came to light that the same trails used to bribe Nixon were also used for tax evasion "through overseas shell companies and offshore bank accounts as corruption money of foreign sales agents," in which Lockheed Martin set the standards.³¹ Defence contractor Loral, which was being acquired by Lockheed in a \$9.1-billion deal, used a limited offshore partnership in the Cayman Islands tax haven to avoid U.S. corporate income taxes, according to financial disclosures made in connection with the merger during the mid-nineties consolidations' process.³²

The request by foreign countries, most notably Japan, for access to the U.S. investigative materials evolved into the first Mutual Legal Assistance Treaty (MLAT). The bilateral system of MLATs grew out of the Lockheed aircraft investigations of the 1970s in which the United States developed information about bribes which Lockheed paid to a number of countries around the world. Dutch people remember Lockheed from that period by a corruption case involving the husband of then-Queen Juliana and Prince Bernard. But most current international efforts to launder money involve several countries, many different bank accounts and many different entities. Even when there are MLATs in place, investigators must go through a time consuming process of making requests on a country-by-country basis, waiting to receive the data from one country before having enough information to make the request of another country.³³

Boeing

Boeing is known for its civil planes, such as the 747. But it is also a big arms company. According to its website “Boeing’s expertise spans a broad range of products in defence. Fighter jets, rotorcraft, embedded product support, cyber security products, surveillance suites, advanced weapons, missile defence and commercial aircraft derivatives all fit in Boeing’s portfolio. The company can leverage this holistic knowledge and deliver the value of those integrated systems to its customers.”³⁴ The company is producing a wide range of weapon systems. Besides what is advertised on the site, Boeing also produces nuclear missiles and participates in the development of new types of nukes.³⁵

Boeing Netherlands Holdings B.V. is a full subsidiary of Boeing Global Holdings Corp. also based in Wilmington, Delaware. The holding structure of Boeing has changed last year. The Netherlands Holdings B.V. was established in March 2015. On June, 2nd a proposition was tabled to merge Boeing Netherlands Holdings B.V. with Boeing Gibraltar Ltd. A few days later this was followed by a next proposal to merge Boeing Netherlands Holdings into Boeing European Holdings Ltd. registered in Cardiff, UK, and Netherlands Holdings came to a quick end. Boeing still has two holding structures in the Netherlands: Boeing Netherlands C.V. and its 100 per cent daughter company Boeing Netherlands B.V.

Boeing is also named as one of the top 10 Corporate Tax Avoiders by Bernie Sanders, US Senator from Vermont and current presidential candidate: “From 2008 to 2013, while Boeing made over \$26.4 billion in U.S. profits, it received a total tax refund of \$401 million from the IRS. Boeing’s effective U.S. corporate income tax rate over this six-year period was 2 per cent.”³⁶ Which means that the \$26.4 billion civil military aircraft builder paid less than zero income tax. And it is going to be worse. In February 2015 “the company has paid net taxes in just three years out of the dozen since the 787 was launched in 2003, for a cumulative net \$1.3 billion federal tax refund. That works out to an average tax rate in that period of close to negative 3 per cent.”

100% Only shareholder	Company Profile – Boeing Netherlands B.V. (34247907) Chamber of Commerce, 23 august 2015	
Name	Location	CoC number
100% Boeing Netherlands C.V.	Amsterdam	34246897
Boeing Netherlands B.V.	Amsterdam	34247907

An overview of US companies dodging taxes (also by Sanders) mentioned a \$30 billion contract to build 179 airborne tankers but Boeing nevertheless got a \$124 million tax refund in 2010.³⁷ Boeing would owe an estimated \$66 million more in federal income taxes if its use of offshore tax avoidance was eliminated. Indignantly Sanders asks:

“American Jobs Shipped overseas? Over 57,000. Since 1994, more than 57,000 Americans lost their jobs at Boeing as a result of overseas outsourcing or rising imports. At least \$58 billion.” Boeing got the tanker contract – a production pestered by mismanagement ever since – because being an American enterprise, it was the strongest card in the competition with European Airbus. Airbus CEO Tom Enders is still grumbling about it.³⁸

BAE Systems

British Aerospace Systems, the number three of the list, also has a foot in the Netherlands. “A notorious recent deal was the sale of 200 Tactica armoured vehicles to Saudi Arabia. These vehicles were used by Saudi troops helping to suppress pro-democracy protests in Bahrain in March 2011,” writes the UK Campaign Against Arms Trade (CAAT).³⁹ CAAT summarises: “Its portfolio includes fighter aircraft, warships, tanks, armoured vehicles, artillery, missiles and small arms ammunition.”

BAE Systems has two main entries in the Dutch Chamber of Commerce. First there is BAE SYSTEMS Shared Services (overseas) Ltd. This is a provider of management advice and named after its UK parent company.⁴⁰ The company was established in July 2014, with two directors: Mark Andrew Reason and David Alexander Green, and one secretary: Ann-Louise Holding. Green is active in seven BAE companies, Reason in two, and also in Spectrum Technologies, a company with a BAE background and ownership. Ms. Holding was appointed in ninety companies⁴¹ since 2000, of which 70 are now inactive. Besides Shared Services, she works amongst others in BAE SYSTEMS Saudi Arabia⁴² (Vehicles and Equipment Nominees) Ltd. and BAE SYSTEMS Electronic Systems (overseas) Ltd.⁴³; and before this in BAE Systems (Funding Three) Ltd.⁴⁴ These employees are part of the financial menagerie of the UK weapon producer.

The other company registered in the Dutch Chamber of Commerce, BAE Systems (Overseas Holdings) B.V., is also woven into the BAE structures. It is a holding and finance corporation without personnel, managed by Rajdeep Patara and SGG Management (Netherlands) B.V., the Dutch branch of SGG, “a leading multi-jurisdictional provider of financial services with a heritage dating back more than a century, in Europe and beyond.”⁴⁵ Patara is a new kid on the block; not only in the Netherlands⁴⁶ but also in the UK part of BAES.⁴⁷ She took over positions of David Michael Brent, who recently terminated his BAE positions.⁴⁸

Company relations	Company profile – Royal Ordnance B.V. (32054246) Chamber of Commerce, 18 august 2015 – 12:09	
Name	Location	CoC number
SGG Management (Netherlands)	Amsterdam	33274430
100% BAE SYSTEMS Holdings B.V.	Amsterdam	33170021
Royal Ordnance B.V.	Amsterdam	32054246
- 100% Muiden Chemie International B.V.	Amsterdam	32039495
- 100% BAE SYSTEMS Finance B.V.	Amsterdam	33171021

The BAE example shows the extremely complicated holding structures which companies spin around themselves.

Royal Ordnance is a 100% daughter company of BAES Overseas Holdings and is a finance corporation, holding and management company. Directors are David Stanley Parkes and SGG Management (Netherlands) B.V. Parkes is widely involved as director in other parts of BAES.⁴⁹ Royal Ordnance itself holds two other companies: BAE SYSTEMS Finance B.V. and Muiden Chemie International. Finance B.V. is a financial holding, credit banking system and commercial finance corporation. Directors are again Patara and SGC Netherlands and the financial assets are written in red.

The last branch at the tree is Muiden Chemie. The name comes from an old Dutch gun powder factory. In 1991 it was bought by Royal Ordnance and according to the Dutch Chamber of Commerce it is still producing matches, gun powder and explosives, and exporting smokeless powder. But the Muiden Chemie factory was closed in 2001 after a fire. It does not even produce a single box of matches.

When the author of this report called Muiden Chemie International, the phone was answered by SGC which “has absolutely nothing to do with it,” and keeps denying it even when their Chamber of Commerce registration is brought up. On the premises of Muiden Chemie International, an investor’s organisation by the name of KNSF has established itself.

As the UK Campaign Against Arms Trade (CAAT) writes: “UK-based arms- producing companies have ostensibly become detached from the state, trying to redefine themselves as independent commercial entities that have transcended their national origins” and seek profit everywhere, even if that means not paying taxes to the government which treats them as a national enterprise. However, they “play the nationalist card when its interests are threatened.”⁵⁰

Northrop Grumman Corp. (NGC)



Illustration 1: Northrop Grumman Vlaardingen 19 September 2014

US company Northrop Grumman produces a wide range of weapon systems such as laser weapons, drones, guided bombs, and nuclear submarines. More than three quarters of its revenues depend on military production.

Northrop Grumman International Holdings B.V. and Northrop Grumman Finance Europe B.V., based in the Netherlands, are fully owned by Northrop Grumman Global Holdings Ltd. located in central London.⁵¹ As such they are directly linked to the UK establishment on a company level. Holdings B.V. itself is the only shareholder in Northrop Grumman B.V., Northrop Grumman Netherlands B.V. and Northrop Grumman Asia Holdings B.V.. The first two are registered as working in the field of security and security systems.

Holdings Asia is registered as a holding. All three have zero employees and a working capital of 1 (one) euro. All Sperry companies, also part of the Northrop Grumman footprint in the Netherlands,⁵² have been withdrawn from the trade register, as are those of Litton (which is also part of the NGC⁵³). In total zero people are employed. There is however an office at the James Wattweg 22 in Vlaardingen. When passing it last year, a man with a computer under his arm was just leaving. Apparently it is not totally empty. It is also the location of the personnel association of Northrop Grumman and the address of Sperry in the Netherlands, which is however no longer registered.

Company relations		
Company profile – Northrop Grumman International Holdings B.V. (59236369) Chamber of Commerce, 18 august 2015 – 12:09		
Name	Location	CoC number
100% Northrop Grumman International Holdings B.V.	Falls Church, Virginia 22 Ver. Staten van Amerika	
Northrop Grumman International Holdings B.V.	Vlaardingen	59236469
- 100% Northrop Grumman B.V.	Vlaardingen	57961484
- 100% Northrop Grumman Netherlands B.V.	Vlaardingen	57961581
- 100% Northrop Grumman Sperry Marine Holdings B.V.	Vlaardingen	59240628
- 100% Northrop Grumman Asia Holdings B.V.	Vlaardingen	61783935

Airbus, formerly EADS

Airbus Group SE, formerly Airbus Group NV and known as European Aeronautic Defence and Space Company EADS NV, is a Franco-German, and to a lesser extent Spain-based company active within the aerospace and defence sector. The company is officially based in the Netherlands. It manufactures aircraft, helicopters, commercial space launch vehicles, missiles, satellites, defence systems and defence electronics, and offers services related to these activities. It operates four divisions. The Airbus division comprises the Airbus Commercial and Airbus Military segments, which produces commercial jet aircraft, military transport aircraft and special mission aircraft, among others. The Eurocopter division makes civil and military helicopters. Astrium is active in the field of satellites, orbital infrastructures and launchers, and also provides space-related services. The Cassidian division sells missile systems, military combat and training aircraft, among others. Airbus also makes missiles for nuclear loads.

Airbus presents itself as the first real European defence company. It was an answer to the consolidation of US defence businesses in the nineties. It established its official headquarters in the Netherlands. Since May 2015, this is even reflected in the name, as it changed NV (Dutch for limited company,

Ltd.) to SE, Societas Europaea (Latin for European company)⁵⁴. Airbus divisions are all spread over the world, like most transnational corporations. Airbus has a small Dutch production facility in Leiden, Airbus Defence and Space Netherlands.⁵⁵ Here it works amongst other things on the Embedded Combat Aircraft Training System (ECATS) for the F-35, to provide real-life training scenario for its instruments, with one or more enemy aircraft in the air. Leiden is also the location of all Dutch Airbus holdings.

Back in 2002, Stop Wapenhandel had already assumed that Airbus was based in the Netherlands for tax reasons. In that year, an action was organised by the Flemish Forum voor Vredesactie, the European Network Against Arms Trade and Stop Wapenhandel, targetting the Airbus fly-in fly-out Annual General Meeting at Schiphol airport. The company denies it is established in the Netherlands for tax reasons, but the authors of a book on Dutch tax havens⁵⁶ describe the meeting as an “annual play”, accompanied by “the annual protest of anti-arms trade activists”.

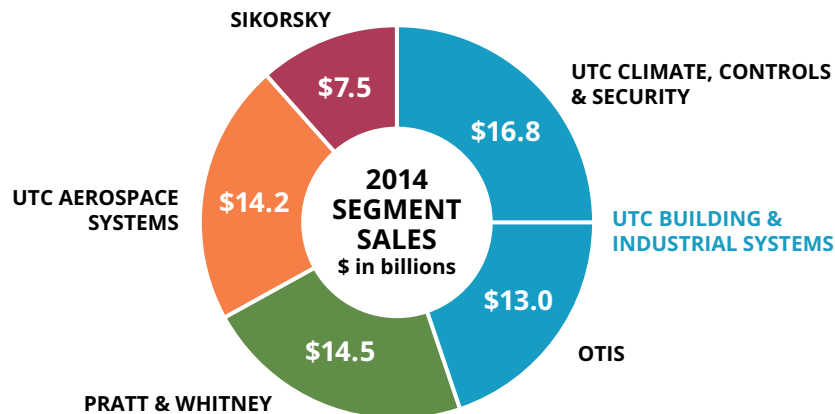
The Airbus Group owns two full daughter companies in the Netherlands: the financial holding EADS Finance and the Airbus Group Proj B.V.. Under this structure there is a second layer, headed by DS Holdings, a holding and financing company with a history in Astrium. DS Holdings owns two other entries: Dutch Space and Astrium International Holdings B.V. Dutch Space is the former Fokker Space B.V. and known under a range of names.⁵⁷ It is now called Airbus Defence and Space Netherlands and a ‘normal’ company with over 200 employees, active in R&D, production and export, mainly in the field of space technology. It was profitable in 2014, but still has a negative working capital. Astrium Int. Holdings is directed by French employees of the Airbus (Astrium Norway SAS, Aerospa-tiale) circles and another example of a holding and financing company (in official Dutch: Houdster- en financieringsmaatschappij) set up to circulate money in the most profitable way.

Company relations		Company profile – Airbus Group (24288945) Chamber of Commerce, 20 august 2015 – 16:54	
Name	Location	CoC number	
Airbus Group	Leiden	24288945	
- 100% Northrop Grumman Netherlands B.V.	Leiden	34182495	
- 100% Northrop Grumman Sperry Marine Holdings B.V.	Leiden	63545128	

Company relations		Company profile – Airbus DS Holdings B.V. Group (24190445) Chamber of Commerce, 20 august 2015 – 17:23	
Name	Location	CoC number	
Airbus DS Holdings B.V.	Leiden	24190445	
- 100% Dutch Space	Leiden	28086907	
- 100% Astrium International Holdings B.V.	Leiden	56075162	

United Technologies

United Technologies is dependent on defence for one fifth of its revenues. United Technologies has the world's air forces as main clients. Well known names such as Sikorsy and Pratt & Whitney are part of the company structure. Sikorsy is the builder of a range of helicopters, of which the Black Hawk is the most notorious. Pratt is known because of its fighter aircraft engines, for example for the Joint Strike Fighter (F-35).



The Dutch holding is named simply United Technologies Holdings B.V.. This holding is a full daughter company of United Technologies in Wilmington Delaware. The Holding itself fully owns a number of United companies across the Netherlands in the field of refrigerated transport.⁵⁸ Only one is mentioned in the list of military companies in the Netherlands, in the catalogue of the Commissariat Military Production of the Ministry of Economics: Hamilton Sundstrand Customer Support Center Maastricht B.V. based at Maastricht airport.⁵⁹

The board of United Technologies Holdings B.V. is filled with wealthy and well-known figures. Christopher Herbert Kurt Von has liabilities estimated over €1 billion; Stuart Bottomley has broad non-executive knowledge and experience in international asset management, risk management and corporate funding, and has consulted for numerous private and public companies, advised many companies and assisted in IPOs and other fund raisings; and the assignee doing the day-to-day tasks is a Dutch trust, in this case TMF Netherlands B.V.

According to a report by the federation of state Public Interest Research Groups (PIRGs), United Technologies has 22 tax haven subsidiaries in seven countries (in the Netherlands it had 7) and offshore held capital worth \$22 billion in 2012.⁶⁰

The next ninety biggest arms companies

The number 11–100 arms companies from the top 100 (see table 2: Holdings in the Defence industry, top 11–100) are producing \$184 billion worth of military equipment, a little less than that made by the top ten. In total the top-100 weapon production is valued at \$392.6 billion. Of those, only 52 companies, with a total defence production of \$148 billion, have no known holding or establishment in the Netherlands. 18 with a total defence production of \$42 billion have an establishment, but not a known holding in the Netherlands.

Which leaves 30 companies with one or more holding structures in the Netherlands. This is one third of all corporations, with a value of production by those of \$203 billion. So one of every two dollars earned with weapon production has financial structures based in the Netherlands.”

One of the significant companies in this list for the Netherlands is **Thales** Real Estate, a holding of one of the biggest Dutch arms manufacturers, along with many companies, and daughter company of the French Thales company (listed no. 12). This year a new branch was added to the holding structure, with HTSP B.V. registered as the only shareholder in Thales Real Estate, governed by Thales Nederland B.V.

Company relations	Company profile - HTSP B.V. (63974223) Chamber of Commerce, 17 september 2015 - 14:23	
Name	Location	CoC number
Thales Nederland	Hengelo	06061578
100% Thales Real Estate	Hengelo	08103492
HTSP B.V.	Hengelo	63974223

Without question, with more investigation and study, more daughter companies, boards and personnel more holdings will be brought to light.

Table 2: Holdings top 11-100

Source: <http://people.defensenews.com/top-100/>

n: no establishment/holding y: establishment but no holding	Rank 2014	Company name	Country	Defence Revenue (in US\$ millions)	Revenue From Defence
n	11	Almaz-Antey	Russia	9,209.80	100.00%
Thales Real Estate HTSP B.V.	12	Thales ¹	France	8,461.60	49.10%
n	13	Huntington Ingalls Industries	US	6,818.00	98.00%
n	14	United Aircraft Corp ²	Russia	6,244.00	80.00%
y	15	Rolls-Royce	UK	5,433.70	22.60%
Honeywell Holding B.V. operates as a subsidiary of Honeywell International Inc. Honeywell Netherlands Holding B.V. Honeywell Asia Holdings B.V. operates as a subsidiary of Honeywell International Inc. Honeywell Field Solutions Holding BV Branche: Beleggingsinstellingen in financiële activa. Honeywell Finance BV As of December 2, 1999, was acquired by Honeywell International Inc.	16	Honeywell	US	4,754.00	11.80%
Textron Capital B.V. (badhoevedorp) (Financial holding) Textron International Holding, S.L. (Bilbao) Textron Atlantic LLC (Wilmington, Delaware)	17	Textron	US	4,719.00	34.00%
N Zitten wel in Nederland, zelfs in Overhoeks	18	AECOM ³	US	4,433.00	22.60%
n	19	Booz Allen Hamilton	US	4,100.00	74.80%
(niet Safran Holding B.V.)	20	Safran	France	4,081.30	20.00%
n	21	DCNS	France	4,074.70	100.00%
General Electric International Japan Investments B.V. (Breda) operates as a subsidiary of General Electric Company. Also General Electric International Inc. and General Electric International (Benelux) B.V. are established in Breda. (GE Capital Finance B.V. is a non-financial holding)	22	GE ²⁴	US	4,000.00	16.70%
n	23	Russian Helicopters	Russia	3,960.00	88.00%
Vestiging http://www.leidos.com	24	Leidos ⁴	US	3,627.00	71.60%
Babcock International Holdings B.V. daughter of Babcock Brazil Investments Limited (see KvK-nummer 27071047) which is a daughter of Babcock International Group PLC	25	Babcock International ²	UK	3,558.80	48.00%
n	26	United Engine-Building	Russia	3,323.60	61.50%
Bechtel Netherlands Coöperatief U.A. Bechtel Holland, B.V.	27	Bechtel	US	3,000.00	8.10%
Bechtel Power Coöperatief U.A. Bechtel Civil Coöperatief U.A.					
Rheinmetall Netherlands B.V.	28	Rheinmetall	Germany	2,976.90	47.80%
Elbit Communications and Technology B.V. Elbit Ultrasound (Luxembourg) B.V.	29	Elbit Systems ⁵	Israel	2,958.20	100.00%
y	30	Saab	Sweden	2,829.30	82.30%
n	31	Tactical Missiles	Russia	2,812.60	95.00%
n	32	Israel Aerospace Industries ⁵	Israel	2,785.00	72.80%
w	33	Orbital ATK ^{6 7}	US	2,750.00	62.50%
Leidos, Inc. Probably a construction. Five employees and capital US\$ 50.	34	SAIC ⁴ (see Leidos)	US	2,735.00	71.30%
y	35	Exelis ⁸	US	2,644.00	80.70%
y	36	Mitsubishi Heavy Industries ⁶	Japan	2,626.70	5.60%
n	37	CACI International ⁹	US	2,578.00	72.30%
n	38	Hindustan Aeronautics ⁵	India	2,480.40	98.00%
n	39	Harris ^{10 11}	US	2,384.70	47.60%

Hewlett-Packard Japan Holding B.V. ²³ Hewlett-Packard CDS Holding B.V. Hewlett-Packard EMEA Holdings II B.V. Hewlett-Packard Global Holdings B.V. Hewlett-Packard Global Investments B.V. Hewlett-Packard (Japan NK) Holdings C.V. Hewlett-Packard Europa Holding B.V. Hewlett-Packard International Trade B.V. Hewlett-Packard Saleve B.V. Hewlett-Packard Vision B.V. Hewlett-Packard Colorado B.V. Hewlett-Packard Munich B.V. Hewlett-Packard Dusseldorf B.V. Hewlett-Packard Venice B.V. Hewlett-Packard Lisbon B.V. Hewlett-Packard Belgrade B.V. Hewlett-Packard Cambridge B.V. Hewlett-Packard Danube B.V. Hewlett-Packard Sunnyvale B.V. Hewlett-Packard Nevada B.V. Hewlett-Packard Berlin B.V. Hewlett-Packard Caribe Y Andina B.V. Hewlett-Packard Jura B.V. Hewlett Packard Enterprise B.V. Hewlett-Packard Matterhorn B.V. Hewlett-Packard Paris B.V. Hewlett-Packard Barcelona B.V. Hewlett-Packard Portofino B.V. Hewlett-Packard Rhine B.V. Hewlett Packard Ventures B.V. Hewlett-Packard Vision II B.V. Hewlett-Packard Vision III B.V. Hewlett-Packard Puerto Rico B.V. Hewlett-Packard Bari B.V. Hewlett-Packard Indigo B.V. Hewlett-Packard EMEA Holdings II B.V. Hewlett-Packard Zermatt B.V. Hewlett-Packard Deventer B.V. Hewlett-Packard Almelo B.V. Hewlett-Packard Gouda B.V. Hewlett-Packard Holysloot B.V. Hewlett-Packard Brielle B.V. Hewlett-Packard Lisse B.V. Hewlett-Packard Maasland C.V. Hewlett-Packard Emmen B.V. Hewlett-Packard Middelburg B.V. Hewlett-Packard Katwijk C.V. Hewlett-Packard Caribbean Manufacturing B.V. Hewlett-Packard Mergeco VI, LLC Hewlett-Packard Leman B.V. Hewlett-Packard Caribe Hewlett-Packard (Japan NK) Holdings C.V. Hewlett-Packard Gotham B.V.	40	Hewlett-Packard	US	2,240.80	2.00%
y	41	Rockwell Collins ¹²	US	2,209.00	44.40%
y	42	CSC	US	2,177.00	17.80%
y	43	Serco	UK	2,174.80	27.80%
n	44	ST Engineering	Singapore	2,012.80	39.00%
n	45	Rafael Advanced Defense Systems	Israel	1,965.40	100.00%
y	46	Kawasaki Heavy Industries ⁶	Japan	1,909.20	11.20%
n	47	Cobham	UK	1,860.00	61.00%
Oshkosh Europe B.V. Oshkosh Italy B.V.	48	Oshkosh ¹²	US	1,725.00	25.30%
n	49	General Atomics ¹³	US	1,655.00	-
n	50	Aerojet Rocketdyne ¹⁴	US	1,591.20	99.60%
n	51	DynCorp	US	1,579.00	70.10%
n	52	Uralvagonzavod ⁵	Russia	1,545.00	51.60%
n	53	Hanwha ¹⁵	South Korea	1,545.00	30.00%
n	54	Engility	US	1,530.00	61.20%
Embraer Netherlands Finance B.V.	55	Embraer	Brazil	1,459.50	23.00%
Fincantieri Holding B.V.	56	Fincantieri	Italy	1,406.80	24.10%

Holding with KMW, see http://www.ftm.nl/exclusive/de-frans-duitse-as-kon-wel-ee-opstekertje-gebruiken/	57	Nexter	France	1,392.80	100.00%
y	58	Dassault Aviation	France	1,332.30	27.20%
n	59	LIG Nex1	South Korea	1,330.10	100.00%
Fluor International C.V. Fluor Tubing US Holding B.V. Fluor International Holdings B.V. Fluor Europe B.V. Fluor Finance International B.V. Fluor International C.V.	60	Fluor	US	1,319.30	6.10%
n	61	Korea Aerospace Industries	South Korea	1,160.00	52.70%
n	62	Aselsan	Turkey	1,109.00	97.10%
Accenture Holdings B.V. Accenture Central Europe B.V. Accenture Middle East B.V. Accenture Branch Holdings B.V. Accenture Australia Holding B.V. Accenture Korea B.V. Accenture Participations B.V.	63	Accenture ¹⁶	US	1,059.50	3.50%
y	64	ManTech	US	1,046.70	59.00%
QinetiQ Inxeon B.V. (see also TSG International, LLC)	65	QinetiQ ²	UK	1,017.90	79.00%
y	66	NEC ⁶	Japan	1,011.00	3.50%
n	67	GKN Aerospace	UK	990.20	27.00%
Ultra Electronics Netherlands (CAD) B.V. Ultra Electronics Netherlands Finance Coöperatief W.A.	68	Ultra Electronics ^{2 17}	UK	951.50	81.00%
n	69	RTI	Russia	947.20	50.50%
Together with KMW see http://www.ftm.nl/exclusive/de-frans-duitse-as-kon-wel-ee-opstekertje-gebruiken/	70	Krauss-Maffei Wegmann	Germany	934.60	100.00%
y	71	Kongsberg	Norway	929.80	35.20%
n	72	Ana Holdings ⁶	Japan	926.10	5.40%
y	73	Samsung Techwin ¹⁸	South Korea	904.80	36.40%
n	74	PAE	US	895.20	49.30%
Meggitt B.V.	75	Meggitt	UK	888.70	34.70%
n	76	Bharat Electronics ⁶	India	875.70	80.00%
Mitsubishi Electric Europe B.V.	77	Mitsubishi Electric ⁶	Japan	860.30	2.00%
n	78	Turkish Aerospace Industries ⁵	Turkey	853.60	85.30%
y (Moog Consulting Holding seems to be owned only by Schmitz, Sophie Elizabeth)	79	Moog	US	837.80	31.60%
n	80	AAR Corp ¹⁹	US	827.40	40.70%
n	81	Cubic ¹²	US	798.70	57.10%
CAE Holdings B.V. CAE Center Amsterdam B.V.	82	CAE	Canada	755.60	38.20%
n	83	Alion Science and Technology	US	753.70	93.70%
Curtiss-Wright Netherlands B.V. Curtiss-Wright Netherlands C.V.	84	Curtiss-Wright	US	749.60	33.40%
n	85	Chemring ²⁰	UK	723.70	92.00%
n	86	Ruag	Switzerland	718.40	43.00%
n	87	Ball Aerospace & Technologies	US	681.00	72.80%
n	88	Indra	Spain	676.00	17.30%
n	89	Wyle	US	650.70	75.20%
n	90	Diehl Defence Holding	Germany	648.50	16.10%
y	91	IHI ⁶	Japan	617.80	4.30%
n	92	Ukroboronprom	Ukraine	575.90	100.00%
n	93	Battelle ¹²	US	569.20	10.20%
n	94	Patria ²¹	Finland	555.80	90.40%
n	95	Day & Zimmerman	US	555.00	22.20%
y	96	ViaSat	US	535.50	38.70%
n	97	Nammo	Norway	527.40	89.10%
Fujitsu Technology Solutions (Holding) B.V.	98	Fujitsu ⁶	Japan	525.90	1.10%
n	99	Israel Military Industries	Israel	475.80	100.00%
n	100	Denel	South Africa	454.60	100.00%

Notes on table

1. Changes in European accounting methods mean joint venture financials are not included in revenue
2. Defense revenue based on percentage provided by company; (includes Sukhoi, MiG and Irkut)
3. Acquired URS
4. Fiscal year ended 1/31/15
5. Figures provided in US dollars
6. Fiscal year ended 3/31/15
7. ATK merger with Orbital completed in February 2015
8. Acquired by Harris in May
9. Fiscal year ended 6/30/15
10. Acquired Excelis in May
11. Fiscal year ended 6/27/15
12. Fiscal year ended 9/30/14
13. Calculations based on US military contracts; does not include Foreign Military Sales undisclosed by company
14. Fiscal year ended 11/30/14 (formerly GenCorp)
15. Completed acquisition of Samsung Techwin and Samsung Thales in June
16. Fiscal year ended 8/31/14
17. 2013 revenue was recalculated
18. Takeover by Hanwha completed in June
19. Fiscal year ended 5/31/15
20. Fiscal year ended 10/31/14
21. Portion of Nammo sales no longer included
22. For year ended 3/31/2014
23. Hewlett Packard can't be missed because of the numerous financial holdings it has in the Netherlands. Almost all of them are based at Startbaan 16 in Amstelveen (near Amsterdam and international air hub Schiphol, where the headquarters of Hewlett Packard Nederland are also based.
24. GE has subsidiaries in the Bahamas, Bermuda, Ireland and Singapore, but won't disclose how much of its offshore cash is in these low-tax destinations. In its 2009 annual report, GE noted that it had reclassified \$2 billion of previously earned foreign profits as "permanently reinvested" offshore, and said that this change resulted "in an income tax benefit of \$700 million." Since \$700 million is 35 per cent of \$2 billion, this is an admission that the expected foreign tax rate on this \$2 billion of offshore cash was exactly zero, which in turn strongly suggests that GE's "permanent reinvestment" plan for this \$2 billion involved assigning it to one of its tax haven subsidiaries.

CHAPTER 5

Corruption and misbehaviour



The arms industry is notorious for being corrupt. Transparency International estimates that \$20 billion is lost every year because of this.⁶¹ The Stockholm International Peace Research Institute (SIPRI) estimates that corruption in arms trade contributes approximately 40 per cent to all corruption in global transactions.⁶² For most large global defence companies, many recent (allegations of) corruption cases can be found.⁶³ This behaviour pushes up the price of global military purchases. Countries do not only have to pay for the weapon, but also for the black money used to make the deal happen.

The mailbox companies do not have a good record either. In a OECD report on implementing anti-corruption policies, it is stated that “out of the 22 foreign bribery allegations mentioned, 12 concern mailbox companies.” The OECD fears that circumventing rules may happen using the mailbox companies. It fears that the Dutch authorities do not prioritise investigations and prosecutions, which are low.⁶⁴

When evading taxes is not wrong *de jure, de facto* it must be regarded as unethical for corporations in general. This is even more the case when these kind of practices involve defence corporations. They are dependent on acquisitions by states which are paid for by tax dollars of citizens and small, medium and large companies. The profits of the defence corporations are depending on a smooth running tax system. Cashing in on the advantages, but not paying the price, seems to be the motto of the defence companies.

CHAPTER 6

The Dutch connection in the Malaysian airline disaster



The confusing network of holdings, companies and personal interconnections can easily lead to incorrect conclusions. This happened when the Dutch media identified the Dutch-listed Alliance Rostec Auto BV as being the provider of the Buk missile that caused the terrible disaster with civil airplane MH17. Although there are possible connections, Alliance Rostec Auto BV is not the same as the Russian arms export promotion company Rostec.

On July 17, 2014⁶⁵ a Russian-produced Buk surface-to-air missile (SAM) hit a Malaysian airliner which hours earlier had taken off at the Dutch national airport Schiphol. 298 people died. The Buk can be found in the army inventories of Russia, Ukraine (produced by Ukroboron service⁶⁶) and the Donetsk People's Republic Ukrainian insurgency, and a number of other countries. The Buk-missile is produced by Almaz-Antey – number eleven on the defence company top 100 – as well as by a number of subcontractors⁶⁷.

A few days after the missile downing of the aircraft, Dutch newspaper De Volkskrant published⁶⁸ an article about the presence of the supplier of the missile in the Zuidas, the money belt of Amsterdam. "Alliance Rostec Auto BV (...) is the top of the Christmas tree in the Netherlands of a number of companies shuffling with money to pay as little taxes as possible in the Netherlands. Several constructions are used to link it to Rostec (a company which promotes Russian exports) and Rosoboronexport, the Russian arms producers, exporting annually \$10 billions worth of arms and 100 per cent owned by Rostec." The Volkskrant based its findings on a blog published on the site 925.⁶⁹ It was the start of a series of blogs by 925 on Russian (defence) companies listed in the Netherlands.⁷⁰

Rostec is a "Russian government corporation established in 2007 to promote design, manufacture and exports of high-tech manufacturing products for civilian and military use. The corporation comprises 663 companies and organizations, currently clustered under 12 holding companies in the defence industry sector, and five companies in civilian manufacturing sectors. Rostekhnologii subsidiaries lie in 60 Russian regions, shipping their products to the markets of more than 70 countries around the world. Sergey V. Chemezov is the CEO (General Director) of the corporation. Rostekhnologii generated RUB 1.55 billion in net earnings in 2011, paying RUB 100 billion in federal, regional and local taxes."⁷¹ Among Rostec's daughter companies are major arms suppliers, such as Russian Helicopters, the United Engine Corporation and Concern Radio-Electronic Technologies (KRET). Rostec is thus one of the worlds' main arms exporters and a key player in the Russian defence and high-tech business, aiming "to further the development, manufacture, and export of high-tech industrial products"⁷² of hundreds of companies.

For weblog 925, the link with Rosboronexport (Russian government-controlled specialized exporter of armaments and military equipment) is the foundation on which the accusation of involvement in the MH17 drama is based. Rosboronexport was included in Rostec in 2009 and on July 1, 2011, the federal state unitary enterprise was reorganised into an open joint-stock company (OJSC).

This is not uncommon. Most countries have one or more Government controlled arms export promotion organisations. In the Netherlands this is the Commissariat Military Production (CMP), promoting Dutch defence exports at arms fairs and at visits of the ministers or the royal family, amongst others. This year they met their Russian counterparts at the IDEX arms fair in Abu Dhabi, where the Russians exhibit was in the pavilion next to the Dutch. It is however not so common that such an arms export organisation is privately controlled and also includes most of the domestic industries. But Russia has

a history of bringing state property to the market, enriching tycoons and fostering crony capitalism. Rosboronexport is also promoting Almaz exports abroad, for example marketing the Russian-Turkish production of an air-defense system, the Antey-2500⁷³, and involved in ongoing exports to Iran.

However weblog 925 is not completely accurate. It is not Rostec, but Alliance Rostec Auto BV which is listed in the Netherlands. When looking into the history of this company, there is no direct mention of connection to Rosboronexport in the papers of the Chamber of Commerce.⁷⁴ But there is an indirect link to be found among its board members. First of all there is Sergey Viktorovich Chemezov, also known as Putin's arms trader.⁷⁵ In the board of Alliance Rostec Auto BV are Carlos Ghosn⁷⁶, a French-Lebanese-Brazilian businessman and currently the Chairman and CEO of Paris-based Renault (Renault is a major partner of the Russian defence industry) and Japan-based Nissan, and CEO of the Renault-Nissan Alliance; Philippe Jeol⁷⁷, is occupied with Strategic planning, Business development at Renault and fully authorised at the Dutch holding; Thorman is Company Officer of Nissan International Finance (Europe) Ltd;⁷⁸ Igor Zavyalov is in the main board of Rostec⁷⁹ and is affiliated to Kamaz⁸⁰ and Chemezov⁸¹ is formerly the Director General of Rosoboronexport, chairman of the Union of Russian Mechanical Engineers, and a lieutenant-general and now director of Rostec. Together they control the Alliance Rostec Auto BV capital of well over 17 billion roubles⁸² The Russian members are the leading persons in the Russian defence industry.

What is remarkable is that no single Russian defence company is among the first 10 biggest (see table 1) and none of the Russian companies listed among the next ninety has a holding in the Netherlands (see table 2).⁸³

The MH-17 disaster, which deeply affected Dutch society, enables us to better understand the impact of what happened a quarter of a century earlier to Iranian society when an Iranian air liner was shot down above the Persian Gulf by US Ticonderoga class cruiser Vincennes in 1988. All 290 people on board the Airbus, including 66 children and 16 crew, died. The US refused to apologise for the downing. The builder of the Vincennes, Lockheed Martin has a direct establishment at the Dutch Chamber of Commerce.

Arms companies and the Panama Papers



The Panama Papers, the leaked agreements and contracts of offshore law firm Mossack Fonseca, unveiled to the public the top of the iceberg of the legal and semi-legal tricks used by companies and individuals to evade taxes and finance dodgy deals. According to the ICIJ - The International Consortium of Investigative Journalists – which spent a year studying the papers, the Panamanian firm Mossack Fonseca earned money creating shell companies for, amongst others, financiers of arms dealers, war criminals and spies.

Mossack Fonseca denies wrongdoing. A spokesman said that the firm relies on intermediaries such as banks and other law firms to review the backgrounds of its potential customers. However ICIJ research revealed that at least 33 companies and people blacklisted by the U.S. government, including terrorism financiers and arms traders, appear in Mossack Fonseca's files. One of its clients is Farhad Azima, an Iranian-born American charter airline executive and long time donor to both Democratic and Republican administrations. His name came up during the Iran-Contra affair, when arms were secretly transferred to Iran to help free seven American hostages then used to fund right-wing Nicaraguan rebels. On a mission to Tehran in 1985, it was one of Azima's cargo planes which delivered 23 tons of military equipment. Azima has always claimed to know nothing about the flight.

Farhad Azima established his first offshore company with Mossack Fonseca in 2000. It took 13 years before the firm ran a routine background search on its customer and found amongst others, allegations that Azima "supplied air and logistical support" to a company owned by former CIA agents who shipped arms to Libya.

Another connection to the Iran-Contra scandal is Adnan Khashoggi. The Saudi billionaire negotiated billions of dollars in weapons sales to Saudi Arabia in the 1970s and played "a central role for the US government" and with CIA operatives in selling guns to Iran. Khashoggi appears in the Mossack Fonseca files as early as 1978. There is no indication that Mossack Fonseca investigated Khashoggi's past.

There are many more secret service names to be found in the Panama papers. These include Sheikh Kamal Adham, Saudi Arabia's first intelligence chief who was later named by a U.S. Senate committee as the CIA's "principal liaison for the entire the Middle East from the mid-1960s through 1979," and who controlled offshore companies later involved in a U.S. banking scandal; retired Maj. Gen. Ricardo Rubianogroot, Colombia's former chief of air intelligence, who was a shareholder of an aviation and logistics company; and Brig. Gen. Emmanuel Ndahiro, doctor turned spy chief to Rwanda's President Paul Kagame.

Another Mossack Fonseca client was semi-illegal arms dealer John Bredenkamp, a crony of Zimbabwe's Robert Mugabe and, according to the UN, an arms provider to Congo's Kabila. Bredenkamp built an estimated £700m fortune from tobacco trading, grey-market arms dealing and diamond mining. His arms brokerage counted Europe's largest arms company BAE among its major clients. In 2006, the UK's Serious Fraud Office raided Bredenkamp's house and offices, looking for evidence of bribes paid to politicians as part of a deal to sell BAE fighter jets to the South African government. In 2008 it emerged that £40m had been paid by BAE Systems to a Bredenkamp company for which Mossack Fonseca was the agent. Bredenkamp denied wrongdoing or any involvement and no charges were brought. Europe blacklisted Bredenkamp in 2009, but it took Mossack Fonseca until March 2013 for all 16 offshore companies connected to Bredenkamp to be shut down.

If a connection between its client and illegal activity was known, Mossack Fonseca proved very slow to act. The bombing of Syrian opposition by government troops would not have been possible without a network of companies that dodged international embargoes by supplying the oil and gas for military aircraft. Three of these companies, Mossack Fonseca clients, were blacklisted by the US government. The agency continued doing work for at least one of these companies after this blacklisting. Nine months after the U.S. first sanctioned one company, Mossack Fonseca was still handling the company's paperwork. It was not until August 2015 — more than a year after sanctions had been announced — that Mossack Fonseca acknowledged the blacklisting and started to look for ownership details.

From these examples, one could get the impression that only solo shadowy villains are using these kind of constructions. But this is not the case. Many arms companies use offshore shell companies. United Technologies, for example, which depends for one fifth of its revenues on defence, has 22 tax haven subsidiaries in seven countries (7 in the Netherlands).

Finmeccanica, one of the global top-10 arms companies, is another major arms trader that features in the Panama Papers. Finmeccanica is 30% owned by the Italian government. The Panama Papers reveal agreements and contracts of alleged commissions of 5% to 17% of the contract value for electronic warfare equipment and other supplies between the Indian Forces and Finmeccanica. Paying commissions is accepted habit in international arms trade; without commission a smooth deal is unthinkable. The question is, when does it stop being a commission and start being a bribe. Figures up to 17% are very high. According to the *Indian Express*, in this case there is no doubt as to their illegal nature. Finmeccanica paid commissions to the Indian Air Force and Navy but also to countries such as Philippines and Algeria. For the transaction, the Italian company used two offshore entities as intermediaries; Intertrade Enterprises Limited (IEL), registered in the Bahamas and Intertrade Projects Consultants Limited (IPCL), located in Dublin but recorded as a Panamanian company. For the Philippines, Intertrade signed an agreement with Elima, a subsidiary of Finmeccanica.

Conclusion

Companies like Lockheed Martin are not based in the Netherlands because they like the fast internet connections, Amsterdam air hub Schiphol, the tulips or the windmills. If that was the reason, they would have located not only the administration but also their people to the Netherlands. Big defence companies like the Netherlands because it offers the possibility to pay as little tax as possible. As one of every two dollars earned with defence production has a link with the Netherlands, it is clear that the Dutch system is highly profitable for transnational companies.

Defence companies are paid by taxes. Even their R&D is often directly or indirectly paid for by governments, which highly subsidize defence research in institutes, universities or facilities managed by the defence giants themselves.

The tax evasion of defence companies is highly cynical. More research is needed to expose the full extent to which defence companies profit from the Dutch system. Even more necessary seems to be more just tax laws so that companies pay for the common goods they profit from.

Annex: The use of Trusts in tax avoidance

To take advantage of corporate friendly taxes a company needs to have physical presence in the Netherlands: an office, personnel, administration, daughter office etc. Very often this presence is organised by a trust office. The Netherlands has 287 of them. Two thirds of them are located in the region Amsterdam/Schiphol.⁸⁴ Despite – or even thanks to – stricter rules (see chapter 2) the trust sector foresees growth; more rules means more work, more control means more reports, more rules means new work looking for the holes to slip through.

A corporation can not use tax regulations when it does not comply with legal obligations. It needs to have a director, establishment at the Dutch Chamber of Commerce, administration, an administration address and a Dutch bank account. And here the work of the trust begins. They are office keeper, financial administrator, secretary and Director and also organise the obligatory shareholder meeting. A trust can harbour 1,000 companies at one floor.

The new recommendations by the Organisation for Economic Cooperation and Development (OECD) are seeking to limit treaty shopping, but such an expanded letterbox is still legal. Action against treaty shopping still depends on the scrutiny and implementation by states. The Dutch national bank (DNB) had a minimal budget of €5.07 million in 2014 to control the Dutch trusts.⁸⁵

Intertrust, the largest of the Dutch trusts with two thirds of the biggest 500 companies world wide amongst its clientele, is located at the Prins Bernardplein 200. Intertrust has a turnover of €100 million. Searching the Dutch Chamber of Commerce for this address 3,210 (about the same as found the journalists Reijn and Kooistra⁸⁶) hits surfaced for companies. After eliminating double mentions, almost 2,000 are left. Intertrust expects a growth rate in the next three years of four percent.⁸⁷

The CEO of Intertrust, David the Buck, was recently interviewed because the company was on the eve of establishing itself at the Amsterdam Stock Exchange (AEX). His aim is to change the negative opinion of the Dutch public that companies such as Intertrust help multinationals to evade taxes by managing shell companies. This bad reputation does not help attract capital at the stock market. The heading of the article is: 'We do not manage shell companies.' Buck admits that not all clients produce in the Netherlands: "Some companies only are active in finance activities. (...) But there are also real activities."⁸⁸

Intertrust has establishments elsewhere on the the Bahamas, British channel island, Guernsey, and the Cayman Islands, because "the biggest global investment funds are there. They have chosen to settle there. Because they are there we are there too."⁸⁹ It has also seats in Hong Kong and Luxembourg, the biggest trust markets.⁹⁰

The history of Intertrust itself is interwoven with the history of Dutch elite banking and tax regulations. In the 1940s, due to political uncertainties and war, Dutch bank Pierson, Heldring & Pierson moved its corporate structure to Curacao, part of the overseas Dutch Royal Kingdom, to be managed from there. The move started because of the war, but tax advantages became more relevant over time. Soon NV Trust Corporation Pierson, Heldring & Pierson (PH&P) was incorporated in Curacao in 1952. This predecessor of Intertrust was one of the first companies to be active in this 'new' so-called financial industry.⁹¹ Since October 15, Intertrust is listed at the AEX and looking for methods expanding its market share.

Intertrust is the biggest but not the only Trust.⁹² The top-10 defence companies are using others: Lockheed Martin and United Technologies use Nationale Trust Maatschappij N.V., Amsterdam Zuidoost; Boeing seems to have its own employee at the Zuidas⁹³; BAES uses SGG Management in Amsterdam Zuidoost; General Dynamics used Orangefield (Netherlands).

Notes

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10. Blomeyer & Sanz, European initiatives on eliminating tax havens and offshore financial transactions and the impact of these constructions on the Union's own resources and budget, DIRECTORATE GENERAL FOR INTERNAL POLICIES POLICY DEPARTMENT D: BUDGETARY AFFAIRS, IP/D/CONT/IC/2012-071 15/04/2013, p.89. (http://www.europarl.europa.eu/RegData/etudes/etudes/join/2013/490673/IPOL-JOIN_ET%282013%29490673_EN.pdf)
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