

FT: Masters of the great game turn to business

Says Stephen Overell

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Globalisation and cross-border mergers are increasing demand for Hakluyt's brand of intelligence,

Five years after leaving MI6, Christopher James is still involved in "the great game", still savouring the whiff of romance and still at the centre of a global web. Former spies are supposed to retire into oblivion, carrying their secret cargo of knowledge to the grave. Not him. "The idea was to do for industry what we had done for the government," he says. "In the services you get to understand a great deal about the people who make things work. I felt what we provided might have some commercial value. You could say it was intuition about the ending of the cold war."

Mr James, who served in the Special Air Service before MI6, founded Hakluyt & Company in April 1995 along with Christopher Wilkins, a former Welsh Guards officer and businessman. Pronounced "Hacklet", the company is named after the geographer and cleric Richard Hakluyt (1552-1616) who introduced the globe into schools.

Mike Reynolds, an ex-MI6 colleague, and Jeremy Connell, a former diplomat and business development manager for a law firm, became directors in 1995.

Michael Maclay, a former journalist, diplomat and special adviser to Douglas Hurd, former foreign secretary, and Carl Bildt, UN high representative in Bosnia, joined in 1997. Mr Wilkins retired in 1996. So far Hakluyt has provided intelligence for 26 FTSE 100 companies and has a growing number of US and European clients. Operating by word of mouth, the company sells information of a singular and sensitive kind. Mr James describes what they produce as "the truth".

"The chairman of a company may be under immense pressure from senior managers to approve a contract, but a voice in the back of his head tells him something is not quite right. That is where we come in. We give focused, timely intelligence - we fill in the gaps." Mr Maclay adds: "We are there to answer specific questions - what the real agenda is, who is in whose pocket and what is the role of certain people."

Mr Maclay gives an example of an assignment. In 1997 a British company was tempted by a lucrative joint venture in the former Soviet Union when strategic mineral resources were privatised in an obscure republic. The slick Russian frontmen turned out to be ex-KGB agents with direct links to an international drugs cartel laundering money in the Caribbean. The company was advised to pull out.

Raising a china teacup at Hakluyt's West End offices, Mr James, managing director, reflects: "It would not be Hakluyt if there was no whiff of romance about it." It might be thought that Mr James' quondam masters would have been uneasy about former staff going corporate. Sir David Spedding, then head of MI6, wished him luck with his venture - as he does with everyone who leaves the service, says Mr James. "Once you're in, you're in. And once you're out, you're out. There are absolutely no ties." He is sure MI6 is not interested in Hakluyt's activities. "They have far more important things to worry about."

Support has come from a roll-call of establishment grandees - a clue to the contacts Hakluyt can muster. Former foreign secretary Malcolm Rifkind was supportive of the project; so too was Ian Lang, former secretary of state at the Department of Trade and Industry. Earl Jellicoe, president of the SAS Association, provided early encouragement, as did the late Brigadier Sir Fitzroy Maclean, Winston Churchill's personal envoy to Marshall Tito during the second world war. The current DTI "likes the idea", according to Mr James.

The Hakluyt Foundation, the company's equivalent of a board, contains more eminent names. There is Sir Peter Holmes, the foundation's president and former chairman of Royal Dutch Shell Group; Sir Brian Cubbon, former permanent under-secretary of state at the Home Office; Sir Peter Cazalet, chairman of the company and the foundation, former deputy chairman of BP and member of the top salaries review board; Sir William Purves, former chairman of HSBC; Lord Inge, former chief of defence staff; Lord Trotman, former chairman and chief executive of Ford and a director of the New York Stock Exchange and Baroness Smith of Gilmorehill, widow of John Smith, former Labour party leader. Special adviser is Lord Renwick, chairman of Robert Fleming, the investment bank.

To cap all these connections, Hakluyt has formed a strategic agreement with Henry Kissinger (see below). The former US secretary of state, guru of realpolitik, Nobel peace prizewinner and darling of the lecture circuit runs his own strategic consultancy, Kissinger Associates. Mr Kissinger's company will facilitate top-level introductions for Hakluyt and both will refer clients and co-operate on individual projects. It is almost a privatised version of "the special relationship". "Mr Kissinger is a statesman who has

been at the very heart of American politics. I am extremely flattered," says Mr James.

The Hakluyt Foundation has a vital role. In the words of Mr James, it provides "reassurance we are not just a tearaway bunch of ex-government officials". It ensures Hakluyt abides by a code of practice, which has an absolute ban on doing anything illegal, any dirty tricks. Asked if this might disappoint some clients, Mr James is firm: "We just don't do it."

Nor does Hakluyt operate by tip-fees for information. Mr Maclay adds: "We talk to the high-ups, not the hard-ups." Hakluyt, like the services, regards paid-for information as less reliable than information given freely.

The company has over 100 "associates" on its books - some based in London, others at stations worldwide, formed by personal contacts, whose judgement the directors trust absolutely. They might be investigative journalists, diplomats' wives, senior business people, former diplomats or consultants. They are "intuitive, determined, highly intelligent" and have intimate knowledge of the country in which they operate. Associates are free to turn down assignments and are expected to use their judgement about dangerous situations.

When Hakluyt receives an assignment, it calls up to five associates back to London to be briefed and then "deploys" them. The work essentially involves "talking to the right people. It's all about people, following up contacts," says Mr James. Each associate is given different questions and works independently. The associates might well come back with contradictory information. When this happens, the directors make a careful judgement of the material in London before submitting a final report. "We can't just say: 'On the one hand, and on the other', we have to give answers," says Mr Maclay. The key, says Mr James, is teamwork and the careful management of internal and external networks.

Hakluyt pays "good professional rates" - although some associates "prefer a case of claret", according to Mr James. The company will not disclose its rates for clients. Given the nature of the work, fees are "not insubstantial", but vary widely: "Not as much as a top law firm," says Mr Maclay. Much of Hakluyt's work has been concentrated in the former Soviet Union and China, but the company has carried out jobs in 57 countries, including Indonesia, India, Latin America, Korea, the Middle East and, lately, in Europe.

Hakluyt concedes it is a product of the times. Globalisation and the rise in cross-border mergers have led to a growing demand for accurate and well-sourced information, says Mr James. Privatisations worldwide and resulting

joint ventures form its core business. Organisations need "someone to refine a complicated world into answers," says Mr Maclay.

Hakluyt has been helped by the management trend of outsourcing: "In the old days, companies would have had someone who would know the situation in a particular market, but they have outsourced so many requirements."

So what is the significance of the name? In 1582 Richard Hakluyt argued for the colonisation of north America as a base for discovering the Orient. Centuries later it was said of him: "He is the silent man, seated in the dark corner, who is content to listen and remember". Is Hakluyt attempting to recapture a fading imperial grandeur? "When we set up, it was to help British companies stay ahead of the competition," says Mr James. "We now have international clients, but there is still something in staying ahead of the game, of expansion in our message."

<http://lists.econ.utah.edu/pipermail/a-list/2002-August/019967.html>

Intelligence firm with an air of mystery

KAREN MCVEIGH

IT HAS all the ingredients of cold war spy thriller - with a cast of characters including former Cabinet ministers, diplomats, spies, a Scottish oil company, the widow of Labour leader John Smith, and sensational allegations of murder and corruption in the Czech Republic.

At its centre lies a British-based private intelligence firm, with close links to MI6 - and a distaste for any sort of publicity.

But now Hakluyt is facing the spotlight as MPs called for its activities, and its connection to MI6, to be investigated following the company's role in the collapse of a High Court libel trial.

"This is an extraordinary tale which appears to have mushroomed because of the involvement of a secret company, Hakluyt," said Norman Baker, Liberal Democrat MP for Lewes.

"This is not the first time their fingerprints have been on strange matters. It would be helpful if a spotlight could be shone on them to show who they are, what their role was, what connection they have to MI6 and why they won't answer questions about these particular events."

Set up by former MI6 executives after the end of the Cold War, Hakluyt has provided intelligence for 26 FTSE 100 companies and a number of US and European clients.

Its latest Companies House returns reveal a high calibre of directors, including Mike Reynolds, MI6's former head of station in Germany, and Michael MacLay, a former journalist, diplomat and special adviser to former foreign secretary Douglas Hurd.

Baroness Elizabeth Smith was, until recently, a member of the Hakluyt Foundation, the equivalent of the company's board. Little about the company finds its way into the public domain, but in a rare interview given to the Financial Times two years ago, managing director Christopher James, also ex-MI6, described his firm's main commodity as "the truth".

**'Not first time they
have been tied up to
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NORMAN BAKER MP**

"We give focused, timely intelligence," he said. But following an extraordinary libel trial last month, in which former foreign secretary Sir Malcolm Rifkind gave evidence, there were question marks over the quality of the intelligence Hakluyt provides.

In fact, a report produced by Hakluyt on Czech oil tycoon Karel Komarek and his father, which contained allegations of corruption and murder, led to Scottish oil company Ramco being sued for libel. Ramco employed Hakluyt in good faith on the recommendation of one of its consultants, Mr Rifkind and Baroness Smith.

During the libel trial, brought against Ramco by Mr Komarek, the chairman of MND, a Moravian oil mining company, it emerged that the company was responsible for allegations of "the gravest kind".

In a report produced by Hakluyt for Ramco, which cost £40,000, the company even claimed the involvement of a Ukranian hit-man to murder a European businessman.

The allegations, described in court as being akin to a James Bond plot, were then passed by Ramco to the British Ambassador in the Czech Republic and later discussed with several high-ranking members of the Czech and British governments, including the then foreign minister, Robin Cook. Later, they found their way into a Czech newspaper and the internet.

During proceedings, the allegations were not tested. The legal argument was one of privilege, which acts as

a defence to an action for libel or defamation, regardless of whether the allegations are true or false.

Following the collapse of the libel trial against Ramco, after the judge concluded that the case fell short of the legal standard, Mr Komarek said he was "disappointed" by the result and was aggrieved that no apology had been made.

"We came to Britain because we thought we could take our case to a jury," he said. "The defendants have never said any of the serious allegations they published about us in the Czech Republic and this country are true, but they have never been willing to apologise."

When contacted by The Scotsman, Hakluyt refused to answer any questions about its allegations, including where it got the information and whether it stood by its claims.

A company spokesman said: "We do not comment on any assignments we have undertaken, and therefore it would not be appropriate to say anything about the court case. The Komarek brothers (sic) have lost their libel case and we have nothing further to add."

Yesterday Baroness Smith, who was until the end of 2000 a member of the Hakluyt Foundation, set up to ensure it abides by its code of practice, said she knew nothing of the report.

"As a member of the foundation I wouldn't have access to that sort of information," she said. "Company reports and their activities were never discussed at meetings."

The foundation was set up to provide "reassurance that we are not just a tearaway bunch of ex-governmental officials", according to Mr James.

But when asked whether her former role included making sure the company abided by the rules, Baroness Smith replied: "Absolutely not. We were there to oversee general strategy."

She left the foundation, she said, because "my period of office came to an end" and she declined to comment further.

It is not the first time the publicity-shy company has found itself in hot water.

Last year MPs called on Jack Straw, the Foreign Secretary, to investigate the company following newspaper revelations that Hakluyt spied on green pressure groups in order to pass information about them to oil production companies Shell and BP.

It emerged that Hakluyt had employed a German spy, who posed as a left-wing sympathiser and filmmaker, in order to betray plans by Greenpeace against oil companies.

The affair left MPs questioning whether secret intelligence services used the firm as a front to spy on green groups.

Hakluyt has denied claims by some in the intelligence community that it was started by MI6 officers to carry out "deniable" operations.

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