

## **BAE's Mike Turner: American-British Security in an Insecure World**

**Michael Turner**

**Chief Executive of BAE Systems**

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Americans and Brits share common values in the all-important field of defense and security. BAE Systems has been warmly welcomed by the Department of Defense as an investor in the U.S. defense industrial base. Our record of keeping U.S. secrets secret is immaculate. We support and seek a high level of technology sharing between our two nations, something that is proving extremely difficult to achieve. Without technology sharing, BAE Systems, as a large and very capable U.S.-UK defense and security company on both sides of the Atlantic, cannot optimize the industrial and technological strength we have in the two countries. The same applies to several large U.S. corporations. If the U.S. cannot find a way to share technology, then British Ministers will face two unpalatable choices — either do not send UK Armed Forces into peacemaking operations because they lack the required capability, or look somewhere other than the U.S. for alternative equipment solutions. It is pretty lonely being the world's only super-power — the UK knows, it's been there. It is in America's interests that Britain continue to support operating together as a Force for Good in the world. To have a politically and militarily strong ally alongside is a great advantage, especially an ally who recognizes that it is sometimes necessary to go to war to secure peace and security. As Winston Churchill said, "There is only one thing worse than having allies — and that is not having allies."

Vernon Jordan:

Michael Turner is the Chief Executive Officer of BAE Systems, one of the world's largest and most important defense and aerospace firms. Based in the United Kingdom, BAE Systems delivers a full range of products and services for air, land, and naval forces. With annual sales of approximately \$28 billion, the company has major operations across five continents and employs nearly 100,000 people worldwide, 38,000 of whom are based here in the United States.

Mr. Turner's career with what today is BAE Systems began in 1996. He first held a number of posts with Hawker Siddeley Aviation before moving up to British Aerospace, where in 1986, he became Director and General Manager of its military aircraft division. In 1988 he became Executive Vice-president for Defense Marketing at British Aerospace. And 4 years later, he was named Managing Director of its regional aircraft division. After the 1999 merger of British Aerospace and Marconi Electronic Systems that created BAE Systems, Mr. Turner became the new company's Chief Operating Officer. In 2002 he was named Chief Executive Officer.

The company that Michael Turner runs today is a far cry from the firm he took over 4 years ago. BAE System's operating profits are up. Its stock price has rebounded. The specter of an American take-over has receded. Mr. Turner now sees much of his company's future growth occurring on our side of the pond. In addition to his responsibilities with his own firm, Mike Turner has served as President of the Aerospace Defense Industry's Association of Europe. In 2004 he was a member of the government's national modern apprenticeship task force and he currently serves as Joint

Chairman of the Aerospace Innovation and Growth team. In March of this year, Mike Turner was elected to the Board of Directors of Lazard Limited, where I also serve as a director. Yesterday we had our annual meeting and board meeting and we announced our earnings. We closed yesterday at \$45.50 and today we closed at \$48.51. There is a direct connection between Mike Turner's election to that board and the rise in our stock price. [Laughter.] Tonight he has come all the way from London, England, to expand our minds, lift our thinking, and happily raise our hopes. Mike Turner, welcome.

### **Michael Turner**

Congressmen, Ladies and Gentlemen, and Vernon, in spite of what they say about you, we English would call you a gentleman. [Laughter.] Thank you for that and actually you have given the speech for me. You covered the entire history. Thank you for the introduction and for the invitation to speak to this distinguished audience this evening. It is a great honor for the UK, for my company BAE Systems, and for me personally to be given this opportunity to share some thoughts with you.

As a British citizen and as Chief Executive of BAE Systems, I always enjoy reminding my American friends of our role in your history and your culture. And you do have a culture. You will recall that your National Anthem includes the line... "and the rocket's red glare." Well, I am proud to say that those were our rockets — manufactured by Royal Ordnance, now part of BAE Systems. [Laughter and applause.] So behave yourselves or we will be back. [Laughter.]

When I joined Hawker Siddeley Aviation, one of the original components of what is now BAE Systems, in 1966 as an undergraduate commercial apprentice, it was a relatively small but very successful and innovative British aircraft company, with a great pedigree of aircraft – names such as:

- The Comet airliner — the first jet airliner in commercial service, and with many more years of military service yet to come as the airframe for Nimrod patrol aircraft.
- The Harrier vertical take-off and landing jet — in service with the U.S. Marine Corps as the AV8B as well as with the Royal Air Force.
- The Hawk trainer — the most successful jet trainer in the world — in service with 19 customers, including the U.S. Navy as the T-45.

But the days in which small aviation companies could be globally successful were passing, and the UK industry, like in the U.S., went through a huge consolidation process, including, in our case, as Vernon said, the merger in 1999 of British Aerospace and GEC Marconi Electronic Systems to form the foundation of what is now BAE Systems. In the U.S. in 1999, we had about 18,000 people across 25 states, with a turnover of about \$2 billion a year — including the then recently acquired Tracor Corporation.

That was just a start of our presence in the U.S. Since then, we have acquired over a dozen further properties — including Sanders, Lockheed Martin Control Systems,

DigitalNet — and, last year, United Defense. Today, BAE Systems is very much a global enterprise: sales of nearly \$30 billion a year, operations across five continents, customers in 130 countries, and a significant presence in defense systems in the air, land, and sea domains, employing some 100,000 people worldwide. And, very importantly, we operate, and are recognized as a domestic defense supplier, in six home markets — the U.S., UK, Sweden, South Africa, the Kingdom of Saudi Arabia, and Australia.

These home markets are ones in which we have substantial operations and continue to make significant investments — for example we are currently investing some \$1 billion in Saudi Arabia, buying into and growing the capabilities of local companies, and in upgrading secure compounds, for the 5,000 employees in the Kingdom.

Underpinning the global presence is our core strategy of being the premier transatlantic defense and aerospace company. In the U.S. we now have a business that turns over some \$10 billion a year, and employs 38,000 people in 36 states. We are involved in key programs for the Department of Defense, where we now rank as the 7<sup>th</sup> largest contractor, and for the intelligence and other federal agencies. I will describe later some of the conditions under which we, as a UK-headquartered company, are able to operate in the most highly sensitive areas of U.S. national security, with an impeccable security record.

In order to focus on our core Aerospace and Defense strategy, we have recently announced our intention to sell our 20% shareholding in Airbus to the existing 80% shareholder — EADS.

For Airbus, as for other non-American enterprises operating in the U.S., there are ever-present concerns about the impact of potential protectionist sentiments.

At present, there is much discussion taking place in Congress with regard to the Committee on Foreign Investment in the United States (CIFIUS), about whether their review process needs to be revised, especially after Dubai Ports.

Foreign direct investments accounts for over 5 million jobs in the United States, with a payroll of over \$300 billion. The UK alone has total assets valued at over \$250 billion, resulting in over 1 million jobs for Americans. Obviously foreign direct investment helps to bolster the economy of this country. Likewise, U.S. companies like to invest abroad, and they do so in trillions rather than millions or billions of dollars.

Notions of “us” versus “them” have limited applicability in the global economy.

Although we are headquartered in London, almost 50% of our shareholders are American, 26% of our revenues come from sales in the U.S., and almost 40% of our 100,000 employees are in the U.S. When we invest in the U.S., we create jobs, we enhance performance, and we invest in R&D for the future. Open markets help us all. Close collaboration at the industrial base level can be especially valuable among coalition peacemaking and peacekeeping partners, leading, among other benefits, to enhanced interoperability for their Armed Forces.

While processes can always be improved, it is essential that any changes in the CFIUS process are aimed at ensuring a robust review of the relatively small number of transactions that could seriously affect U.S. national security. Not deterring the overwhelming majority of transactions, which would actually enhance the security of this country, I remain cautiously optimistic that that is what Congress ultimately will do.

I would now like to address some of the present considerations with regard to the core of BAE Systems' transatlantic business, which is defense and security. We, Americans and Brits, share common values in the all-important field of defense and security — the first priority of Government. We share values of liberty, free speech, democracy, economic freedom, and free trade — despite the DP World blip! We recognize that sometimes we have to fight for those values, and when we do so, we often fight together. That is why the U.S. and the UK have, over many years, established ways of sharing the most sensitive intelligence information.

Our societies also value public education, healthcare, and other social welfare considerations. These social expenditures mean that defense and security are always under pressure — perhaps more so in the UK than in the U.S. And very much so in the rest of Europe, where I fear social security is more highly rated than national security.

So it is essential that we address our defense needs with efficiency and effectiveness. We in BAE Systems are determined to continue to contribute to this challenge in both the U.S. and the UK.

Here in the U.S., now our biggest home market, BAE Systems has been warmly welcomed by the Department of Defense as an investor in the U.S. defense industrial base. I believe we are seen as an effective owner of key capabilities and we have a successful track record of: growing the business organically, as well as by acquisition, investing in our businesses, with increased funding for research and development, creating new jobs — more than 2,000 last year — and, most importantly, performing for our customers.

Our businesses in the U.S. operate at some of the highest levels of security. We conduct business with many parts of the intelligence community, and support the Department of Defense in some of its most sensitive and classified programs.

From electronic warfare to imagery exploitation, we are a leader in the market. We are allowed to operate in the most sensitive areas of national security under the terms of a Special Security Agreement — SSA. This provides for the U.S. business to be run in the U.S. under U.S. law and led by U.S. citizens. The British members of the corporation, me included, get to see the financial results; but many areas of technology, product, and program are not visible to us.

The SSA and U.S. management are in turn supervised by a BAE Systems Inc. Board of Directors, made up of a number of very distinguished members of the U.S. establishment — people like Ken Minihan, Tony Zinni, and Lee Hamilton.

The SSA effectively allows us to operate in the U.S. as an American company, providing the highest levels of assurance and integrity in some of the most sensitive fields of national security provision. Through this arrangement, the U.S. gets a powerful mix:

- An external investor with strong access to the global capital market for future investment;
- A globally experienced management team that can bring the best experience, business processes and intellectual capital to the security challenges of the U.S.;  
and
- Access to products and technologies developed for the UK market, based on our operational and industrial experience there.

And, I really want to reiterate that our record of keeping U.S. secrets secret is immaculate.

I should also be clear that BAE Systems' transatlantic strategy and performance is not dependent on a breakthrough on technology sharing between the U.S. and the UK — the business is doing very well, and will continue to do well, as it is organized today.

There are cynics here that say that the only reason the UK argues for U.S. technology sharing is so that they can use it on other programs, or can sell it to other nations, such as

the Chinese, or, even worse, the French! [Laughter.] I hope there are not any French here. Anyone who really thinks the UK or BAE Systems would jeopardize their transatlantic relationship in such a way is very mistaken.

I took the opportunity of stressing that to Secretary Rice, when she visited our Joint Strike Fighter (JSF) facility in the North West of England a few weeks ago. By the way, she really is a very good ambassador for your country. She was incredibly gracious. She went around the shop floor and spoke to everybody in sight. There is a lot going on in the world. At one stage I saw her go and talk to the security people, and there were a lot of them, and the communications people. And things were happening in Iraq and things were happening in elsewhere. She took them all to one side, all these briefings coming at her and I just heard her say, “you do this and you do this.” She went to the microphone, taking it all in, and commented absolutely immaculately. She was a very, very great lady.

What I said to her was that any U.S. technology released to UK industry on JSF program would be used only for the specific purpose for which it would be released. It will not be used on other programs without first obtaining a separate agreement —nor would it be shared with other nations.

In the UK, we are the main defense prime contractor involved in all the major programs for military aircraft, nuclear submarines, surface warships, and armored vehicles.

In December last year, the UK Government published a Defense Industrial Strategy, mapping out a future for the defense industrial base in the UK — something the industry has sought for many decades. This strategy seeks to address the best way of meeting the needs of the UK Armed Forces — not just for the initial acquisition phase of new equipment, but throughout the entire product life cycle. It addresses the need to maintain and grow the highest levels of intellectual capital within the UK defense industrial base, and to ensure that when systems have to be procured from elsewhere, especially from the U.S., access to the technology is secured, so that the UK can deliver Appropriate Sovereignty to its Armed Forces, throughout the systems' in-service life cycle.

Like the U.S. Armed Forces, Britain's Armed Forces must have the best technology to conduct their missions worldwide. Unlike the U.S., the UK cannot afford to develop and sustain all the technologies that its Armed Forces need to continue with their peacemaking and peacekeeping responsibilities. But the UK Government is equally clear that when it does purchase from overseas it must have sufficient access to non-UK developed technologies to ensure that equipment in UK service can be optimized within the overall British military doctrine and environment, and that it can be supported and upgraded through life.

That is exactly what the U.S. expects when it buys from abroad — the new US101 Presidential helicopter is such an example — a point made by Ken Kreig, the Pentagon Acquisition Chief, in London only 2 weeks ago. The UK government is looking only for the same level of sovereignty.

The UK government is clear that it has no objection to non-British defense companies entering the UK market. But the Defense Industrial Strategy sets out that it requires UK-based suppliers to create or sustain high-level intellectual capital within the UK industrial base — not those who just bolt the outsides of boxes together. Nothing in the Strategy alters the fact that the UK remains the most open and competitive defense market of any of the world's sophisticated defense-minded nations.

The Strategy, which was developed in close consultation with the UK's Defense Industry, is good news for BAE Systems and for other companies that choose to invest seriously in the UK. It gives us a basis on which we can plan a long-term, profitable, and innovative defense business in the UK — something that has not been easy over recent decades.

The Strategy is also good news for the UK economy and, most importantly, the UK Armed Forces.

So what is missing? The UK is the oldest ally of the U.S., not just because of a shared history, a shared language, and very similar political and legal systems. The UK and the U.S. are allies because, as I said earlier, they see the world in the same way. That means that our two countries share a vision of the threats to our way of life and have a similar, robust approach to dealing with them.

When I spoke at a defense conference here in Washington a year ago, I described managing BAE Systems in the U.S. and in the UK as operating across two parallel

universes. More importantly, the Armed Forces of our two countries are in danger of operating in two parallel universes.

The evolution of ever more sophisticated systems and network centric warfare capability means that, if the U.S. and the UK are to continue to operate together around the world in order to defeat terrorists, and any others who want to destroy our way of life, then it is vital that the two Armed Forces are also able to continue to seamlessly share intelligence and fight together. I do not believe that this can be done just by U.S.-based companies making the systems and the British Armed Forces simply buying them.

The UK is a proud nation and insists that its Armed Forces retain their independence. But this is not just national pride. The UK has different ways of operating. For instance, it cannot afford to copy exactly the U.S. doctrine of overwhelming scale and firepower. And, as well as operating alongside the U.S., UK forces undertake a range of operations where the U.S. may not choose to be engaged, or may choose to concentrate on different roles. UK operations in Sierra Leone and different operations in Afghanistan are examples. That means that UK-based industry has to have sufficient domain knowledge to ensure that the equipment of the UK Armed Forces can be supported, modified, and sustained independently.

Those are fundamental reasons why we support and seek a high level of technology sharing between our two nations, something that is proving extremely difficult to achieve.

Without technology sharing, BAE Systems, as a large and very capable U.S.-UK defense and security company on both sides of the Atlantic, cannot optimize the industrial and technological strength we have in the two countries. The same applies to several large U.S. corporations.

I know that we are duplicating research between the two parts of our company in the U.S. and the UK. I know that there are projects in the U.S. that would benefit from UK expertise and vice versa. I know that being allowed to put the best brains and experience in the two parts of the company together would deliver better outcomes. Exactly the same applies to major U.S. corporations, including Lockheed Martin, General Dynamics, and Raytheon. But the security requirements, regulations, and the concerns of Congress, militate against working across this divide.

From the American perspective, U.S. Forces need the best capabilities in the world to face the challenges of today's security environment, and the U.S. role as the world's policeman – a role you have taken over from my own country — please make a better job of it than we did!

I am extremely proud, that time and time again, BAE Systems in the UK has provided that needed edge of excellence. I've already mentioned the Harrier/AV8B and Hawk/T-45 earlier. A more recent example includes the M777 Light Weight 155mm howitzer, now entering service with the U.S. Army and Marine Corps. On the Joint Strike Fighter, we brought to the program our long experience of Vertical Take Off and Landing. And,

of fundamental importance to JSF, the manufacturing technology, actually developed on the Eurofighter Typhoon program that delivers the very high-tolerance machining needed to reduce the cost of providing the aircraft with its Stealth capability.

Furthermore, our worldwide customers receive real value for money from the products and services we deliver. By way of comparison:

The UK's new class of attack submarine (Astute) will cost approximately 40% less than a Virginia Class boat; the Typhoon aircraft has been developed for less than a third of the development costs of F-22 or JSF; and the Nimrod MRA4 aircraft is hugely capable and compares favorably with the Multimission Maritime Aircraft — MMA. The production run of Nimrod will be 1/10<sup>th</sup> of the scale for the MMA, but the unit prices are comparable.

The issue raised by those in the U.S. who are opposed to technology sharing is, why should we give the crown jewels of U.S. defense technology to anyone — even to our closest allies in the UK — especially when billions of U.S. taxpayers' money have been invested in developing it? As it happens, the UK has transferred a number of very significant military technologies to U.S. industry.

The UK remains committed to a strong defense capability — to acting as peacemakers, alongside the U.S. — not just as peacekeepers coming along after the main event. Time

and again, the UK and the U.S. really have stood shoulder to shoulder in facing peace and security challenges around the world.

But to go on doing this — to go on being a capable partner of choice for expeditionary warfare — the UK Armed Forces rightly need the best kit, and they need to be fully interoperable with the U.S. Forces. The UK needs to have the ability to optimize the performance of equipment within its operational doctrine and with existing systems, to be able to upgrade and modify it to meet urgent operation requirements.

If the U.S. cannot find a way to share technology, then, speaking more as an individual British citizen rather than CEO of BAE Systems, I am concerned about the consequences. I believe that British Ministers will face two unpalatable choices — either they will be unable to send UK Armed Forces into peacemaking operations because they lack the required capability — or they will have to look somewhere other than the U.S. to try and find alternative sources for equipment solutions — their duty of care to the men and women they send into danger will mean they will have no option. If that means that they end up with worse or more expensive equipment than would otherwise be available, that would again compromise their ability to stand shoulder-to-shoulder with the U.S. in the most dangerous and politically difficult operations.

Also, failure to maintain sufficient high-level defense capabilities in the UK would undoubtedly impact on UK economic wealth, employment, and the level of support for defense expenditure.

Just to underline how this is seen by British Ministers, I refer to some comments by the UK's Minister for Defense Procurement, Lord Drayson, when, just a few weeks ago, he gave testimony about the Joint Strike Fighter program to the Senate Armed Services Committee. He made clear that operational sovereignty — the ability to integrate, upgrade, operate, and sustain the aircraft in the UK, and without recourse to others — is of paramount importance to the UK Government as a customer for the JSF.

My suggestion to you tonight, is that it is pretty lonely being the world's only super-power — the UK knows, it's been there, although it was a few years ago now. It is in America's interests that Britain is able to continue to support, in the interests of security, freedom and democracy around the world, operating together as a Force for Good in the world.

Being isolated, even when doing the right thing for the future benefit of world peace and security, is not a good place to be. To have a politically and militarily strong ally alongside is a great advantage, especially an ally who recognizes that it is sometimes necessary to go to war to secure peace and security. As Winston Churchill said, "There is only one thing worse than having allies — and that is not having allies."

In conclusion, the people in BAE Systems — here in the U.S. and in the UK — fundamentally believe that defense matters. We are very proud of our role in supporting the Armed Forces of both nations. Our two nations must continue to work together as a

Force for Good. Thank you again for the invitation and for listening to me this evening.  
Thank you very much.

## **Questions and Answers**

**Vernon Jordan:** As globalization proceeds apace, how can companies that operate transnationally, such as your company, ensure that your proprietary state of the art technology does not fall into the wrong hands?

**Mike Turner:** Thank you for that question. That is really what it is all about. When companies and countries develop very sensitive, very high-quality defense technology, it has to be protected. I believe that the UK and the U.S., the companies in those countries and their governments, are extremely careful about how they control their technology. I believe that we can and we always have been extremely careful in agreeing where certain equipment goes, where certain technology is sent. But the entire point I was trying to make this evening is, please, can we find a way of sharing between our two nations with all the controls that go around that by the countries, by the security clearances that we have?

Because I think it is very important that our two countries, and maybe only our two countries, share the really highest level of technology and sensitivity, so that we can do things together around the world. I believe we need each other. It is a very important point, protecting the technology, protecting those key areas of capability that the Armed Forces of the United States in particular the world relies on to do the great job that they

do around the world, and maybe now and again for the United Kingdom to come along and support militarily and politically, but we do need that technology. And we have to really protect it. We cannot let that technology fall into hands of our enemies, all that money, all that investment in people's lives that we depend on to protect us will be put in jeopardy. We do not take that lightly. That is why I made the point in my speech that protecting the technology, the security, and the secrets that we have in BAE Systems is a very important mission for us, and we do have an impeccable record, in fact second to none in protecting that sensitivity.

**Vernon Jordan:** What is your projection for U.S./UK cooperation post-Tony Blair, and how effective can he now be, having announced his departure from government?

**Mike Turner:** I always wondered why the Prime Minister did that. I think he may have had a weak moment, because once you announce you are going — you are going. I think that was a mistake, I think in private he may admit it was a mistake. Clearly he has done a brilliant job representing the UK overseas. He has had his difficulties at home, not least because of Iraq, where I believe and a lot of thinking people in the UK believe, maybe if for not the public reason given, but we did the right thing. I think he took the right decision. He has had the backlash of that for taking that decision from a lot of people in the UK. But I think overseas he has been a great leader for the UK and the world, and I think he will be missed. I don't know where Gordon Brown will be, assuming he is the guy that takes over when it happens. I suspect it could happen, I was saying to Vernon earlier, in my view a 40% chance next year, maybe a 60% chance the year after. But,

how Gordon Brown will then take over, particularly on foreign policy, which hasn't been Gordon's strength, where Tony has been, as I say, excellent on foreign policy. It is not something that Gordon has spent a lot of time doing. All I can say is that any Prime Minister that the UK has had, has always taken a very responsible attitude toward defense and security around the world. He has always supported defense expenditure, even in very difficult times of social security demands that I mentioned in my speech. I am hoping that Gordon will do the same when the day comes. I don't know when it will be. I say my best guess is maybe next year, but more likely the year after. We will have to wait and see.

**Vernon Jordan:** This sounds like a shareholder question. It reads, BAE seems to be betting the bank on the 380. Help us understand why anyone would fly voluntarily in this monster? Not everyone can fly business or first. I don't know who wrote this question.

**Mike Turner:** Well, what's it like in economy, Vernon? [Laughter.] The A380 was an absolute no-brainer. As I said, we have 20% of Airbus now. A lot of people think we make or design the wings for Airbus, we do not. We used to. We did a deal 5 or 6 years ago now with the ADS, they own 80% of Airbus and we own 20%, which we are now selling in quite a difficult negotiation. The A380 was the one aircraft that really completed the family. I imagine that is the kind of question that was asked about 40 years ago when the 747 was developed. Who on earth would fly in that monster? There is no doubt in our mind, and I think it has proven to be the case. The world needs a larger aircraft. There are certain hubs in the world where we have a lot of 747s or 777s or 340s

flying, and the 380 can do it more efficiently, more cheaply, and certainly burn less fuel. The A380 will be a great success for Airbus for many years to come. I think the real contest now is in the long-range twin aisle, where you are seeing the 787, a really great aircraft that Boeing at last decided to launch. They messed around for some time with various ideas on other things, but they finally got that right and now you see the Airbus 380 to respond to the 787. It will respond, it will create the right aircraft in competition. I think the world needs two great aircraft suppliers in Boeing and in Airbus. I hate this Boeing is America, Airbus is Europe. It is not like that at all. When you look at the supply base of both companies, they are very much global, very much Europe and America. I really do not enjoy reading about America versus Europe or Boeing versus Airbus. I think it stirred up the companies on both sides of the Atlantic. It is not a good thing. I think Boeing is now in the business of creating a great family of aircraft. For many years, it looked to some of us like they were getting out of the business after the 777, they kind of stopped and let Airbus continue with their family of aircraft. There is no doubt that the 737 replacement will follow 777 upgrades and indeed they will do an A380 look alike. There is no doubt about that in my mind. There is a huge amount of investments that come in doing it. By I think the world needs a strong Boeing. It needs a strong Airbus.

**Vernon Jordan:** My comment on economy is that I am going to continue to fly first class until they find something better. Why should we taxpayers pay for expensive short-range fighter planes like JSF, when everyone knows the new threats are much more terrorist based?

**Mike Turner:** I think that is a real point and in fact I am surprised to get asked in the United States. In the U.S. when I come here, you turn on the news and you very quickly hear about defense and security. You hear about what is going on in the world because the U.S. is playing its role in the world. And you hear about the security in the United States in investment of homeland security and cuing for 2 hours trying to get to New York last night. You care about boarder security and what goes on. You invest in security. Maybe invest a little bit more in New York police. But, I am not so sure that the rest of the world, and my own country included, is prepared to spend enough on security. I think we need the aircraft like JSF and the carriers on which they will go to project power, to have a say in the world and hopefully try and deter things happening that otherwise we wouldn't like to happen. But, in terms of security, I think it is far more difficult to touch it and to feel it, but it certainly is something that I think the voting public is not so aware of, particularly in Europe. So, I think there are two parts of investment. There is the investment you need to project the power around the world, hopefully to deter people from doing the things that we in the West don't want them to do, but also in terms of security back home. When we had the Empire, it was much easier. All the terrorism was overseas. Whatever we were in the world, people got a bit upset, had a go at us, but it was offshore. Now, with your Empire, the terrorism, I am afraid, comes onshore. So, I think there is a role for both, defense and security. I think they go hand in glove, and I am always very conscious when it comes to this country, I can see it, the people care about it, people have had to pay for it. I am not sure that is the case in the rest of the world.

**Vernon Jordan:** You reference the Dubai Port fiasco. Please comment on our Congress's decision and its effect on U.S. foreign investment in general and cooperation on the war on terrorism in particular.

**Mike Turner:** Yes, it was a surprise. I was on the board of P&O and the last thing we expected was what happened here in the United States. But that is politics. These things happen, maybe not for the right reasons, but it happened and let's hope that it is a blip, as I said in my speech, and is behind us. But, who knows? I just hope, as I said, that it does not deter what we must have in this world, which is free trade. We do need countries to invest in the United States. We need the U.S. to invest around the world. I think what happened on Dubai was quite damaging to the United States with an ally that the U.S. was quite dependent on. A number of your naval ships are refueled in Dubai, and I think, listening to my friends in that part of the world, it was very much resented. I suspect that the fuel may cost a bit more next time a U.S. naval ship goes in there. Maybe that is the right way of sorting these things out. I just hope that is the end of it, and we can carry on having free trade, which I think is very important, as I said, in growing the world and us all benefiting.

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**Mike Turner, CBE**

BAE Systems Chief Executive Michael John Turner was born in 1948, educated at Didsbury Technical High School (Manchester), and joined what was then Hawker Siddeley Aviation at Manchester in 1966 as an Undergraduate Commercial Apprentice, in parallel with studies at Manchester Polytechnic, where he gained his B.A. with Honors in 1970 and began a long association with the company. In 1973, Mr. Turner won the British Institute of Management "Young Managers of the Year" competition, and in 1978 became Contracts Manager (Military) of what had by then become the Manchester Division of the British

## Aerospace Aircraft Group.

Moving into the broader area of management in 1980, he held increasingly important jobs with the company, including taking charge of the Harrier V/STOL military combat aircraft and the Hawk jet trainer families. In 1994, Mr. Turner was appointed Chairman of Commercial Aerospace, which added BAe Airbus to his portfolio, and became a member of the Main Board of British Aerospace plc. In 1995, he was appointed Vice-President of the SBAC (Society of British Aerospace Companies) and was President in 1996-1997. From 1996-2005, Mr. Turner was a Non-Executive Director of Babcock International Group plc. He was appointed a Non-Executive Director of P&O in December 2005 and stepped down from the Board in March 2006 following the acquisition by Dubai DP World.

In 1996, in addition to his commercial aircraft responsibilities, Mr. Turner took responsibility for all BAe's defense export business. He was appointed to the Airbus Supervisory Board in 1998 and, following the transformation of Airbus into AIC, is now a member of the Shareholders Committee. When British Aerospace plc and Marconi Electronic Systems merged in 1999 to create BAE SYSTEMS, Mr. Turner became Chief Operating Officer and in 2002, Chief Executive. He was President of the ASD (AeroSpace & Defence Industries Association of Europe) from 2003–2004.

In 1991, Mr. Turner was elected a Fellow of The Royal Aeronautical Society. He was made a Commander of the British Empire (CBE) for services to the Aerospace Industry in the Queen's Birthday Honours list in June 1999. Married, with four children, Mr. Turner takes personal interest in golf, cricket, rugby, and, above all, Manchester United.