M&A and the Need for Proper Governance Processes in the
Defence/Homeland Security Verticals and the Grave Security Threat
to Sovereign Nations - The Most Petrifying Area of National and
International Security:

DR. KISHORE LVAANGAL, PHD
Strategic Entrepreneur, Governance Professional and Ethicist, India

The Surreptitious Use of Dual Technology and the need to scrutinise Global merger and
Acquisition activity in the Defence, Aerospace, Space and High-Technology verticals’ –
this Article elementally examines the strategic initiatives required to perspicaciously
effectuate mergers and acquisitions in the aforementioned verticals, and it is in effect
geared to address corollary issues of a grave nature – it is centric to critically examining
the plausible surreptitious use of dual technology whilst these mergers and acquisitions
are effectuated across geographies and jurisdictions. This is an area of crucial and vital
international importance and the Article elementally questions certain fundamental
methods in vogue presently even as it is suggestive of ways wherein the respective boards
in cohorts with state agencies would have to play a pivotal role in ensuring global peace.

The Isagogic Section:
As a matter of scholastic interest, for the past few years, I have keenly and astutely
observed the core happenings whilst mergers and acquisitions have been effectuated in
the defence and homeland verticals across geographies, and in a global-village where the
markets are increasingly becoming borderless across geographies and jurisdictions,
effectuating plain-vanilla acquisition initiatives in the these critical verticals has indeed
become en passant, and as a natural corollary, there could be severe repercussions, should
the technology that has also been transferred be used surreptitiously;— given that we are
into a deep global recession that is bound to be the second global depression after 1929-
35, we could be headed for much global insecurity in the truest sense of the phrase. It
goes without saying that terrorists and other anti-peace anarchists and tyrants would
inevitably take advantage of the gory scenario to drive home their gory and skewed
ideological predilections, and rather ironically, should defence acquisition initiatives
involving peace loving countries not be elementally scrutinised, they could, in effect, be
enabling in terms of fostering the nefarious interests of certain rouge nations and rabid
ideological outfits. Hence, the Article in an effort to develop methods to stymie
surreptitious acquisition initiatives (and thereby stopping clandestine transfer of
technology) and articulate on the corporate governance measures that the boards of
defence and homeland security entities would have to have in place in order to stymie the
nefarious manoeuvering of rogue nations and rabid ideological outfits.

The fact remains that the importance of achieving technological prowess is widely
recognised by governments and defence entities to be of core signification and this
situation has led to unintended consequences in that rabid terror outfits have gone
overboard to acquire technology by hook or by crook and the story of A O Khan and his
sleazy entities make for a classic case for both the internal as well as external regulators
of corporate governance to learn the need to play a vehemently efficacious role in
supervising mergers, acquisitions and consolidation of entities across geographies and
jurisdictions, for as was seen in this case, when internal and external regulations are lax, the surreptitious transfer of technology becomes rampantly conspicuous!

Terror outfits seek to acquire new technologies by surreptitiously engaging with defence and homeland security entities that are gainfully engaged in the M & A verticals, and by adopting a process that involves clandestinely bribing the officials of the entities concerned, they acquire the much-needed technologies to create panic, disaster and humongous terror. The bottom-line is clear – that when R & D outfits of Defence entities develop newer and deadlier technologies, it ought to be made the onus of the boards of these defence entities to develop the appropriate intelligence and counter-intelligence mechanisms in order to ensure surreptitiousness is done away with in no uncertain terms, and this process would inevitably entail that the external corporate governance regulators play the role of super cops with aplomb.

The boards of defence entities must first and foremost develop an appropriate framework as part of their internal corporate governance mechanisms and the mechanisms must indubitably delineate on issues that have to be handled with alacrity and the entity’s decision-making processes must be evolved skilfully and adroitly. This would go a long way in curbing the menace of terror and stopping surreptitiousness would denote that terror outfits are denied access to newer and deadlier technologies. The boards of defence and homeland security entities have to adopt a holistic view of the entire M & A and consolidation verticals, and as a natural upshot, they would have to be circumspect in so far as the entity’s technological proclivity and innovation efforts are concerned. A technology-focussed corporate governance viewpoint would provide the respective boards with the capability and ability of conducting astute risk-assessment exercises aimed at providing for safety and security, and as a natural corollary, the surreptitious migration of technologies to rabid ideological outfits would increasingly become a non-existent thing, provided the external corporate governance regulators also play a coequal surveillance role. In this regard, the boards of defence and homeland security entities in the G 20 club should be very careful and dexterous in handling any dealings with all overseas entities, even the government owned ones, as there could be a very high probability of abuse of technological prowess. The offset manufacturing clauses that are in force in some of the G 20 jurisdictions could be thoroughly bastardised resulting in powerful technologies landing up in the hands of terror outfits. Given that terror-outsfits are desperate to lay their hands on weapons of mass destruction, the boards of defence and homeland security entities must along with their respective governments conceptualise (via the external corporate governance mechanisms), evolve and implement apposite governance systems to effectively and efficaciously counter the bastardly and dastardly moves of both the rogue nations and rabid ideological outfits.

**Meaningful Board Supervision – the dire need of the hour!**

Terrorism has often been dubbed the weapon of the weak, and by a sombre irony of fate, when weak boards are also at the helm, they would be inevitably contributing towards advancing the cause of terror-outsfits, and should the boards of defence and homeland security entities realise in exactitude that weak corporate governance can lead to acts of terror, they would in certitude perforce strictures that would be enabling and efficacious in terms of beefing up internal governance mechanisms. For this, the boards have to realise that the fundamental reason behind acts of terror is centric to these rabid and profane outfits wanting to intimidate established governments and to achieve their reprehensible ends, these terror outfits have become very bold and innovative in their efforts at acquisitions of weapons and technology from entities in various geographies. Just as the R & D initiatives at various entities have tremendously provided for advancement of military technologies, these rabid outfits have worked overtime with
reference to firming up clandestine relationships with the employees of some of these defence entities in an effort to source out weapons of mass destruction and advanced technologies. Defence entities ought to be sensitive to the fact that presently the campaigns of terror outfits are far larger in scope and innovative in their methods and that they would have to ensure utmost care with reference to data and information protection and it would be a primordial duty of the boards to ensure just that; as an explicative exemplar, just as in modern warfare, advances in military technology have enormously heightened the proclivity and efficaciousness of armies across geographies, up to date information, equipment and warfare strategy are sourced out surreptitiously by the terror outfits as well, and the net result is the alarming strike rate of these reprehensible terror outfits. The fact remains that the only way in which terror outfits manage to source out information, weapons and strategy is via resorting to surreptitious methods and agile boards of defence entities must work in coordination with state establishments to evolve, implement and sustain corporate governance programmes that would serve as a doctrine of indoor management – in effect, providing for a mechanism to stymie the surreptitious work of these rabid terror outfits. A close scrutiny of the modus operandi of terror outfits would reveal that their striking capabilities involves amongst others, technology that detonates explosives, use of automated weapon systems and the chemical and biological weaponry that they can lay their hands on, and in effect, it simply denotes that their strike capabilities are indeed a function of the weapons that they can get, and herein lies the grave threat caused by random mergers and acquisitions in the defence and high-technology verticals, as by virtue of an overseas entity’s presence, much critical technology can be passed on surreptitiously, nefariously and wickedly, much to the detriment of global peace and harmony. Defence-technology-transfer terrorism is a phrase that can be coined as a result of the leeway in the system and it is time state actors stymie the malaise by inculcating the external corporate governance mechanisms with regulatory stipulations that provide for scrutiny by the state actors before an M & A can be effectuated. The internet age makes it easier for these reprehensible outfits to eventuate on their nefarious plans in a very short time-span. Advances in technology can be abused and the corporate world could be unwittingly made parties to advancing nefarious acts via mergers and acquisitions and surreptitious technology transfer. The vehicles used to eventuate on the same could also denote the use of high-tech concepts like Hologrammatic terrorism in that information about core defence technology can be transferred stealthily, furtively and sneakily. Transnational Corporations can inadvertently be made part of the operations of rabid terrorist outfits in that these terror outfits can use the global advertisement capabilities of TNCs to foster their nefarious ends by encoding hidden messages in the commercial advertisements of the TNCs. Mass Media entities are entities in the first place, and hence, they ought to as part of their internal corporate governance mechanisms ensure that adequate safeguards are incorporated to ensure that such hidden messages cannot be sent via their commercial advertisements and state establishments would have to work with both the defence and media entities to ensure that not only would technology be proscribed via surreptitious transfer, but that, the information-vehicles are not abused. There is thus a clear need to bolster both the external and internal corporate governance mechanisms so as to ensure that peace and tranquillity prevail and it has to be recognised by the respective boards that herein rests a primordial duty! As technology could be used as a key to implementing rabid ideology, external corporate governance mechanisms ought to, by definition, ensure that defence and media entities comply with certain seminal strictures that would be enabling with reference to the prevention of terrorism. The challenge for the corporate governance mechanisms is to prevent surreptitious transfers, and when firm methods are in place to stymie surreptitious acts, then the rabid groups would NOT have access to technology and peace would prevail as a direct consequence. The bottom line being that
when boards are agile, the internal corporate governance mechanisms would be geared to tackle surreptitiousness, and handle vileness, with great alacrity.

Some seminal issues that the External Corporate Governance Mechanisms have to take into account:

Transfer of technology, given its clear impact, when put to abuse, has severe repercussions when viewed from national and international security perspectives, and as a very natural corollary, regulators have to take into account matters centric to processes that govern mergers and acquisitions in the defence and high-technology verticals even whilst severely monitoring compliance-regulations relatable to media entities. The effects of transferring technology surreptitiously can be devastating and when external corporate governance regulations are firmly in place, such vile and decadent transfers can be stymied. As an exemplar, the rules governing mergers and acquisitions, especially when overseas entities are involved can be made explicit in that the regulators must be made to ensure that the underlying transactions are monitored, scrutinised and vetted comprehensively by the respective security-establishments before the merger or acquisition can be eventuated on; the key issue that the security establishment would have to decipher is whether the technology can be tweaked to achieving reprehensible ends, and if so, adequate safeguards have to be incorporated. Such approaches can provide for decisive insights into how corporate governance can be used as a tool to tackle global terror and the lessons of the past must pave the way for the regulators to come up with a sound and robust external corporate governance mechanism- rather unfortunately, regulators, world over, have not learnt their lessons properly from the mishaps, misdemeanours and misgivings of the past and they continue to adopt perfunctory and semi-literate approaches that are indeed utterly and gravely disastrous.

An exercise, with regard the aforementioned, would in certitude, be one in irrational exuberance, should the regulators not take into account that in recent years, diffusion of knowledge about technological advancement happens at research and development institutions as well, and that, should scholastic work not be monitored from a transfer-and-abuse perspective, unscrupulous scholars can be instruments in the designs of nefarious, depraved and despicable minds – hence, the external regulators have to monitor the functioning of research and development institutions as an integral part of their fight against terror, and as defence corporations invariably sponsor research at leading institutions, surveillance issues ought not to pose any obstacles. In this regard, it ought to be noted that freedom to do research does not mean freedom to enable devastation. The inculcation of experts from the security establishment would be a great enabler in that assessment of technological prowess could be gone through en passant and the necessary checks and balances can be incorporated so that the respective boards can incorporate the same in the relevant transactions-doctrine, and in essence, safeguards can be created. Outmoded research by a few global institutes had found a tendency of many terrorist groups to limit themselves to a small range of tactics, and hence, jumping to any conclusion whatsoever, based on such staid findings would be comprehensively disastrous and completely insensitive to the present requirements to fight the war against terror, for presently, many technocrats and intellectuals are part of terror outfits and it would be safe to assume that these rabid terror outfits have the ability and capability to tweak technology to suit their nefarious ends to an alarming extent.

A Case Study which establishes the grave threat and the need for External Corporate Governance Mechanisms to incorporate salient safety measures: the information on this case study has been available for some time in the public domain and I am only showcasing it here to only drive home the seminal points that have been highlighted in the aforementioned sections.
A Q Khan’s Nuclear Network: A story of weak corporate governance mechanisms – both internal and external-

May 1, 1972: A. Q. Khan Starts Work for Dutch Nuclear Company, Obtains Classified Information despite Lacking Proper Clearance

Q Khan starts work for an engineering company called Physical Dynamics Research Laboratory (FDO), which is based in the Netherlands. He obtains the job, evaluating high-strength metals to be used for centrifuge components, through a former university classmate and a recommendation from his old professor, Martin Brabers. FDO is a subcontractor for a company called Urenco. Urenco possessed an enrichment facility and the entity was established in 1970 by the governments of Britain, West Germany, and the Netherlands to assemble, construct and manufactures high-end centrifuges which can be used to create highly-enriched uranium that can be used by both power plants and in the production of nuclear armaments.

Khan Obtains Security Clearance - Khan obtains a security clearance with minimal background checks because he tells investigators he intends to become a Dutch citizen. However, he finds that security is lax and he has access to areas which should have been denied to him. For example, less than a week after he is hired, he visits the centrifuges, although he does not have clearance to see them. He obtains access to data about them and is also asked to help translate sensitive documents, as he has lived in various European countries, and can speak several languages. Khan was allowed to take the documents home, even though this was a clear violation of security protocols. [ARMSTRONG AND TRENTO, 2007, PP. 46-7]

October 1974: A. Q. Khan Begins Stealing Nuclear Secrets for Pakistan

Pakistani nuclear scientist A. Q. Khan agrees to help Pakistan obtain the technology to make nuclear bombs, and in keeping with his reprehensible motives, he begins to steal secrets from the Dutch company he worked for at that time, Physical Dynamics Research Laboratory (FDO) in order to help Pakistan. Khan was asked to help translate a top-secret report on the G2 centrifuge, a major advance in uranium enrichment technology. To this end, he was assigned to a high-security section of the company, and ironically, due to the absence of a proper doctrine of indoor management, strict security procedures were ignored, and as a direct result, he had free access for 16 days to the company’s main centrifuge plant. He took full advantage of the situation and simply noted down in exactitude, the details of the various processes. Around this time, neighbours also notice that Khan was receiving late-night visits from French and Belgian cars with diplomatic license plates, presumably Pakistani contacts to which Khan was passing on the secrets. In effect, Data theft of a most reprehensible kind, and due to a total failure of both the internal and external corporate governance mechanisms, he was able to indulge in stealth acts. [ARMSTRONG AND TRENTO, 2007, PP. 50-1]


Following the commencement of Pakistan’s uranium enrichment program, A O Khan met programme head Sultan Bashiruddin Mahmood in Belgium and then began to steal an unprecedented amount of information from Urenco, the European nuclear company that was associated with FDO, to support the Pakistani program. According to reputed authors David Armstrong and Joe Trento, “Khan sent everything from centrifuge designs and technical literature to parts and lists of suppliers and he even sent blueprints of an entire uranium enrichment facility! In at least one instance, Khan sent his Pakistani patrons a discarded component from a uranium centrifuge.” He even had the temerity to ask a
photographer with whom he shared an office to photograph some centrifuges and components!! It was obviously the lack of internal corporate governance procedures and external corporate governance regulations that allowed the wily and vile A O Khan to pilfer all relevant and relatable DATA. [ARMSTRONG AND TRENTO, 2007, PP. 53-4]

Mid-1975: Colleague warns Nuclear Equipment Manufacturer of A. Q. Khan, No Action Taken

Frits Veerman, the photographer who worked with Pakistani nuclear scientist A. Q. Khan at the nuclear equipment manufacturer Urenco, becomes suspicious of Khan, and attempted to warn the company. Veerman becomes suspicious because Khan kept on asking him to photograph centrifuges and components, and as a consequence, it had become very obvious to him that A O Khan wanted to send the photographs back to Pakistan. As a matter of grave interest, when Frits Veerman visited A O Khan’s house, he saw highly classified centrifuge designs lying all around. He also met with other Pakistanis at the house, and will later learn they are agents working under diplomatic cover. His suspicions aroused, Veerman warned Urenco of this repeatedly. However, the company denies there is a problem and tells Veerman not to make allegations against a superior!!!! A Complete and Comprehensive fault line in the internal corporate governance mechanism. [ARMSTRONG AND TRENTO, 2007, PP. 54]

The final outcome:
The Bush Administration zealously investigated Pakistani nuclear weapons proliferation, ratcheting up the pressure on the Pakistani government in 2001 and 2002 and they lay much emphasis on Khan's personal role. It was alleged in December 2002 that U.S. intelligence officials had found evidence that an unidentified agent, supposedly acting on behalf of a Khan promoted entity had offered nuclear weapons expertise to Iraq in the mid-1990s, though Khan strongly denied this allegation and the Pakistani government declared the evidence to be "fraudulent". The United States responded by imposing sanctions on KRL, a registered entity in Pakistan, citing concerns about ballistic missile technology transfers.

End Note: This article is based on seminal research that I have undertaken in the highly sensitive area and it is an abridged version of an edifying treatise of mine in the subject.

Dr. Kishore Vaangal is an internationally acclaimed entrepreneur, management evangelist and ethicist and has several advanced accreditations to his credit from some of the most prestigious global academic institutions. In addition, he is a Fellow Member of the Institute of Professional Accountants (Australia), the Chartered Management Institute (UK) and the Royal Institute of Chartered Surveyors even whilst being an academic member of the European Corporate Governance Institute. His exposure as a strategic entrepreneur, business analyst and governance professional spans more than two decades, and over the years, he has astutely advised entities globally in the areas of private equity funding, the dynamics of emerging markets and in evolving perspicacious methods of risk-management. The industry verticals that he specializes in are that of infrastructure, oil and gas, high-technology, sunrise-industries and investment banking. A recent publishing initiative in a highly complex area of corporate governance law titled “Effectuating Acquisition Initiatives” has received worldwide adulation and the work is considered to be a seminal piece of literature in so far as mergers and acquisitions in the global oil and gas industry is concerned. Furthermore, he has numerous articles in refereed academic journals to his credit and he is considered to be one of the leading specialists in the area of corporate governance in the world today. Dr. Vaangal can be contacted at a.global.thought.leader@gmail.com