

Thank you for your recent e-mail to Vince Cable about government support for defence exports through the UK Trade and Investment (UKTI) Defence and Security Organisation (DSO). I acknowledged your e-mail on 10 June and can now reply to you in full.

The Government supports legitimate defence exports. In accordance with Article 51 of the UN Charter, every country has the right to defend itself. As not every country either has or wants to have its own defence industry, some level of international trade in defence goods is essential.

The Coalition Programme clearly states "We will support Defence Jobs through exports that are used for legitimate purposes, not internal repression . . .". The Government will use their export licensing powers to ensure that the UK only permits responsible defence exports, a policy which will be based on the EU Common Position on Arms Exports. Export licences will be refused, for example, if:

- there is a clear risk that the export would be used for internal repression, or
- the export would be used to provoke or prolong an armed conflict, or aggravate existing tensions
- there is a clear risk that the recipient would use the export aggressively, or to assert a territorial claim.

The Government will also take account of the track record of the buyer country within the international community, the risk of undesirable diversion or re-export, and the technical and economic capacity of the recipient country (i.e. whether the proposed export would seriously hamper the sustainable development of the recipient country).

The Government will also reinforce industry's own determination to conduct defence exports in an ethical way. Vince Cable spoke out strongly against corruption whilst in Opposition, and the

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implementation of the Bribery Act now underway will strengthen the international enforcement regime.

Let me turn now to the role of the UKTI Defence and Security Organisation in promoting exports. Current policy starts from a recognition that advanced engineering, including defence and security goods, forms the largest goods export sector and includes the defence and security industries. Defence actually contributes a higher rate of net exports than most other goods sectors and employs about 300,000 people, mostly in high-quality jobs. These sectors' exports can also support important strategic links, including those beyond Europe and North America where the Government intends to work to strengthen relations with the fastest-growing areas of the world economy, while standing firm on human rights in all bilateral relationships.

Government support for defence exports is proportionate with other UKTI sectors. The number of DSO staff in UKTI Headquarters (actually around 150) reflects the different nature of its business with its emphasis on government-to-government support for commercial campaigns, and contact with other UK Government Departments. By contrast, much of the business across other UKTI sectors is delivered direct to companies by staff in the UK regions or by the staff who work in about 100 overseas markets. Like all aspects of the Department's work, the work of DSO will be critically reviewed over the next few months in the context of the Comprehensive Spending Review.

Your claim that defence exports are heavily subsidised appears to be based on an external study "Escaping the Subsidy Trap" published in 2004 on behalf of British American Security information Council (BASIC). Whatever the wider rights and wrongs of arms exports and government support, that particular study almost certainly understated the benefits to the defence budget from defence exports, and overstated the costs of Government support to defence exporters.

Yours sincerely

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