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Memorandum from the Campaign Against Arms Trade to the Trade & Industry Committee's inquiry into the Competitiveness of the Aerospace Industry

1. The Campaign Against Arms Trade (CAAT) is working for the reduction and ultimate abolition of the international arms trade, together with progressive demilitarisation within arms-producing countries.
2. The aerospace industry is one which raises major ethical and environmental questions and CAAT is disappointed to see that these are not listed as being amongst those issues your Committee expects to consider. Although yours is the Trade & Industry Committee, nonetheless it is in the interests of "joined up Government" that you should begin your deliberations by looking at the impact of the products of the aerospace industry on peace and security and on the environment.
3. In 2003, exports of "identified defence equipment" from the UK totalled £992 million, of which £734 million was military aircraft and parts. A further £3,256 million was estimated by the Society of British Aerospace Companies to have been received for "additional aerospace equipment and services". It is surprising that the Government cannot put in place commodity classifications which allow it to produce official figures on this and be sure how much military equipment is exported. Given the estimates, the products of the aerospace industry therefore account for nearly 94% of all the UK's military sales. (UK Defence Statistics 2004) According to the Society of British Aerospace Companies, just over 50% of UK aerospace production in 2003 was military.
4. It is the military side of the aerospace industry which is of concern to CAAT. The production and possession of armaments may not in itself cause conflict, but it can add to insecurity, contribute to the escalation of violent conflict and give tacit approval to repressive governments. CAAT believes the products of the UK's aerospace industry have done this.

Making the world less safe

5. The idea that armed force and increased military expenditure can address problems of insecurity in the world today has been challenged most recently by the invasion of Iraq. An action, which was allegedly to have made the world a safer place, has instead seemingly encouraged more individuals to resort to

armed violence as well as killing, injuring and rendering homeless countless civilians. It cannot now be seriously argued, if it ever could, that launching high explosives from aircraft does anything other than cause death and resentment.

6. In the 1980's, it was well known that Iraq was engaged in a bloody war with Iran, that Saddam's human rights record was appalling and, in 1988, that his forces had gassed the Kurdish population of Halabja. However, whilst Iraq's biggest arms suppliers were the Soviet Union and France, UK companies sold radar, military vehicles and components. Throughout the decade, British Aerospace was promoting its Hawks and other aircraft to Saddam's regime. It exhibited its Hawk at the Baghdad arms fair in 1989.
7. During the 1980's CAAT supporters wrote to their MPs calling for an embargo on the sale of all military equipment to Iraq. Such an embargo may not only have prevented Saddam from acquiring some of the weaponry he did, it would also have sent him a strong message that his behaviour was not acceptable to the international community.
8. Unfortunately, CAAT's supporters were not heeded, and the UK's major aerospace company was given support by the UK government to court Saddam's murderous regime. The chance for strong, but peaceful, action against Saddam was missed.

Lessons not learnt

9. This may appear to be old news, but the Government and the arms companies do not seem to have learnt from it. The quest for profits pushes the companies into exporting arms and to see the death and injury of human beings as irrelevant as long as their shareholders make money. The Government not only acquiesces, but actually assists them in this.
10. Saudi Arabia is the biggest customer for the UK's military aerospace products despite its appalling human rights abuses. The rule of the Saudi royal family appears somewhat shaky and the country is reliant on the skills of its expatriate workers. The UK government should stop supporting the Saudi royals and giving assistance to the UK aerospace industry in its endeavours to sell there. The message currently being sent to the people of Saudi Arabia is that the UK is backing those who keep them repressed. Thanks to export credits, if the people do topple the regime it will be the UK taxpayer, not BAE Systems, who will foot the bill.
11. In Indonesia BAE Systems' Hawk aircraft bought from BAE Systems were used to intimidate the people of East Timor and Aceh. The UK government and aerospace industry were again seen to be giving succour to Indonesian governments and military with scant regard for human rights.
12. The UK government was prepared to amend its export licensing criteria so that BAE Systems could export Head Up Displays to the United States for incorporation into F-16s bound for Israel where they would be likely to be used against Palestinian people. At the BAE systems' AGM it was said that, in the end, Israeli components were used instead, but nonetheless the willingness to

export once again shows the UK government and aerospace industry on the side of those who disregard human life.

13. India has finally bought BAE Systems Hawks after years of persuasion by the company and the UK government. This official sales pressure sent very mixed messages to the Indian government, particularly during times of tension with Pakistan. India also has major development needs with many people without clean water and sewerage.
14. Again, in South Africa, its Government was persuaded, after intensive lobbying by BAE Systems and the UK government that it should buy Gripen and Hawk aircraft despite its needs for financial resources to tackle HIV and AIDS, the housing crisis and many other necessary social programmes.
15. Even in the UK, with urgent need for spending on health, education and transport infrastructure, "white elephant" products of the aerospace industry such as the much delayed and over budget Eurofighter Typhoon are still supported by the Government.

Not an industry to be proud of

16. The military aerospace industry is not one people in the UK should be proud of - and many are not. An opinion poll by BMRB International in November 2004 showed the 44% of those surveyed said the UK should not sell military equipment to any other country whilst 35% disagreed.
17. Major sales by the military aerospace industry are now greeted with protests and even the press has admitted that they are "controversial". Most churches and many charities now have their investments in funds which exclude BAE Systems and other arms companies, and individuals are increasingly turning to ethical pension and other funds which do likewise.

A subsidised trade

18. Despite their unpopularity, the UK's military exports as a whole are heavily subsidised by the taxpayer. Since 1995, five studies have estimated the overall net costs of this support. These are World Development Movement's *Gunrunners Gold: How the Public's Money Finances Arms Sales* (1995); Stephen Martin's 'The subsidy saving from reducing UK arms exports', *Journal of Economic Studies*, 26:1 (1999); the Oxford Research Group and Saferworld's *The Subsidy Trap: British Government Financial Support for Arms Exports and the Defence Industry* (July 2001); Malcolm Chalmers, Neil Davies, Keith Hartley and Chris Wilkinson's *The Economic Costs and Benefits of UK Defence Exports* (York: University of York Centre for Defence Economics, 2001); and CAAT's *Arms Trade Subsidies Factsheet* (CAAT, May 2004) .
19. Estimates vary, mainly because of different approaches to calculating the subsidy that is due to research and development spending as well as export credits, but four show that exports benefit from considerable net subsidies after taking into account any benefits to the Exchequer - between £228 million and £990 million a year.

20. Even the report from the University of York Centre for Defence Economics, whose authors included two Ministry of Defence economists, concluded that: "The significance of our results for the wider debate about defence exports is twofold. Firstly, they suggest that the economic costs of reducing defence exports are relatively small and largely one-off. Secondly, as a consequence, they suggest that the balance of argument about defence exports should depend mainly on non-economic considerations."
21. BAE Systems and the Defence Industries Council (DIC) both commissioned Oxford Economic Forecasting to undertake surveys which were published in 2004. BAE Systems' was on the company's contribution to the economy whereas the DIC's was on the economic "benefits" of military exports. These surveys have, rightly, been questioned.
22. For example, BAE Systems' tax contribution of £1.1 billion is mostly made up of income tax and National Insurance paid by employees - this would be paid whatever job they did - and the DIC survey includes "induced" employment. This is employment supported by the spending of those employed in military exports, but, again, whatever job a person has (or does not have) that person will still need to make purchases.

Jobs

23. CAAT acknowledges that a refusal to grant export licences or reduction in public subsidy for military aerospace would probably result in the loss of arms export jobs. However, *The Employment Consequences of a Ban on Arms Exports*, (September 2002), produced for CAAT by Ian Goudie of Defence & Aerospace Analysts, found that employment dependent on the export of military equipment accounted for only 0.3% of total UK employment and that the jobs were concentrated in the South East, South West and North West of England.
24. However, as the South East and the South West have almost full employment, only a few individual localities are particularly dependent on military aerospace exports. Ian Goudie felt that specific assistance programmes directed at finding work for these often highly skilled workers, might require additional funding, but this one-off cost would be much less than the estimated annual cost of subsidising military exports.

A civil industry

25. Whilst opposing the military aerospace industry, many CAAT supporters would be happy for their taxes to fund research in the civil aerospace field, particularly cleaner and quieter aircraft, which would facilitate travel, but would reduce the associated environmental costs.
26. A wholly civil aerospace industry might well attract more young engineers and scientists since many, who contact CAAT, are reluctant to join an industry which currently has many products they see as unethical.

Need for an independent investigation

27. When your Committee held an evidence session on the Aerospace Innovation and Growth Team (IGT) report, CAAT made a submission which emphasised the lack of independence of the IGT as it was dominated by the aerospace companies. These, unsurprisingly, did not ask the fundamental questions as to the desirability of the industry's products
28. CAAT suggested then that the Government should conduct a thorough-going public investigation into the aerospace industry, including its impact on peace and security and the environment, and look at alternative ways the resources enjoyed by the industry could be used. CAAT argued that the future of the industry was too important for the debate to be left solely to those who work for it. This remains CAAT's position.

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