

# BRIEFING



## THE G8 ARMS DEALERS TO THE WORLD

In July, the UK is due to play host to this year's meeting of the G8. Hidden away in the Scottish resort of Gleneagles, the world's most powerful politicians will make decisions that will affect billions of people. Over the past few years, it has become common to see large demonstrations at G8 summits, demanding an end to debt in the world's poorest countries and a fairer economic system. It is partly because of this mobilisation of people power, and more recently because of the work of the Make Poverty History coalition, that global poverty will be high on the agenda this year. Whilst every politician will say that they want to help end poverty, there are some massive obstacles to overcome. One is the continued and sustained support that these governments give to the global arms trade.

### THE G8 AND THE ARMS TRADE

The G8 represent the world's eight most advanced economies, an exclusive club which meets every year to develop a common agenda in global politics. Yet most of those countries also rank inside another group of eight; the eight biggest arms exporters in the world. In fact, of the G8 countries only Japan fell outside the

top 10 exporters of major conventional weapons in 2003.

In that year, the G8 countries exported arms worth in excess of US\$24 billion. Whilst some of these exports were to other G8 or developed countries, more than half were to the developing world. Furthermore, the US Congressional Research Service estimates that of arms transfers to developing countries in 2003, around 89% came from just 5 members of the G8: the US, Russia, France, the UK and Germany.

### ARMS SALES AND POVERTY

We live in a world where extreme poverty is still the norm for millions of people. According to the UN, 15% of the world's population, or 800 million, suffer from chronic hunger, whilst more than a billion struggle to survive on less than \$1 per day. In many countries, people still have massive problems getting access to safe drinking water, basic health care and primary education. Their provision is eroded further when those countries spend their money on weapons systems they can ill afford.

### ONE RULE FOR THE RICH WORLD...

The annual G8 summit is a self-selecting and undemocratic get-together for some of the world's richest nations. Other countries can attend as spectators or sometimes as guest speakers, but nothing more. It is organised like this for a reason. Collectively, the G8 countries control over half the votes at the two major international financial institutions, the World Bank and International Monetary Fund (IMF). The summit represents a chance for them to devise a common strategy in world politics.

The G8 countries, including the UK government, all subscribe to an economic model that promotes economic liberalisation as the key to poverty reduction. IMF and World Bank loans to developing world countries are often predicated on commitments to privatise public services and drop trade barriers and subsidies, which can protect a national economy from the uncertainty of the global market. International development organisations have criticised this approach, saying it actually increases poverty.

Yet there is one major sector that is always exempt from international agreements such as those associated with the World Trade Organisation: military production. So whilst the G8 countries push 'free trade' on the global south, they are free to subsidise their own arms industries as much as they want, providing a system of corporate welfare for arms giants like Lockheed Martin, BAE Systems, EADS and Thales.

## THE 'WAR ON TERROR': SUCCOUR FOR THE ARMS TRADE

The new direction in US foreign policy, which the Bush administration dubbed the 'War on Terror', has worked out very well for the arms companies. Pentagon spending started increasing almost as soon as Bush entered office, but was given a further boost by the invasions of Afghanistan and Iraq. The biggest winner in absolute terms has been arms manufacturer Lockheed Martin, but as the World Policy Institute's Michelle Ciarrocca put it, "these are lucrative times to be a military contractor".

The terminology of the War on Terror has also granted new legitimacy to those states seeking to use force to defeat separatist movements or rebellions, and even to justify human rights violations. It has also increased the likelihood of them getting the arms imports they want. In 2004, the US announced it was now willing to allow the export of F16 fighter jets to Pakistan, which it had long prevented. Since 2001, Pakistan's General Musharraf, who came to power in a military coup, has positioned his country as America's main 'anti-terror' ally in the region. Commentators have alleged that the planes would be of far more use in a war against India, than in their supposed purpose, fighting Islamist militants in the remote northwest of the country.

In 2001, the UK government approved the sale of a £28 million military air traffic control system to Tanzania. The World Bank, which usually steers clear of criticising individual purchases, said that the system was both unsuitable for Tanzania's needs and out of date, and that a civilian system could be purchased for an eighth of the cost. Campaigners argued that the deal should be stopped on the basis that half the population of the country lacked access to clean water. This was also the position of Clare Short, then the International Development Secretary, but she was overruled as Tony Blair intervened personally to ensure the deal went through.

Deals like this are often facilitated by the guarantee of payment that arms companies get from their government's export credit system. In the UK, this is managed through the Export Credit Guarantee Department (ECGD), but all established arms producing countries have a similar system. The

underwriting of arms sales means arms companies pursue deals to countries which may well default on payments, safe in the knowledge that if it happens, taxpayers in the exporting country will pick up the payments, and the debt itself is then owed to the exporting government. In 1994 it was estimated that one fifth of the debt owed by poor countries is due to past arms sales.

Arms purchases by one country can often affect the whole region. Even when neighbouring countries are on friendly terms, costly regional arms races are not unheard of. Where countries are hostile, they are all but guaranteed. Yet this does not seem to give G8 nations particular pause. Even as Tony Blair flew to Delhi in 2002, apparently to try to avert a war between India and Pakistan over Kashmir, his government was working to conclude the sale of BAE Systems Hawk jets to India worth £1bn. Meanwhile, US arms sales and military aid to Colombia have provoked an arms race between it and neighbouring Venezuela.

## THE SOCIAL EFFECTS OF CONFLICT

The problem of arms sales to developing countries, however, is not limited to the proportion of the budget they take up. The destruction caused by war creates untold poverty, whilst the flood of small arms into conflict zones also affects the physical ability of authorities to deliver public services. For instance in Uganda, the disruption of vaccination programmes by localised conflicts has resulted in many deaths from common preventable diseases like cholera or diarrhoea. The humanitarian disaster in Darfur is just one example of conflict creating huge refugee populations who face a life on the edge of survival, more often in neighbouring poor countries rather than in the wealthy countries which can better afford to offer them sanctuary. In addition, the availability of small arms often also contributes to environmental degradation, as the result of illegal resource extraction such as logging.

Overall, the cost of arms sales and the conflicts they help to sustain have a massive and disastrous effect on the possibility of sustainable development in the world's poorest countries. Alone amongst the G8 countries, the UK has a stated policy of consulting its Department for International Development when considering arms export licences, but even this has had a negligible impact. In addition, and in common with the US, France, Italy, Germany, Russia and Canada, the UK promotes the arms industry in a variety of ways.

## G8 GOVERNMENTS: PUSHING THE ARMS TRADE

Japanese law prohibits virtually all arms exports; they still have an arms industry, but it only serves Japanese needs. All the other G8 countries support arms exports extensively. The traditional justification for this, and it is still widely used, is that a strong indigenous arms industry is vital for national security, and that exports keep that industry strong.

Of course, in a globalised arms sector, most equipment includes parts manufactured in at least one other country. This doesn't stop the argument being used, however. The French Ministry of Defence, for instance, says that "arms exports play a role in both France's foreign and defence policies... they contribute to maintaining technical and industrial defence capacities on French territory." This also introduces another justification, that arms sales to selected foreign governments can be a useful foreign policy tool.

G8 governments support arms exports in a number of ways:

### FINANCIAL INTEREST

Although no G8 country has an entirely nationalised arms industry any longer, some have considerable financial interests in their own major arms exporters. The Italian treasury, for instance, has a 32% share in Finmeccanica, Italy's largest arms company, making it unlikely to favour tighter regulation. Similarly, France has a stake in leading French company Thales. In Russia, there remain a number of state-owned firms, which often produce small arms and light weapons.

### STATE SPONSORED MARKETING

CAAT has long highlighted the existence of the UK government's Defence Export Services Organisation, which uses its 600 staff and an annual net cost of up to £16 million exclusively to market British arms exports. This is effectively a subsidy to the arms trade, which is replicated in slightly different ways across the G8 countries. In the US, the Pentagon negotiates many

## ARMS EXPORTS ESTIMATES FROM G8 COUNTRIES

G8 Country	World Rank for Major Conventional Weapons Exports 1999–2003*	Major Conventional Weapons Exports (US\$ millions), 2003 only*	Total arms deliveries (US\$ millions), 2003 only**
USA	1	4,385	13,600
Russia	2	6,980	3,400
France	3	1,753	1,200
Germany	4	1,549	4,700
UK	5	525	1,200
Italy	7	277	100
Canada	10	556	not available
Japan	–	–	–
Total		16,025	over 24,200

\* Figures taken from SIPRI yearbook 2004, which uses constant (1990) prices for year on year comparison purposes. The term 'major conventional weapons' excludes some military goods and services. \*\* Figures are from the US Congressional Research Service and in current dollar prices, rounded off to the nearest \$100 million.

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deals on behalf of US companies. In 2003 it was responsible for \$40 million worth of sales to African countries alone. Meanwhile in Russia, the state export company Rosoboronexport, which is run by the Defence Ministry, has the conflicting dual role of both licensing arms exports and promoting them. Nor is it unusual to see senior ministers and royalty in the UK case, promoting sales. In February 2005, Chancellor Schröder of Germany took a six-day trip to the Middle East with arms company executives, specifically to sell German military goods.

## EXPORT CREDIT

As outlined above, underwriting arms sales is common. The UK's ECGD has its counterparts in the French COFACE and the German Hermes agency. Whilst arms are only part of both these agencies' jurisdiction, the US has a Defense Export Loan Guarantee Fund, which can underwrite sales to the total of \$15 billion each year.

## MILITARY AID

In Germany, *ristungssonderhilfe* is special overseas aid granted specifically for buying German-manufactured arms. Turkey, with its terrible human rights record, especially towards Kurdish people, has been a regular recipient. It's the US, though, which provides the highest level of military aid. Huge sums go to Israel to help it flout international law in its brutal military occupation of the Palestinian territories. Colombia has received over \$2 billion in aid from the US since 2000, most of it military. Yet there are documented links between the Colombian army and right-wing paramilitaries who carry out most of the political killings in Colombia. The extent to which the reason for military aid is geo-strategic rather than simply helpful to a country's arms trade can vary, though obviously the arms companies are beneficiaries whatever the case.

## SUPPORT FOR ARMS FAIRS

Arms fairs are key events in the supply chain for weaponry. Despite the fact that most arms fairs are now truly international events rather than the expositions of a particular national arms industry that they used to be, G8 governments still support them financially, politically and through the use of army personnel to help with demonstrations. Whether it is

DSEi in the UK or Eurosatory in France, the respective Ministries of Defence are important backers, working closely with military trade associations.

Additional support from governments includes tax breaks, contributions to research and development costs (which are particularly high in the US) and use of military and diplomatic personnel. UK government subsidies were worth around £900 million in 2004. A 1998 estimate put the US figure at something like \$7.9 billion. G8 governments, arms companies and the military are entwined at the highest levels, creating a highly favourable situation for arms dealers the world over.

## CONCLUSION: MAKE THE ARMS TRADE HISTORY

Whilst G8 agreements like the Global Non-Proliferation Initiative seek to stop chemical, biological and nuclear weapons from falling into the hands of terrorists, the G8 have not so far sought to reduce the trade in conventional weapons. Those regulatory agreements that do exist, such as the EU code of conduct, are not legally binding and have been criticised for being ineffective.

Foreign Secretary Jack Straw has talked of presenting an Arms Control Treaty to this year's G8 summit. At the time of writing, the details are not available, but whilst controls on arms sales are to be welcomed, it is hard to see how they can be effective given the G8 countries' continuing financial and political support for the global arms trade. Moreover, whilst the G8 sell nearly all of the world's weapons, thereby contributing so much to global poverty, any talk of sustainable development at this year's summit is rendered almost meaningless.

If 2005 is to be the year to start to 'Make Poverty History', we need to ensure that the global arms trade is a thing of the past as well.

**A fully referenced version of this briefing is available at [www.caat.org.uk/g8](http://www.caat.org.uk/g8)**