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Submission from the Campaign Against Arms Trade to the International Development Committee on Cross-departmental Working on Development and Trade

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. Your Committee's inquiry into Cross-departmental Working on Development and Trade is welcome and CAAT would like to comment on two of the points raised: military exports and corruption.

Military exports

3. The Department for International Development (DfID) has responsibility for assessing applications for licences for the export of military equipment against Criterion 8 of the Consolidated EU and National Arms Export Licensing Criteria, assessing the compatibility of the proposed export against the technical and economic capacity of the recipient country. Beyond this specific task, however, there are more general issues about military procurement and development which CAAT believes would benefit from the input from DfID. These would include looking UK government promotion of sales to countries such as India, Pakistan and South Africa.
4. It is with this in mind that CAAT would like to draw your Committee's attention to the announcement by the Prime Minister on 25th July 2007 that the Defence Export Services Organisation (DESO) is to close (Hansard, col 23WS). DESO's responsibility for the promotion of military exports will move to UK Trade and Investment (UKTI). The statement said that the Cabinet Office would be leading work across Government to develop an implementation plan by the end of 2007.
5. At the time of writing, CAAT has still to ascertain exactly what consultation will be taking place on the changes, but understands that the Department for Business, Enterprise and Regulatory Reform (DBERR), rather than the Cabinet Office, is now co-ordinating this. CAAT thinks it is important that your Committee maintains a watching interest with regard to these changes.

6. Military equipment accounts for less than 2% of the UK's visible exports and UK Defence Statistics show that 65,000 jobs (just 0.2% of the national labour force) are sustained by military exports. Relative to this, the DESO received thirteen times the budget of UKTI.
7. UKTI currently covers 39 industrial sectors. On 1st February 2007, DESO employed 466 staff (Hansard, 1.3.07, Col1542W); its net budget 2006/7 was approximately £15 million (Hansard, 17.7.07, Col196W). About 200 of the staff are employed on the Saudi Armed Forces Project. This is paid for by the Saudi Arabian government and the Project and its staff will stay in the Ministry of Defence.
8. This leaves over 250 DESO staff. It is vital that they do not move *en bloc* to the UKTI, or in any other way come to dominate its trade promotion work, and that the military equipment sector's exports are given no greater share of UKTI resources than is proportional to the size of the sector's contribution to the economy.
9. The move of military export promotion to UKTI may present an opportunity for further consideration as to how development concerns are raised. For example, could UKTI be charged with formally liaising with DfID before promoting military equipment to a country in receipt of DfID support?
10. The move of military export promotion from the MoD to the DBERR's UKTI means that the latter is now both the overseeing department for both sales promotion and export licensing. Although Lord Digby Jones is the Minister responsible for UKTI and Energy Minister Malcolm Wicks' remit (rather oddly) includes exports controls, this, again, is a change which will need monitoring to make sure that Criterion 8 concerns are not marginalised even more than perhaps they already are.
11. Your Committee, in its Notice of this Inquiry, points out that DfID and DBERR share a Minister. However, DBERR also has joint Trade Ministers with the Foreign and Commonwealth Office and the MoD, Lord Digby Jones and Lord Drayson respectively. These Ministers, and, in particular the latter, might have very different interests with regards to military exports. It is also worth noting that, within DBERR, Gareth Thomas is an Under-Secretary whilst Lord Digby Jones and Lord Drayson are Ministers of State. It remains to be seen if this will be reflected in influence over trade policy.

OECD and corruption

12. The weakness of the UK government's commitment to stamp out corruption became fully apparent in December 2006 when it ended the Serious Fraud Office inquiry into the Al Yamamah deals. CAAT, together with The Corner House, has applied for a Judicial Review of that decision. The oral application for permission for a Judicial Review will be heard on 9th November.
13. The outcry which followed the decision has highlighted the lack of dedicated anti-corruption legislation. Importantly, too, it has conveyed a message that investigations into allegations of contraventions of the existing law are pursued or otherwise on the basis of considerations other than the evidence available. The South African President, Thabo Mbeki, was right to question in January 2007 why the investigation into the

arms deal with Saudi Arabia was dropped, while that into deals with his country continued.

14. With this in mind, CAAT was disappointed that the report of the Quadripartite Committee, "Strategic Export Controls: 2007 Review" (HC117), limited its recommendations on corruption to those licence applications being considered by DfID under Criterion 8. It recommends that DfID consider including an assessment to test whether the contract behind an application for an export licence is free from bribery and corruption. The section in the same report on Saudi Arabia makes no recommendations. This, surely, only serves to reinforce the idea that the UK's anti-corruption efforts are selective and not being applied consistently. It does not help the cause of good governance.

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