‘Subsidising a Deadly Trade’ is the transcript of the 2001 CAAT Lecture, given by Sir Samuel Brittan at the London School of Economics on 9th April. Sir Samuel has been writing on arms export subsidies for a number of years and Campaign Against Arms Trade was very pleased that he was willing to present his arguments to an audience invited by CAAT. Approximately 350 people attended the lecture and many others expressed an interest in the lecture text (also available on the web at www.caat.org.uk).

The lecture itself was followed by a question and comment session, and the transcript of Sir Samuel’s responses during this session is included in this paper.
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SUBSIDISING A DEADLY TRADE

Introduction

It is a privilege both to give the annual lecture of the Campaign Against the Arms Trade and to speak in this great hall. I should confess that I find the assignment a somewhat difficult one. This is not because of any doubts about my case but because I have known that I would be talking to several different audiences at the same time.

There are many people here from the Campaign who do not need to be told of the arguments against selling arms to dubious regimes, but who mainly want to know the most effective answer to give to people who fear that the British economy would collapse without such sales - or more moderately, that there would be a big loss of jobs and exports leading to a balance of payments crisis and a run on sterling.

There may on the other hand be people who have come in response to the open invitation who need to be convinced about the fundamental arguments, perhaps because they fear that a gesture by Britain alone would be futile and achieve nothing. Finally there may be people who support what the Government has already done to clamp down on undesirable arms exports and what it is planning to do in the hypothetical event of it winning the next election.

While I am more than happy to give praise where praise is due, this section of my audience may like to know what remains still to be done and what the gaps are in the Government’s implementation of its pledge to implement a foreign policy with an ethical element. This is a highly desirable ambition, which does not deserve the sneers it sometimes receives. Even those who are more impressed by the shortcomings than the achievements should remember a famous definition of hypocrisy. It is the tribute which vice pays to virtue. But virtue needs to be defined and defended.

Let me make my own position clear. I am against any kind of subsidy, open or concealed, for exports of weapons or military aircraft. I would also like to
see much firmer measures against the export of small arms even when there is no element, or only a small element, of subsidy involved. Those who accept the thesis do not have to agree on exactly which regimes are the most dubious. There is a pretty clear basic list of regimes that commit aggression, support terrorism or oppress large bodies of their own citizens; we can argue about how far the list should extend.

Indeed, if any of you have wandered in from the economics faculty you might like to note that I am in fact against most of what is called the export drive. The attitude of many market-inclined economists, including many in government departments, to this viewpoint, is that it is all very fine but stands no chance of being adopted by any political party.

We need to advance slowly here, as in many other areas. The place to make a start with the elimination of export subsidies is in the sales of weapons and military aircraft, which have detrimental effects on third world development, which aggravate conflicts, and which often end up being used against British forces.

My position is pacific rather than pacifist. So long as Britain has armed forces and so long as the country belongs to NATO or any other alliance, it surely makes sense to engage in international trade rather than aim for self sufficiency. In the latest financial year the Ministry of Defence spent 13 per cent of its equipment budget on 64 co-operative equipment programmes involving 19 partner nations. The most important of these, by far, were France, Germany, the USA, Italy and the Netherlands. The number and proportion are expected to rise. Indeed it would be difficult to argue that each of these allies should be completely self-sufficient in arms production, with all the wastes involved.

We need more specialisation in arms production among NATO countries and other allies rather than less. Such specialisation should bring many of the economies of scale which supporters of the wider arms trade think can only come about through the export of weapons and military aircraft to Saudi Arabia and other dubious areas.

Having said that, I must pay a tribute to the Campaign Against the Arms Trade and other non-governmental organisations. They may be a few steps ahead of even radical public opinion; but the result of their zeal has been an expertise in the area and a depth of investigative analysis, which it is difficult to find elsewhere. Indeed much of the factual material which I am using in
this lecture and in more detailed written expositions comes from their investigations.

No Agonising Choice

There is sometimes a conflict between national self-interest and ethical actions, just as there can be a conflict between personal self-interest and moral behaviour. But in both cases this is often exaggerated. In the national case it is exaggerated by an inflated view of the role of arms and export promotion in the British economy.

The promotion and de facto subsidisation of arms sales is - like most other industrial subsidies - wealth destroying and there would be very little if any sacrifice involved in doing away with the whole effort. Behind the arms promotion lobby is the primitive belief that if one source of overseas sales dries up, the workers and other resources involved would simply waste away. This is rubbish in view of the millions of people who change jobs every year. If other countries want to compete with us in foolish subsidies, let them.

Subsidised credit for exports of arms or major capital goods have far worse effects than just the economic ones. Western nations are undoubtedly rich enough to waste some resources. As Adam Smith said, “There is an awful lot of ruin in a nation.”

The worst effects are political and moral. They are both illustrated by the instance of the Pergau Dam in Malaysia in the mid 1990s when the Conservative Government overturned a publicly minuted reservation by the Permanent Secretary of the Department of Overseas Development and insisted on supporting credits for this dam.

One of the unstated arguments for going ahead was that this would act as a sweetener to persuade the Malaysian government to buy other goods, including arms, from Britain. On the other hand arms sales are justified because they are supposed to persuade governments that buy them to use British equipment in their capital projects. Thus one bad consequence is called in aid to support another; and Third World despots are encouraged to devote still more resources to military spending or prestige projects of dubious value.
More recently a Labour Prime Minister was said to have overruled the Foreign Secretary when he authorised a statement by Stephen Byers on Dec. 21, 1999 that he was “minded”, subject to certain conditions, to grant export credit for the Ilisu dam project in Turkey, which will flood several valleys with sites of unique cultural and religious value to the Kurds. You can imagine what this will do to promote ethnic harmony inside Turkey. In the spring of 2001 we are still waiting for a decision.

Corruption

We cannot leave out of account the enormous part that corruption plays in the arms and related trades. A forthcoming study by Joe Roeber concludes that: “Because of the structure, complexity and capacity of the market, and above all, because of the secrecy that surrounds every aspect of its activities, the international arms trade is the most corrupt of all legal trades.” He finally asks: “Can we justify bribing people to buy arms they may not need with money their taxpayers cannot afford, simply to inflate the number of jobs in a declining industry?”

All these follies are supported by the myth that exports are valuable for their own sake, however small the return the British nation gets from them. Business lobbyists are able to persuade a succession of Prime Ministers, ranging from ultra-dry Conservatives to New Labour that, if the Government does not support them, their overseas rivals will win the contracts instead. I wish we had a Prime Minister with the analytical resilience simply to reply “Let them”.

We should follow the example of General de Gaulle. When he was told that if the French left Algeria the Russians would take their place, he replied, “I wish them much joy of it.” The same applies to UK or other governments that want to throw away their national resources on projects which not only do not pay domestically, but which are detrimental to genuine Third World development.
UK Record

In July 1997 the then new Foreign Secretary, Robin Cook, stated that the government would not permit the sale of arms to regimes that might use them for internal repression. This was of course in the wake of the “Arms for Iraq” scandal.

In fact the present government has gone further than either its predecessors or many other countries in fulfilling this pledge. The third Annual Report on UK Strategic Export Controls has been described by Saferworld “as the most transparent of any European country.” But there is still a long way to go. A joint report of four parliamentary committees pointed to “a serious error of judgement” in granting export licences for military equipment to the government of Zimbabwe; and there are other examples involving for instance Indonesia and China. Apparently Britain is still selling military aircraft to India, despite that country’s nuclear tests. The only reason why there are no such sales to Pakistan is because of the military coup. Yet the Indian subcontinent is probably part of the world most subject to the risk of nuclear conflagration.

At the height of the East Timor crisis in early 1999 there appeared a telling Times cartoon. On one side of the cartoon a buoyant Tony Blair was shown exclaiming: “We need a hawk” - meaning a more determined military effort to put pressure on the Government of Indonesia. On the other side he was shown piloting one of the Hawk aircraft that the UK had been delivering to Indonesia for many years for the use of the country’s former military dictator, General Suharto.

The official estimate for British arms sales is that they amounted in 1999 to about £4bn per annum, or appreciably less than half a percent of the national income. A good academic estimate of the cost of government support has been £400m per annum. But indirect support for what is known as the “Defence Industrial Base“ is many times larger.

Far and away the most important direct support comes from the Export Credit Guarantee Department (ECGD) which insures and finances export of capital goods. A former senior treasury official has publicly said that this department is too vulnerable to intensive lobbying by large corporations through their ministerial contacts.
The most dangerous military exports, which attract only indirect subsidies, are, however, those for small arms used for domestic repression. According to Clare Short’s recent White Paper, of the 40 poorest countries in the world, 24 have recently been in the midst of armed conflict, mostly in Africa. The British government would undoubtedly like to curb this trade and subscribes to international agreements for this purpose. The Scott Report advocated legislation to put controls on arms exports and arms brokering on to a permanent non-emergency basis. Legislation has at long last been promised for the next parliament and this is undoubtedly a step forward. But the government is still inhibited by two factors: its reluctance to move ahead of competitor countries and its belief that such arms can legitimately be sent to official governments as distinct from so called rebels.

Finally there is the very obscure *Al Yamamah* deal with Saudi Arabia under which weapons were exchanged for oil. Exports to Saudi Arabia have in the past accounted for about a third of British overseas arms sales.

**Export Promotion**

A popular view is that some arm sales may be undesirable, but that they help promote jobs, growth and employment. Therefore a balance has to be drawn between these two considerations - a compromise always appeals to the so-called practical man. We will thus never really stop dubious arms sales until the myth of the export drive is nailed once and for all.

The root of the matter is the belief throughout the political and business establishment that exports are worthwhile for their own sake, irrespective of the terms on which they are sold and how much they have to be subsidised. It is for this reason that Prime Ministers, whether Thatcher, Major or Blair, time and again come down against the Treasury in favour of controversial arms deals or dubious overseas capital projects.

The balance of payments preoccupation goes back many centuries. Mercantilist writers in the 16th, 17th and 18th centuries, campaigned for a favourable balance of trade and for an inflow of gold and silver. These writers were refuted as conclusively as anything can be in political economy by 18th century members of Scottish Enlightenment such as David Hume and Adam Smith. And during the period of rapid world economic growth towards the
end of the 19th century huge current account surpluses and deficits built up, as the other side to the flow of savings to capital-hungry developing countries. These deficit and surpluses were far higher than any of the imbalances which commentators have bemoaned in recent decades.

The origin of both the export drive and the reinvention of so-called balance of payments problem was in the immediate post-war years when sterling was on a fixed exchange rate and was also inconvertible. The financial policy regime was then one of suppressed inflation, which was held down by a mixture of controls and exchange rate overvaluation.

It was moreover a world with strict controls over capital flows. These controls could not be severe enough to protect determined speculators from launching an attack on a suspect currency, but they were a deterrent to the regular flows of capital across borders which normally finances imbalances on current account. The post-World War Two generation of political and economic leaders was brought up on slogans and posters such as “export or die”, “the dollar drive” and even on one occasion “exporting is fun”.

By contrast we are now back in a world of relatively free capital flows. There are bound to be large imbalances between countries with high savings ratios and relatively few investment outlets and other countries, such as the United States, which - at least until recently - have had low savings but many investment opportunities. Moreover we now have floating exchange rates.

And advanced industrial countries with floating exchange rates need never have balance of payments problems. They may suffer from unwelcome downward pressure on their exchange rate due to financial markets’ distrust of their policies or of fears about domestic inflation. If so, such fears should be tackled directly. The export drive is a hangover from the siege economy days of Stafford Cripps (Labour Chancellor in the late 1940’s) and have no place in a global market economy. In practice it amounts to the diversion of public resources towards special interest groups under the guise of patriotic slogans.

The basic political and business fallacy is not to realise that exports, like investment, are a cost and not a benefit. If we could finance the imports that British citizens want to buy without any exports - say by interest free loans from overseas on indefinite repayment terms - we would be better off. Of course this would require a period of adjustment. But such adjustments are
necessary after any kind of economic or industrial change. In the world as it is, exports are a waste of resources and serve no purpose if they are not paid for, or are paid for very late and on a heavily subsidised credit basis and with a strong political risk factor.

The Jobs Argument

The most popular argument for subsidising exports is the effect on jobs. We should be on our guard when politicians defend dubious policies by declaring “jobs are at stake”. This is so whether it is an “Old Labour” supporter wanting to protect manufacturing, a Tory spokesman talking about the employment provided by hunting, or a business lobbyist pushing for arms sales to dubious regimes.

The argument that jobs derived from exporting weapons cannot be replaced is akin to the argument for keeping open uneconomic coal mines for the sake of employment. Yet it is often just those people who lecture us on the need for workers to change jobs, and who say that full employment cannot mean the *same* employment, who are most keen to promote the sale of arms.

Such arguments are based on the myth that there is a “lump of labour“ that is engaged in making specific products. Then, it is supposed, if orders or output are lost in one area they cannot be regained anywhere else. But people change jobs constantly. Well over three million people leave the unemployment register each year even in recession periods, over half of them for new jobs or training. Indeed, it is almost certainly easier for arms workers, many of whom have a wide range of valued skills, to find new jobs than it was for miners, whose training was far more specific.

One of the key ideas of economics is that of the *circular flow of income*. The point is that there is a continuing flow between purchasers who desire to buy products, the incomes received from supplying their needs, and still further purchases. The idea is so basic that economists regard it as too obvious to mention, and take it for granted rather than discuss it explicitly.

The smoothness of this flow can be helped by sensible policies, such as efforts by the Bank of England Monetary Policy Committee to maintain an adequate, but not excessive, flow of total spending, and by sensible exchange rate policies.
The interested citizen needs to know mainly that there is or can be such a circular flow, and that there therefore need be no fear of one country being undercut in everything by another.

Unfortunately, most public discussion is dominated by the very opposite idea: the myth of irreplaceable sectors. For instance it is assumed that if Britain loses arms orders in pursuit of a foreign policy with an ethical element that the displaced workers in the arms industry will simply waste away in idleness. It is not asked whether there will be other purchases at home or abroad to make up the difference.

A further argument relates to small exporters, who might not have the resources to engage in the required market research and export promotion. But surely this kind of thing is the job of market research and advertising agencies, chambers of commerce and industry associations. If it does not pay them to engage in such a promotion, it is because government support agencies are providing these services on a free or subsidised basis.

**Spillover Benefits**

The last resort of any sector or industry whose subsidies are challenged is to say that it brings spillover benefits to the rest of the economy. Concorde was virtually launched on such arguments.

Weapons producers argue that the government should continue to support exports because the proceeds contribute to the overhead costs of firms supplying the British military. These considerations cut both ways. The drive for arms sales itself distorts the design and production plans of British manufacturers and, in the view of some defence economists, offsets the savings in overheads. In any case, only some arms exports would be affected by a ban in the spirit of our supposedly ethical foreign policy. The posited economies of scale could readily be achieved by greater specialisation among EU or NATO countries - a process still inhibited by the desire of so many governments to protect domestic firms. I have seen estimates of £4bn per annum for what could be saved, either from buying from the cheapest market within these alliances or setting up a single international procurement agency.
The NERA Report

Many of the issues I have discussed are highlighted by a report on export credit by the National Economic Research Associates (NERA). There has been some misguided celebration of the fact that NERA did not recommend that ECGD should be privatised. But a much more important question is whether the provision of insurance cover should be subsidised.

Until 1991, the department showed heavy cashflow losses. It was then instructed to break even in cashflow terms in line with Berne procedures. But the ECGD is still not required to show the positive return in real terms normally required on public sector investment projects. NERA could not find any justification for the implicit subsidy - a most important finding which the vested interests involved have contrived to bury.

Much more important than any of these details is the fact that reports such as NERA’s are based on a mutually convenient misunderstanding. Economic research organisations, trying to unearth a case for intervention and subsidy, tend to focus on lapses from perfection inherent in almost all markets: matters such as informational barriers facing potential new exporters, and which governments might be able to help overcome by activities such as trade fairs or start-up credits. NERA of course found such imperfections.

Politicians and opinion leaders, however, take such reports, as confirmation that, without export promotion, the balance of payments would go haywire, the country become bankrupt and thousands of jobs would be lost. They conveniently overlook the fact that these bankruptcy and job fears are dismissed in polite terms as fallacies not worth serious consideration. NERA for instance remarked that the last thing the overheated British economy needed was extra demand for labour. Even if there is now a risk of recession, selective aid to a few heavy goods or arms manufacturers would be an extremely inefficient way of stimulating demand.

Industrial Case Studies

Many critics argue that a cut of one-third would effectively eliminate the most dubious arms sales. Let us suppose, then, that British arms exports were cut by £1 billion or £2 billion a year. Let us grant that these exports would
have to be replaced or imports reduced in their stead. But there is no more a fixed lump of exports than there is a fixed lump of jobs.

In fact, this arithmetic is far too generous to the arms lobbies. It would apply if we were talking about an industry that does not get special government help; in that case, the resources involved would have to move to their next best use. But arms sales do not represent, even in the narrowest economic terms, the best use of national resources. They are so heavily supported by the taxpayer that there might actually be a gain in moving the workers, plant and technical skills to other activities that could pay for themselves.

Let me cite two related bottom-up industrial studies. These have examined the impact of a one-third reduction in arms exports based on the average of the decade 1985-95 and expressed at 1995 prices. The output of weapons and ammunition would have been cut by about 12 per cent and of aero products by 9 per cent.

The maximum number of jobs lost would have been 40,000. On the basis of labour turnover estimates, the authors estimated that 40 per cent would have found new work within a year and another 13 per cent in the year after that. About 27 per cent would have taken more than two years to find a new job. Some 20 per cent would have left the labour force. The impact would have been greatest where defence employment is concentrated in one or two plants in individual towns such as Bristol, Plymouth, Yeovil and Preston.

The hypothetical one-third cut in arms exports would have initially reduced total exports of all goods and services by some ½ per cent. Nearly half of this half would have been replaced by alternative exports produced by redundant workers finding new work within a year. The remainder could be found partly from those finding work later and partly through other shifts within and between industries.

We are talking about the loss of ¼ per cent of UK exports of goods and services. This might, at worst, involve a minuscule devaluation and some slight adjustment in monetary and fiscal policy. If we cut through the technicalities, the cost could be a tiny deterioration in the terms of exchange between British exports and imports from overseas.

The academic authors search for some positive overspill benefits from promoting military exports to offset against the costs. The largest they can
find is the contribution of exports to the overhead cost of firms which serve the home market as well. The second largest comes from the contribution of exports to development costs.

Against these modest industrial costs have to be set notable government budgetary savings. The government has to take into account not only value for money but supposed “industrial and employment benefits” in placing military orders. (For example, in 1995 a recommendation by the Equipment Approvals Committee in favour of the American designed Chinook helicopter was overridden by the Secretary of State for Defence in favour of a mixed order involving Westland.) Netting all their estimates out, the defence economists arrive at an annual budgetary gain of £76m from the postulated cut in arms sales. One does not have to pretend that these estimates are precise or that the cost saving is enormous. The thrust of the argument is that the net effects on the British economy of reducing arms sales are negligible or even favourable.

Similar results have been emerging in France. A Committee of the French National Assembly was given an analysis of 21 of 42 programmes of French arms exports, which were said to have reduced purchasing prices for the French armed forces. The conclusion was that for half of these the gains of scale were countered by various factors, such as changes in specifications and delays. For the other half the scale effect did not lead to any reductions in the prices paid by the French government because the profit from the extended production lines went to the companies.

Others Will Take The Trade

The favourite business argument, which one hears particularly, but not only, in relation to arms sales, is that if the British government does not promote them, the American, French or Chinese or other governments will, leaving Britain as usual as the mug. I am all for international disarmament treaties; and I have already mentioned such agreements.

But supposing that other countries do not go all the way? It is like saying that you should not stop knocking your head against a brick wall until your friends have also stopped knocking theirs. Or to drop the metaphor: national resources should be left to where they enjoy the highest rate of return even if
this leads to loud protests from companies that have been used to being feather-bedded.

The arguments that others will export weapons if Britain desists is a dangerous defence for any aspect of the arms trade. The very same argument was used to defend the slave trade in the 18th century and the opium trade to China in the 19th century.

Some Positive Steps

Finally, I come to a question that I am often asked by friends in Whitehall. What additional measures would you like the British government to take? Those who know more about the details of the arms trade than I do are best placed to advise on the specifics. But let me end with a few suggestions nevertheless.

1. **DFID Intervention.** One of the greatest safeguards against the irresponsible grant of licences for arms exports is the ability of the Department for International Development (which it did not have under previous governments) to object to arms contracts on the basis that they are harmful to the recipient country’s development. Unfortunately it can still only do this on a case by case basis. It is often difficult to argue that one limited delivery would have much impact. If the department were able to take a cumulative view of all the licences requested by or granted to a particular country, this would be a great step forward.

2. **Greater Transparency.** Despite the improved Report on Strategic Exports, the criteria for approving them are still not clear. We need a list - covering military aircraft and dual use products as well as other arms - of countries to which complete bans apply, ones where there are no restrictions and intermediate cases. In the latter we need a clear statement of the criteria, covering the quantities and kind of arms which might be allowed.

3. Arms sales should only be permitted to actual or potential allies.

4. **End subsidies.** Absolutely no ECGD support for arms exports of any kind. Even permitted exports in uncontroversial cases should have to pay their way.
5. There should be an official audit of the cost and benefits of all UK arms sales. This might well be carried out by the National Audit Office.

6. The UK should use its influence - which in this particular respect might still be substantial - on international aid organisations including the IMF, the World Bank, the EBRD and other regional banks on the following lines:-
   (a) Take a much stricter line on excessive spending on military hardware at the expense of genuine development. To do this these agencies would have to return to their original functions and not become arms of US and NATO diplomacy.
   (b) Insist on enforcement of clampdown on small arms exports - other than in restricted and permitted categories - as a condition for receiving any aid at all.

7. The government should at long last accept NERA’s recommendation that the ECGD should have to earn the normal real rate of return on capital applicable to other public investments.

   These steps might seem technical and modest, but if carried out effectively they would lead to a slow revolution in arms policy.

8. The abolition of the ECGD itself. This might now appear far-fetched and Utopian, but would be less so if the other steps were taken first.

   I was tempted to conclude with a more resounding moral statement, which would not be too difficult. But the most important thing is to keep going in the right direction in the face of the counterattacks to be expected by every kind of interest group and prejudiced viewpoint.
Responses to Questions & Comments

Only responses made by Sir Samuel are given below. These generally indicate the nature of the questions and comments, and, where they do not, the necessary information regarding the question is provided in square brackets.

Answers to first batch of questions

The first questioner pointed out quite rightly that there was a life outside economics. The reason why I spent a lot of time on the economics of the arms trade is that there are so many people who say this is regrettable but we need it. In fact I was arguing with a Scottish trade unionist in a radio discussion at lunch today, and he said that, in an ideal world, ‘I’d rather be making something else’. It seemed to me that what he believed in was Government intervention and support for everything, including arms; but we can’t all subsidise each other in everything we do. Now the same questioner said we can’t all be net exporters. Well, so far from being anti-economics, she should be giving the first year lectures to the economics students, and the final year lectures as well, because in between they forget that we can’t all be net exporters. I’m tempted to give an analysis of the effects of every country subsidising its own exports. I think in the first place, you’d get what are called economic rents for certain producers. Eventually, the main effect is just a distortion of each country’s structure of industry.

I also liked her idea that arms should be given away, and if those people in the Ministry of Defence and the Foreign Office think it is very important to arm Saudi Arabia, then they should just give the arms away. It would be very interesting to see if British Aerospace would continue to lobby for this.

Then another speaker mentioned that people in the Middle East were told ‘if you don’t buy from us we will take our troops away’. Now maybe this would achieve two goals, that we would take troops away from supporting dubious regimes and stop subsidising arms sales to them.

‘Are these activities the result of lobbying?’ And the answer is ‘And how!’ And the large arms exporters have the advantage that they’re very concentrated; one or two aircraft companies can easily gain the ear of Downing Street, and
they’re very very good at mobilising the unions behind them, and they do a
lot of research into which constituencies might be involved if some aircraft
were cancelled.

Now for the final story about the childish pleasure of an arms salesman doing
a deal. Well, I don’t think even in the London School of Economics we can
really change human nature, at least not quickly, but at least we needn’t
subsidise and cheerlead the worst aspects of it. (Sorry to use the word
‘cheerlead’, I couldn’t think of anything better in the time available.) But if
these people were not placed on a pedestal and weren’t made national heroes
and weren’t given Queen’s Awards for Exports we’d be a step forward.

Another speaker made the case against NATO. There are times and
opportunities for arguing whether NATO has outlived its function, and what
function it may still have. My main point is that even if you believe in NATO,
and on balance I do, though not necessarily in its present function, it surely
makes sense to specialise rather than to be self-sufficient, and that’s as far as I
wanted to go this evening.

Answers to second batch of questions

The questioner who was speaking about exhibiting arms, exhibiting weapons.
I wonder if he was talking about the Farnborough Air Show. Now that’s a
disgrace. The Farnborough Air Show is an occasion when not merely people
who might remotely be enemies in the future, but people from all sorts of
places come along, unless we are at this moment engaged in a war against
them. They include very obvious potential enemies. The argument is that if
we don’t sell them someone will. It’s not even that, it’s schoolboy type air
enthusiasts who like to talk about the Farnborough Air Show. If we could
only stop the Financial Times reporting it, that would be a great step forward.
I have tried, but perhaps feebly!

‘How do you get the message across?’ I agree that you should concentrate on
young people, but however strongly we believe in something, we cannot use
the schools or universities for indoctrination. They’ve got to be exposed to
people with various points of view. In fact, I think it would be very much
better if the people who believe in arms sales actually spoke out and made
their case. In my experience of people like this, a few do come along from the
arms producing companies, they sit silently and make notes and they never
contribute to the discussion. I think they should be forced to, so their
arguments can be judged! After all, you’ve got young people here, if they
don’t mind making fools of themselves, why shouldn’t the middle-aged people
who sell arms do the same? Maybe they would persuade all of us.

And one other thing, before people start getting too pessimistic, something
has been achieved. There are various international agreements which are partly
observed. There is the European Union export convention relating to arms,
there are various other agreements, there are the agreements against nuclear
proliferation. We should not despise the rules of the World Trade Organisation
which limit export credit subsidies. Nor should we underrate what has
happened because of the backlash against it. The Government has tightened
up on the criteria, and although it’s not completely transparent it does have
a very thick annual White Paper on defence exports, which we never had
before. So don’t despair about everything, because you haven’t achieved it all
in one day. I think it would help if Robin Cook were cheered at least for his
efforts to achieve a foreign policy with an ethical element, even though he fell
short of the aims, and not sneered at.

Answers to third batch of questions

I was delighted to hear our friend from the Ministry of Defence say that they
are going to produce a paper on the cost and benefit analyses. I wish they had
done so 50 years ago. It’s only through organisations like this and other ones
and pressure from MPs as well, that government has got this far. If these
estimates had been around 20 or 30 years ago, they could have been compared
with estimates from independent economists. Of course, this would not have
established the moral case, but at least we would know what we are arguing
about. Even if, for the sake of a debating point you do establish some case, it
would be of the second order of smalls, if I can address a few numerate people.
Now the ministers and businessmen and politicians who read these things
don’t think in terms of nought point nought one per cent of the national
income, or whatever you might manage to establish. They think there is
going to be mass unemployment and a vast loss of electoral support and
terrible consequences for the British economy. So they read the bottom line,
saying on balance some savings are made and they don’t see how trivial it all
is. I don’t think that the budgetary costs are enormous, but given that they
are probably adverse, though I await your report, either there are no economic
costs of doing the right thing or they might even be beneficial.

Now a very eloquent case was made for the military industrial base by somebody
who afterwards announced that he was converted to pacifism. I merely said I was pacific. But it’s interesting how extremes touch: you either go to one extreme, or you support everything wrong that now goes on. Now, the military industrial base, which I should’ve perhaps made more of (whenever people use that expression - I’m not sure that you did - but when people do, you know where they’re coming from), the military industrial base goes back about a hundred years to the case of dreadnoughts before World War I. The point of it then was that the Government didn’t know whether it was going to be fighting Germany in alliance with France, or fighting France in alliance with Germany, or in some other way. And therefore, if you believe in this whole ridiculous balance of power game, there was some point in aiming for self-sufficiency. But do you really think the next war is going to be because Israel, Kuwait or Jordan is attacking the UK? If there is a case for a large military structure, it is surely in cooperation with Western Europe and the United States. Not even the people in the Defence Department think that we’re going to fight alone, another Dunkirk. But even at the time of Dunkirk we would never have got through without imports of military and other equipment from the United States.

What would I say to the worker at the factory gate? Well, fortunately I live in a rather rarified atmosphere! Also I believe in the division of labour - I would send you to the factory gate! But how would you have justified the introduction of a new technology to printers? The answer is, there is no way you could make a case to someone who’s going to lose, however generous the compensation. But seriously, the way I would approach it is, looking at existing efforts for compensation and retraining for people who lose jobs, and you only have to listen to Gordon Brown’s speeches to hear what they are; and although they’re hyped-up they’re not completely fictitious. There is unemployment pay, there are various social security benefits, rightly topped up for people with families. There is retraining. And then, when there is a large loss of jobs, or even an imagined large loss of jobs, as in the countryside now, you get special government programmes. When there is a geographically concentrated loss then there is a case for a special effort, that is, sending somebody down to attract employers, giving slightly larger subsidies. But I do, in the last resort, believe in a market economy. That is, the consumer should choose, and I don’t think you can keep people where they are indefinitely. In the end, they have to find out what are the non-subsidised, other industries where they can find employment, and I think history shows there always are.
Answers to fourth batch of questions

To take the last point first [Is there any chance of taking governments that trade in arms to the courts to accuse them of murder?], I wouldn’t be too pessimistic, there is something called the International War Crimes Court which was set up just recently. There is a campaign going on to send ex-President Milosevic to this court, and one or two people have already given themselves up or been sent there by the republics of the former Yugoslavia. So it is something to press on with. And, I think, if they are really brought to justice their sentences will be a good deal more severe than that inflicted on peace campaigners who clash with the police.

The argument I always find most difficult to answer is, ‘how would you put this over to a large audience, how would you have a popular campaign?’ You really want someone from one of the tabloids on this. Whenever I’m invited to discuss all this, I always emphasise that I am not the Countess of Wessex. I’m not a PR expert, but somebody in the audience here would be much better at it than I am. He would say to somebody outside a factory gate in Glasgow, ‘Do you realise, that because of your reluctance to retrain or to retire or anything like that, do you realise where your arms have gone?’ Now, if he’s well briefed by his company he’ll say, ‘If mine don’t go, someone else’s will’. You also talk about lack of popular campaigns. But John Pilger, whom I don’t agree with on everything, tries in a much more popular way than I ever could, in the press, on television programmes to put his point across. And actually television is much abused. If you had had television in the Boer War and Crimean War, for instance, these wars would have come to an end much earlier. And the anti-Vietnam movement in the US had a great deal to do with what was seen on TV; and when you show people being blown to pieces with landmines which were made in Britain, as they were before, or by British allies, then it does have an impact. But you have to proceed slowly. Now I would be very willing, although it’s not my profession, to give a talk against the arms trade, against militarist foreign policies, against the phoney security providers, but I was asked to do something else. I was asked to try to explain why the British economy would not come to an end if we had a rather more effective ethical foreign policy than we have at the moment, and I’ve done my best to do that.
The Author

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He is an Honorary Fellow of Jesus College, Cambridge; an Hon. Doctor of Letters (Heriot-Watt University, Edinburgh); an Hon. Doctor of the University of Essex. He has been visiting Professor at the Chicago Law School, a Visiting Fellow of Nuffield College, Oxford and an Honorary Professor of Politics at Warwick.

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