Submission from the Campaign Against Arms Trade to the Committees on Arms Export Controls

1. The Campaign Against Arms Trade (CAAT) in the UK works to end the international arms trade, which has a devastating impact on human rights and security, and damages economic development. CAAT believes that large scale military procurement and arms exports only reinforce a militaristic approach to international problems. Established in 1974, CAAT receives around 80% of its funding from its individual supporters.

2. The re-establishment of the Committees for Arms Export Controls (CAEC) in the new Parliament is welcome. CAAT would suggest that CAEC should also consider whether it is appropriate for the UK government to be encouraging and promoting military exports since this undermines the very notion of arms export controls.

3. This submission looks at the Coalition government's programme with regards to arms exports and the justifications given for Government support for them as well as the ways this support is given and the alternatives. It also briefly addresses other current arms trade issues - lack of accountability, the proposed arms trade treaty, corruption, cluster munitions and private military and security companies.

The Coalition government and the arms trade

4. The Coalition government's programme, published in May 2010, says: "We will support defence jobs through exports that are used for legitimate purposes, not internal repression, and will work for a full international ban on cluster munitions."

5. The programme does not define "legitimate purposes". Since 1997 there have been criteria, now the Consolidated EU and National Arms Export Licensing Criteria, that say that exports will not be permitted if they might be used for internal repression. That, unfortunately, has not stopped UK military exports going to countries such as China, Israel, Sri Lanka and Thailand where it is impossible to be sure that they will not contribute to internal repression. Military equipment exported from the UK was used by Israel in Lebanon and Gaza; the sale of fighter jets to Saudi Arabia took precedence over the possibility of effective UK government protests over human rights concerns and a criminal investigation for bribery; and an expensive and useless military radar system was successfully sold to Tanzania.
6. The Coalition government has adopted an even more enthusiastic approach to the export of military equipment than its predecessor. Secretary of State for Defence Liam Fox MP, speaking on 25th October 2010, said: "The long-term prosperity of the UK defence industry therefore depends on two things - offering better value for money to the British taxpayer; and being competitive and market sensitive so that the successful export of what is produced is more likely." He went on to say: "We have pledged our full support to a re-invigorated export strategy as the best way to protect and promote the best of British industry. I will chair the new Defence Exports Group, fully supported by Gerald Howarth and Peter Luff. We need to create a more stable base for industry, less dependent on the UK economy alone."

7. The message from this appears to be that, despite the negative consequences of military exports, and the fact that they can undercut other Government policies, such as the promotion of human rights or economic development, or efforts to stamp out corruption, the Coalition government will be promoting arms exports even more aggressively than has been the case to date.

**The wrong basis for international relationships**

8. The Coalition government has been justifying its promotion of arms exports by saying they would, according to Gerald Howarth MP, International Security Minister, (Hansard, 1.11.10 Col 596w) form part of "a broader diplomacy initiative by enhancing relationships with key strategic partners."

9. However, the past record does not auger well for this. The UK has found itself overlooking human rights abuses by, for instance, Saddam Hussein in Iraq as it has attempted to sell arms. The desire to sell arms to Saudi Arabia is another instance where the buyer has leverage over the seller, rather than the reverse.

10. This focus on the military relationships actively increases international instability. Conventional weapons proliferation leads to greater insecurity as does way it can alienate opposition groups within the buyer countries. A less militaristic approach, with the emphasis on cultural and civil economic relationships, would be much better for UK and global security.

**Arms trade not necessary for jobs**

11. The statement in the Coalition programme implies that the main rationale for promoting military exports is to support jobs. However, a Government concerned about boosting employment should not look at military export jobs to do this. Arms export jobs are heavily subsidised by the taxpayer. As Alan Beattie, International Economy Editor of the Financial Times, wrote on 10th August 2010: "You can have as many arms export jobs as you are prepared to waste public money subsidising."

12. It is also a misconception that vast numbers of jobs are currently supported by arms exports. In fact, these account for 0.2% of the UK workforce and around 2% of manufacturing employment. The buying countries also increasingly want to have part of the production progress. The sale of Eurofighters to Saudi Arabia illustrates this. Two thirds of the 72 Eurofighters sold to Saudi Arabia are to be assembled there. Similarly, the £700 million deal signed during Prime Minister David Cameron's visit to India in July 2010 will see 57 Hawk aircraft manufactured under licence there by
Hindustan Aeronautics Limited. The logical extension of this is that HAL will produce Hawks for the global market. The number of UK jobs said to be supported by this deal is just 200.

**Need for rethink on technologies**

13. The Coalition programme also says: "We will ensure that UK Trade and Investment and ECGD become champions for British companies that develop and export innovative green technologies around the world, instead of supporting investment in dirty fossil fuel energy production." This sounds excellent, but makes no mention of any break from the current and recent realities.

14. At the moment the arms industry is the one that receives the disproportionate subsidy, yet arms are totally unsustainable goods so to continue to support for them would be at odds with the commitment to supporting green technologies.

15. Though precise figures are hard to find, this subsidy of the arms industry arises in a number of ways including, most importantly, Government research and development funding. The Coalition government has also committed itself to considering export potential when making decisions about procurement for the UK armed forces. (Hansard, 1.11.10 Col 596w) This is not new. In 2003 the RAF bought BAE Hawk trainer aircraft with a view to persuading the Indian government to buy the Hawks for its air force. The Treasury did not believe the Hawks offered value for money.

16. Military industry also benefits hugely from promotion of its wares by ministers (William Hague's first external meeting as Foreign and Commonwealth Secretary was to discuss BAE's concerns about overseas commercial opportunities) and members of the UK armed forces, and from the assistance given by UK Trade and Investment's Defence and Security Organisation (UKTI DSO) and the Export Credits Guarantee Department (ECGD).

**UKTI Defence & Security Organisation**

17. Since April 2008, responsibility for promoting military exports has rested with UK Trade & Investment (UKTI). Military exports account for just 1.5% of all exports, with 40% of the value for these being imported. However, it is the arms industry through UKTI DSO and not "green technologies" that UKTI's current priority. UKTI DSO has 160 staff working to promote arms sales whereas there are only 130 UKTI staff specifically allocated to all the other industrial sectors put together. The remaining 2,300 UKTI staff are available to support all industries, including military companies.

18. UKTI DSO gives assistance to companies without seemingly considering any ethical questions, or the security or economic benefits, or costs, of the sales. Claims by the industry of the benefits to the UK economy are frequently reported unquestioningly by politicians and the media, but Freedom of Information requests made on several occasions by CAAT have failed to unearth any Government-commissioned analysis.

19. One oft-quoted report, commissioned by the industry, is *The economic case for investing in the UK defence industry* by Oxford Economics (2009). However, studying this report more closely, it shows the arms industry has a very average record relative to the sectors Oxford Economics chose to compare it against. The arms industry came 15th out of 27 in terms of value added contribution to Gross Domestic Product, and is
actually below average, 13th out of 22 on export intensity despite all the support it receives from Government which other industries do not.

20. Even if ethical questions are put to one side, there can be no justification of such disproportionate support for one industry. However, the arms industry is hugely, and rightly, controversial.

21. This controversy is likely to come to the fore again in September 2011. UKTI DSO is co-organiser of the biennial London arms fair, now called Defence and Security Equipment International. The invitation list at the last DSEi fair, one of the world’s largest, included Angola, Colombia, Iraq and Pakistan.

Export Credit Guarantees

22. The Export Credits Guarantee Department (ECGD) uses public money to ensure that companies are paid, even if the buyer defaults. It charges the exporter a premium, but, in 2005, even the Treasury accepted there was an element of subsidy.

23. In 2007/8 57% of all support given by the Export Credits Guarantee Department was for military deals; in 2008/9 (after BAE Systems withdrew from cover for its arms deals with Saudi Arabia) 73% of support went to Airbus. Between them, military and aerospace exports have dominated the ECGD’s business over the last decade.

24. With the proportion of cover for military goods currently just 1%, it is now an ideal time for the Government to exclude such projects from cover in future.

Support for global companies

25. UK-taxpayer funded support for arms exports could be given even when the equipment is not being manufactured in the UK. Alan Garwood was Head of the previous government arms export promotion unit, the Defence Export Services Organisation (DESO), between 2002 and 2007. In a letter dated 9th September 2005 he told CAAT: “The broad test for assessing DESO support to a UK-based defence exporter is not company ownership, but the added value that the export would bring to the UK defence industrial base.” In April 2008 the acting Head of UKTI DSO told Alan Garwood, now working for BAE as Marketing / Business Development Director and asking about support for BAE’s US exports, that his own DESO stance still applied, but was told that “... these things evolve and it was worth discussing when a specific opportunity arose.”

26. While UKTI DSO has not quantified the UK content of the exports it supports, the ECGD has. In June 2007 it announced that it would support projects by multi-national commercial enterprises with a foreign content of up to 80%.

Support could be redirected

27. If the current support and subsidies enjoyed by the arms industry were to be directed towards developing and exporting “innovative green technologies around the world” the UK could establish its presence in a vibrant, growing sector with vast potential rather than languishing in a static destructive one.
28. Many arms industry workers are highly skilled, a point made by Dr Sandy Wilson, President and Managing Director, General Dynamics UK, when he gave evidence to the Defence Committee on 8th September 2010: "A point that I have made to this Committee previously is that the skills that might be divested of a reducing defence industry do not just sit there waiting to come back. They will be mopped up by other industries that need such skills. We are talking about high-level systems engineering skills, which are often described as hen’s teeth. It is an area in which the country generally needs to invest more. You can think of the upsurge in nuclear and alternative energy as being two areas that would mop up those people almost immediately."

29. As this acknowledges, workers will go where there is investment. In 2008 UK government-funded research and development (R&D) for arms was over £2,500 million. That for renewables, necessary to meet the acknowledged threat to national security of climate change, was around £66 million. If the money changed sector it is likely the arms industry workers, many of whom have skills much needed for renewables development, would follow.

30. To this end, CAAT was encouraged by the establishment, by Secretary of State for Business, Innovation and Skills Vince Cable MP in October 2010, of the Skills and Jobs Retention Group, to explore how skilled arms industry workers can be retained in the advanced manufacturing sector, by working with industry to redeploy affected employees to other sectors such as civil aerospace, automotive, energy and marine.

**Lack of accountability**

31. Between 1999 and the coming of the Coalition government, the junior minister directly responsible for military export promotion, formerly by the Defence Export Services Organisation in the Ministry of Defence and more recently UKTI DSO, has sat in the House of Lords. Some of these ministers were directly appointed from industry to do the job.

32. This tendency to appoint unelected persons to trade posts appeared to have ended in May when Mark Prisk MP assumed responsibility for UKTI and Ed Davey MP for the Export Credits Guarantee Department. However, the appointment of Stephen Green as Trade & Investment Minister designate has dashed CAAT's hopes that MPs might be able to question the trade minister in their own House on a continuing basis.

33. As CAAT has recently pointed out in written evidence to the Public Administration Select Committee's inquiry into "What ministers do", this seems to be based on the incorrect assumption that trade, including that in military equipment, is uncontroversial. This is far from the case, but without exposure to constituents who might question the morality of arms export promotion, or to local political parties or human rights or development groups which might raise the issue in debate, there is little to offset the direct lobbying of the minister by companies and trade associations.

34. Just how strong this arms industry influence can be was shown when it was revealed during the discussions around the Strategic Defence and Security Review that it would cost more to cancel one of aircraft carriers ordered by the last Government than proceed to build the two.
Arms Trade Treaty
35. The Coalition government's programme says: "We will support efforts to establish an International Arms Trade Treaty to limit the sales of arms to dangerous regimes." What constitutes a "dangerous regime" is not defined.

36. CAAT continues to have major reservations about an arms trade treaty. As presently envisaged, the arms companies support it as they do not believe that it would "bring new obligations for UK industry" and do not feel that their sales would be constrained. Since the Coalition government is, as described above, heavily promoting arms sales its commitment to an arms trade treaty that makes a real difference must also be questioned. The danger is that an arms trade treaty would further legitimise the arms trade without reducing sales, even to governments, such as those of Israel or Saudi Arabia, that many would consider dangerous regimes.

Corruption
37. The Serious Fraud Office' (SFO) investigation into BAE Systems' arms deals in central Europe, South Africa and Tanzania ended in February 2010. BAE agreed a plea bargain with the SFO and the United States' Department of Justice. It was commonly considered that the plea agreement reached with the SFO, limited as it was to "accounting irregularities" in a contract with Tanzania, did not reflect the seriousness and extent of BAE's alleged offending, which includes corruption and bribery, or to provide the court with adequate sentencing powers. The case goes before a magistrates court on 23rd November 2010.

38. The news in October 2010 was more welcome. The Accountancy and Actuarial Discipline Board (AADB) is to investigate KPMG's audits "in relation to the commissions paid by BAE through any route to subsidiaries, agents and any connected companies" between 1997 and 2007. These companies include British Virgin Islands registered Red Diamond, Poseidon and Novelmight.

39. The AADB may help those in central Europe, Saudi Arabia, South Africa and Tanzania whose rulers spent money on military equipment which might otherwise have gone towards improving health or education find out what happened.

Cluster munitions
40. CAAT is pleased that the UK has ratified the Convention on Cluster Munitions (CMC) which entered into force on 1st August 2010. Although it seems that it may already have been illegal to advertise cluster munitions or their components, see the guidance notes for the 2008 amended Trade Controls, this does not appear to have stopped all advertising of such weapons.

41. The January 2010 edition of Jane's International Defence Review contains an advertisement from Indian Ordnance Factories for "cargo ammunition". One pictured, is the 130mm cargo projectile which contains 24 bomblets. CAAT hopes that now the CMC has come into force it will be rigorously policed to make sure that such advertisements do not appear.

42. It is also hoped that the Government will work to encourage governments, such as India, China, Russia and the United States, which have not joined the CMC to do so.
Private Military and Security Companies

43. The UK private military sector has increased enormously following the invasions of Iraq and Afghanistan with personnel employed by "corporate mercenaries", or Private Military and Security Companies (PMSCs) as they prefer to be known, take on many tasks previously undertaken by members of national armed forces. This growth has been accompanied by hundreds of allegations of human rights abuses committed by mercenaries. How to address this prompted nearly a decade of consultation by the Labour government.

44. CAAT was disappointed that, in September 2010, the Coalition government decided to take forward the Labour government's April 2009 proposals. Under these the Government will abdicate responsibility for regulating the industry to a trade association; make sure that it itself only contracts PMSCs with high standards; and liaise with other governments on the international level. regarding this issue.

45. This is totally inadequate, not least because it fails to address the fact that overseas governments, mining companies, media organisations, aid agencies and others also have contracts with PMSCs - withholding UK government purchasing power is not a solution in these cases.

46. The Government intends that these proposals be reviewed two years after they have been acted on. CAAT hopes that, in the meantime, CAEC will monitor what happens regarding PMSCs.

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