Submission from the Campaign Against Arms Trade to the Foreign Affairs Committee's inquiry into the FCO's human rights work 2012

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. Your Committee's call for submissions addressing "the cross-Government strategy on business and human rights ... and how it should define the relationship between the FCO's human rights work and the promotion of UK economic and commercial interests in UK foreign policy" is particularly welcome.

3. The use made by successive UK governments of military force and intervention in an attempt to solve problems has had high human and monetary costs. The enthusiastic espousal by UK governments of arms exports, including to extremely repressive governments, undermines the FCO's human rights work as well as leaving the UK open, correctly, to charges of hypocrisy.

4. War, instability and repression undermine economic growth. However, a shift of resources from military goods to sustainable production could bring benefits to the economy, and remove an obstacle to human rights.

Arms exports undermine human rights

5. The aggressive promotion of arms sales is incompatible with human rights. The dire consequences of the export of military equipment has been highlighted by the Arab Spring. The Government reacted by revoking export licences to Bahrain, Egypt, Libya and Tunisia where it felt the equipment licensed could directly be used for human rights violations. However, it was demoed that there had been a failure of judgment, let alone of the overall policy, when the licences were granted.

6. The indirect consequences of the sale of UK arms can, however, be just as devastating as they increase general military capacity and convey a message of international acceptance and approval. Saudi Arabia is identified by the FCO as a country of major human rights concern. It is ranked at 161, where the worst country is 167, on the Economist Intelligence Unit's "Democracy Index 2011", the latest published, which reflected the situation in December 2011. Additionally, in 2011 Saudi Arabia used UK-
supplied armoured vehicles to guard infrastructure in Bahrain which freed up the latter's military forces to brutally repress its people.

7. In 2011, however, Saudi Arabia was once again the biggest recipient of UK arms sales; export licences for goods totalling over £1,735 million were granted. The desire to sell arms meant muted criticism of the repressive Saudi regime, as senior UK government figures courted the abusers to promote arms sales. The human rights of the Saudi people, as well as of others in the Gulf, are accorded less importance than the desire to sell military equipment.

8. Libya stands as a very potent recent example of what goes wrong when arms sales trump human rights concerns. Immediately after the arms embargo was lifted in 2004 Libya was a focus for UK government and company marketing efforts, including a visit by then Prime Minister Tony Blair. In 2010 Libya was included in the priority market list of the government's arms sales unit, UK Trade & Investment Defence and Security Organisation (UKTI DSO), which was in Tripoli exhibiting at the LibDex arms fair in November 2010.

9. Sales to Libya continued right up until February 2011. A month later the new arms embargo was imposed and the bombing began. The UK found itself taking military action against a country it had armed immediately before. Yet amazingly, a year later, in February 2012 with Gaddafi dead but with a still unstable situation, Libya is back on UKTI DSO's list of priority markets. There is no sign that the obvious lesson has been learned.

10. Sometimes the military equipment sold to repressive regimes is not even paid for. In the mid-1990's British Aerospace Hawk aircraft, as well as tanks and armoured personnel carriers, were sold to Indonesia's President Suharto. He used some of the equipment against his own people as well as those in East Timor and West Papua. In 1998, Indonesia suffered a financial crisis and defaulted on its payments. Today, the Indonesian people are repaying hundreds of millions of pounds in debt to the UK government for this 1990's equipment. Despite this, in April 2012, Prime Minister David Cameron led a new arms sales delegation to the country.

11. While arms companies may make money, the economic interests of very few people are served by conflict and instability which so often follows from repression and human rights abuse.

**Government support for arms exports**

12. Their negative consequences notwithstanding, arms exports have received Government support and backing for decades; since 1966 there has been a dedicated department helping sell military equipment overseas. This support is now co-ordinated by the Defence and Security Organisation within UKTI, with resources are greater than those providing specific support to all other sectors of industry put together. This is despite military sales making up only 1.5% of total UK exports, and the fact that even then, 40% of their components are imported.

13. UKTI DSO liaises with the companies they are selling the arms for, builds relationships with overseas governments and military officials, arranges political assistance for arms
deals, ensures that members of the UK armed forces are on hand to help the companies' sales efforts, and assists with arms fairs.

14. In 2012 UKTI DSO’s priority markets are Australia, Brazil, Canada, Europe/NATO/EU (as a collective market), India, Indonesia, Japan, Kuwait, Libya, Malaysia, Qatar, Oman, Saudi Arabia, South Korea, Thailand, Turkey, United Arab Emirates, and the United States. UKTI DSO has already been represented at, among others, arms fairs in Jordan, Kazakhstan and Saudi Arabia.

15. This is government assistance for commercial companies. Just how intensive this support can be was shown from information obtained as a result of a Freedom of Information (FoI) request. The UKTI DSO Regional Director covering the Middle East, Central and South West Asia, and Africa had over 90 meetings with arms company BAE Systems' personnel in the eighteen months between August 2010 and January 2012.

16. For many years support for arms sales accounted for between a third and a half of all government export insurance through what was then the Export Credits Guarantee Department (ECGD), now UK Export Finance. A massive drop in this proportion, to just 1%, occurred in 2008 when BAE stopped the cover on its arms deals with Saudi Arabia. Documents obtained from the National Archive and through FoI requests show the Treasury, the ECGD itself and the Bank of England all had reservations about this cover. The drop in cover for military exports could, however, prove to be temporary unless the conditions for export credit support change.

17. A disproportionate amount of UK government political and financial support goes to an industry whose products are both damaging to human rights and a drain on the UK economy.

Commercial interests or economic benefits to the UK?

18. Arms exports obviously benefit one commercial sector - the arms companies - but there is no evidence that they benefit the UK economy as a whole. It would be wrong to confuse the commercial interests of companies with the UK's economic interests. Companies aim to maximise shareholder profits, and the consequences for their employees or the UK economy as a whole, or, indeed, for UK security, are subsidiary to this. Sometimes the interests may coincide, but this is not universally true and certainly not in the case of companies involved in military equipment production or projects.

19. Today, military industry is global with most equipment containing components and sub-systems from a variety of companies and countries. The companies often have their headquarters in one country, but subsidiaries in several others. BAE, for example, is thought of as a UK company, but its United States' businesses contributed 47% of the company's sales in 2011, far the largest proportion globally. Less than 40% of the company's employees are based in the UK.

20. Despite this, analysis carried out for CAAT in 2011 by the Stockholm International Peace Research Institute suggested that military sales are subsidised by the UK taxpayer at around £700million a year.
21. Even the MoD has questioned the economic benefits of military exports. In its Defence Industrial Strategy (December 2005) the MoD said: "Arguments for supporting defence exports in terms of wider economic costs and benefits e.g. the balance of payments, are sometimes also advanced. A group of independent and MoD economists (M Chalmers, N Davies, K Hartley and C Wilkinson - The Economic Costs and Benefits of UK Defence Exports. York University Centre for Defence Economics, 2001) examined these by considering the implications of a 50% reduction in UK defence exports. They concluded that the "economic costs of reducing defence exports are relatively small and largely one off...as a consequence the balance of argument about defence exports should depend mainly on non-economic considerations."

22. Authoritative, independent statistics on employment in military industry are hard to find. After 2007/8, the Government's Defence Analytical Services and Advice stopped producing employment statistics because "the data do not directly support MOD policy making and operations." In that year, however, the 65,000 jobs supported by arms exports accounted for 0.2% of the UK workforce and 2.24% of manufacturing employment.

23. In a globalised industry there is a trend for the goods to be produced in the buying country. For example, under the £700 million BAE Hawk aircraft deal signed in July 2010 during Prime Minister David Cameron's visit to India most of the planes are under licence there by Hindustan Aeronautics Limited. In both this deal, and that obtained by BAE for Hawk jets to Saudi Arabia in May 2012, the number of jobs reported to be "saved" was around 250.

24. Jobs figures for military projects are frequently acclaimed without any consideration of the costs of the relevant equipment to the taxpayer or the opportunities forgone because that money was not spent elsewhere. Though, naturally, arms industry workers are protective of their existing jobs, the evidence suggests that many have skills that could be used more productively in other industries and that a redirection of investment would provide as many, if not more, jobs overall.

25. The Financial Times, for example, pointed out on 2nd September 2009 that: "Spending on defence is no better at creating jobs than support for other sectors. Defence R&D may produce spin-offs, but so too may R&D with civilian applications." In the same newspaper, on 10th August 2010 International Economics Editor Alan Beattie reiterated: "You can have as many arms export jobs as you are prepared to waste public money subsidising."

26. As Robin Southwell, president of A|D|S, the UK arms industry's trade association, told The Observer on 15th April 2012: "We are an industry that is flatlining at best." Exports are no way out for UK companies he continued: "The trouble is, everybody is exporting." Continuing government support for arms exports cannot be seen an efficient way of boosting the UK economy or employment.
New opportunities

27. Talking of military equipment spending generally, the introductory paragraph for a Jane's conference on Energy, Environment, Defence and Security that took place in May 2011 explained: "The defense market worldwide is worth a trillion dollars annually. The energy and environmental market is worth at least eight times this amount. The former is set to contract as governments address the economic realities of the coming decade; the latter is set to expand exponentially, especially in the renewables arena."

28. The European Commission agreed. In April 2012 its "Towards a job-rich recovery" identified the green economy as an area where there is strong job growth potential as European economies recover from the economic crisis and restructure in a changing global economy.

29. Barry Warburton, the Chief Executive Officer of the West of England Aerospace Forum, said of MoD budget cuts: "This is a perfect opportunity for diversification and renewable energy presents a massive new market ... A turbine blade is not dissimilar to a helicopter blade. It's electrical and mechanical engineering... What is an aircraft made of? What are components of a vehicle made of? When you think about it the technology in the defence industry is very value added and is very flexible. " (Insider, 1st November 2010)

30. CAAT is not best placed to explore the new opportunities in detail, but it is clear that the skills required for renewable technology are extremely similar to those in the arms sector, and there is an engineering skills shortage.

31. According to reports in The Guardian and Financial Times on 16th May 2012, Foreign Secretary William Hague is frustrated that more help is not being given to the green industries to boost economic growth. He is said to written to the Cabinet saying: "The low carbon economy is at the leading edge of a structural shift now taking place globally ... we need to stay abreast of this, given our need for an export-led recovery ..."

32. The choice today is which industries the UK government subsidies and supports, rather than between the UK's economic interests and human rights. A move from military to more sustainable production would be a win-win situation with the UK backing human rights and growth.

Arms trade treaty

33. The UK government is giving support to an international arms trade treaty, showing itself willing to advocate restraint from others, but unwilling to address its own practices as it approves licences which would be refused under any commonsense guidelines.

34. A treaty will be worthwhile only if it stops arms sales, from the UK as well as elsewhere, to areas of conflict and to human rights violators such as Saudi Arabia and Bahrain. It is unclear how a treaty would actually stop weaponry going to the likes of Gaddafi's Libya when, at the time the weapons were sold, it was a UK priority market. CAAT is sceptical that a treaty will do much to prevent the devastating consequences of the
arms trade. It could even be used to legitimise arms exports as governments and arms companies claim that sales are in accordance with it.

**Export licensing transparency**

35. Although it is a very limited response to the arms export issues highlighted by the Arab Spring, CAAT welcomes the consultation the Department for Business, Innovation and Skills is currently undertaking on greater transparency regarding export licensing. CAAT hopes that it will result in more information being made available about export licence applications, not least regarding the supplying company and the end-user. This will facilitate a more informed debate on the UK's arms sales.

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