Submission from the Campaign Against Arms Trade to the International Development Committee's inquiry into Financial Crime and Development

1. The Campaign Against Arms Trade (CAAT) in the UK works to end the international arms trade. Around 80% of CAAT's funding comes from individual supporters.

2. CAAT is pleased that your Committee is holding an inquiry which follows up on the conviction of BAE Systems in relation to the sale of a military air traffic control radar system to Tanzania. Your Committee is rightly looking to ensure that BAE's payment of £30million does benefit the people of Tanzania and that the Bribery Act will address the problems highlighted by this. However, CAAT also thinks that this case clearly demonstrates that the policy of promoting the sale of military equipment overseas, explicitly pursued by every government since 1966 and enthusiastically endorsed by the present one, needs to end.

The deal

3. In late 2001, the UK government granted an export licence for the sale by BAE of a £28million Watchman air traffic control system to Tanzania, one of the world's poorest countries. The deal was backed by then Prime Minister Tony Blair, but opposed by Chancellor of the Exchequer Gordon Brown and Secretary of State for International Development Clare Short. The sale was funded by a loan from Barclays Bank.

4. Tanzania's then President, Benjamin Mkapa, argued that his country needed the new radar system to replace obsolete civil aviation technology, but a World Bank report said that the Watchman was primarily a military system which would provide limited support for civil air traffic control purposes. The deal was criticised by aid agencies and by Ibrahim Lipumba, head of Tanzania's main opposition party, the Civic United Front. He pointed out that, with items such as basic drugs and textbooks in short supply, there were more pressing calls on public expenditure than an air traffic control system of doubtful utility. In June 2002 those questioning the deal were backed by an International Civil Aviation Organisation report which said the system used dated technology and was not adequate for civil aviation.

5. As far as CAAT is aware, the first suggestion of corruption regarding the Tanzania radar deal, immediately rejected by Tony Blair and BAE, was made by Clare Short in April 2002. She did not think that the contract "could have been made cleanly" though she had no information to substantiate this. (Financial Times, 25.4.02; Guardian 16.5.02)
6. In June 2002, Norman Lamb MP compiled a dossier on the case to hand to the police. He said that Barclays had agreed an unusual soft loan for the deal in 1999 which effectively subsidised a third of the cost. He also pointed out that a modern civil air traffic control system could have been provided for little more than 10% of the cost of the BAE deal. (Times, 14.6.02; Hansard, 25.6.02, col 228WH to 236WH)

**Arms sales take precedence**

7. It is hardly surprising that, despite the concerns of the Secretary of State for International Development, the radar deal was approved. The arms companies' interests, particularly those of BAE, have, over several decades at least, taken precedence over the need to prevent conflict, promote human rights and end corruption. This has a negative impact on development, as, of course, does the diversion of resources that might be used for education, health care and the alleviation of poverty.

8. Examples of the sale of arms taking precedence over other concerns are, unfortunately, all too numerous. Equipment produced in the UK has been used by the Indonesian military in East Timor, Aceh and West Papua, by Zimbabwe in the Democratic Republic of Congo, by Argentina (against UK armed forces) in the Falklands war, and by both sides in the Iran-Iraq war. UK arms sold to Israel have been used in Lebanon and the Occupied Territories, and the sales continue despite widespread condemnation of Israel’s actions. The UK supplied arms to Sri Lanka throughout its bitter civil war. The tension between India and Pakistan makes South Asia one of the most volatile regions of the world, yet the UK supplies arms to both countries.

9. Even where the countries are not themselves usually in great need of development assistance, conflict where UK supplied arms are used can lead to major refugee movements. Libya is a current example of a conflict where aid and other organisations are having to deal with huge numbers of displaced people.

10. Military equipment can be used to carry out human rights abuses directly. The indirect consequences can, however, be just as devastating as the supply of UK arms increases overall military capability and conveys a message of international acceptance and approval. Criticism of governments of countries such as Saudi Arabia, with its denial of basic rights to women and workers from poorer countries, is muted as senior UK government figures court the abusers to promote arms.

11. With large and complex deals sanctioned by a few people and shrouded in secrecy, arms procurement has been a perfect environment for corruption. CAAT hopes that, when it is implemented, the new Bribery Act will reduce corruption. Besides in the radar deal with Tanzania, the distortion of priorities as a result of corrupt payments was alleged almost from the start in the 1998 arms deals with South Africa. Military aircraft and ships were bought at the expense of tackling HIV and AIDS. In Indonesia, payments to the President's and a general's daughter in the mid-1990's helped secure deals for the purchase of military aircraft and armoured vehicles. A victim of the Asian financial crisis in 1998, Indonesia defaulted on its payments and its people are still paying off the debt for the military purchases today.
Arms export promotion

12. The priority given to arms sales has been reiterated strongly by the current Government. The "Equipment, Support, and Technology for UK Defence and Security" Consultation Paper, published by the MoD in December 2010, says that: ".. we are committed to doing more to promote exports of both defence and security products from the UK to responsible nations ... We will strengthen the machinery to assist companies to export world-class products and ensure that the UK's defence and security requirements are set with exportability in mind."

13. It is not as though the arms companies were not already receiving help. At the time of the Tanzania deal, the UK government's arms sales unit was the Defence Export Services Organisation within the MoD. Since 2008, such military export promotion has been located within UKTI. There are about 160 staff in UKTI's Defence and Security Organisation (UKTI DSO) dedicated to promoting military exports, more than those providing specific support to all other sectors of industry put together. This is despite arms being only 1.5% of total UK exports, and even then, 40% of their components are imported.

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

15. The only criteria that UKTI DSO appears to use when deciding which governments to promote arms sales to is the willingness and ability to pay for the equipment. While this excludes some of the very poorest countries, UKTI DSO's priority markets for 2010/11 included Algeria, with a poor human rights record; regional rivals India and Pakistan; unstable Iraq; Libya (presumably de-prioritised when the embargo was imposed); and repressive Saudi Arabia. (Hansard, 28.6.10 Col 418/9W)

16. Another component of the support given to arms exports is through the Export Credits Guarantee Department (ECGD). For many years support for arms sales accounted for between a third and a half of all government export insurance through the ECGD. A massive drop in this proportion, to just 1%, occurred in 2008 when BAE stopped the cover on its arms deals with Saudi Arabia. However, it looks as though BAE may soon be using the ECGD again. The BAE representative at a meeting with Business, Innovation and Skills (BIS) Minister Ed Davey MP on 29th July 2010 said ECGD support would be "critical" to achieving the Government's policy of increasing military exports. This was reiterated by BAE's Head of Government Relations when he told the BIS Committee on 1st February 2011 that ECGD support was "absolutely essential".

17. The priority given to arms exports is underscored by the top-level political support given to secure contracts. One such was the visit of Prime Minister David Cameron to India in July 2010 when a £700million deal was signed for 57 BAE Hawk aircraft, to be manufactured under licence by Hindustan Aeronautics Limited in Bangalore.

Need to re-prioritise

18. With governments devoting such a level of resources to promoting arms exports, it is
hardly surprising that there is a strong predisposition within Government to grant export licence applications. The very similar predecessor of the Consolidated EU and National Arms Export Licensing Criteria was already in place when the licence for the Tanzania radar deal was granted, but the serious development concerns raised at the time by the Secretary of State for International Development were trumped by the desire for sales.

19. This will always be the case until the Government stops making its promotion of military exports its top priority. Until this happens policies on development, human rights, conflict prevention and corruption will be undermined.

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