

Campaign Against Arms Trade
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Submission from the Campaign Against Arms Trade to the inquiry by the Committees on Arms Export Controls into UK defence export promotion

1. The Campaign Against Arms Trade (CAAT) in the UK is working to end the international arms trade and promote progressive demilitarisation in arms-producing countries. The arms business has a devastating impact on human rights and security, holds back economic development, and reinforces a militaristic approach to solving international problems.
2. CAAT welcomes your Committees' inquiry, not least because looking at export controls without the context of the higher policy priority accorded to arms export promotion misses the dominant factor. However, the use of the term "defence" to describe the equipment being exported is an assumption that needs to be addressed. Military equipment, to use a more neutral term, can be bought for prestige purposes or used in conflict, utilised for training purposes or remain in storage. If it is used by military or internal security forces, it may be by repressive rulers against a peaceful uprising by those subjected to them. To describe the equipment as "defence" exports is misleading.
3. Military exports are controversial. A survey by Opinium LLP, conducted in September 2015, found that 70% of UK adults opposed the promotion of arms sales to governments with poor human rights records, with only 7% in support. Similarly, 60% opposed the promotion of arms sales to countries that are not democracies, with only 8% supporting them. (<http://bit.ly/1Q52ZD9>)

History of military export promotion

4. The UK government has had an arms export promotion agency since 1966 when the Defence Sales Organisation (DSO), as it was then known, was set up. Denis Healey, the then Defence Secretary, said: "While the government attach the highest importance to making progress in the field of arms control and disarmament, we must also take what practical steps we can to ensure that this country does not fail to secure its rightful share of this valuable commercial market." ([Hansard, 25.1.66](#))
5. The DSO was established in the Ministry of Defence (MoD) where it remained, changing its name in 1985 to the Defence Export Services Organisation (DESO). In 2007 the then Prime Minister Gordon Brown announced the closure of DESO. ([Hansard, 25.7.07](#)) The arms sales unit moved to become the Defence and Security Organisation (DSO) within UK Trade and Investment (UKTI). In July 2016 UKTI, including the DSO, became part of the new Department for International Trade (DIT).
6. In all its incarnations, the arms export agency civil servants, 140 in April 2015 ([Hansard, 10.12.15](#)), have worked on behalf of private arms companies, but been paid for by the UK taxpayer. Prime Ministerial and royal visits, as well as the major arms fairs, have brought public attention, but much of the work takes place behind the scenes. The DSO staff liaise with the companies they are selling the arms for, build relationships with overseas governments and military officials, arrange political assistance for arms deals and ensure that members of the UK armed forces are on hand to help the companies' sales efforts. DSO can use the services of military personnel on loan from the MoD and, more generally, co-ordinate arms sales efforts across government. Since 2012, companies have also received assistance from the MoD's Defence Export Support Group.
7. Additional support is provided for military exports to Saudi Arabia. The Ministry of Defence Saudi Armed Forces Project (MODSAP) covers aircraft deals while the Saudi Arabia National Guard Communications Project (SANGCOM) looks after the eponymous project. In both cases

the MoD has signed one or more Memoranda of Understanding with the Saudi Arabian Government. The MoD then places contracts with UK prime contractors to fulfil the UK's obligations. Around 200 UK civil servants and military personnel work for MODSAP in the UK and Saudi Arabia, while approximately 55 do likewise on SANGCOM. Saudi Arabia refunds the cost.

8. UK Export Finance (UKEF), known until November 2011 as the Export Credits Guarantee Department, is also a DIT responsibility. It guarantees that companies and banks involved in an export deal will not lose out if the overseas buyer does not pay, or makes late payments. Companies are charged a premium and UKEF aims to break even, but any shortfall comes from the UK taxpayer.
9. The level of export credit backing for military deals varies considerably from year to year. It can be over half the total if a large contract has been signed; in other years it is negligible. Historically, a large proportion of the debt owed to the UK has been in respect of cover for arms deals. A UKEF paper on Sovereign Debt published in October 2012 (<http://bit.ly/1w4sS8Q>) showed that 38% of Argentina's debt came from loans for military equipment, as did 56% of Ecuador's, 23% of Egypt's and 74% of Indonesia's. The arms companies benefited from this. However, both the UK and the citizens of the countries concerned, who are still expected to repay the debt, lost out.
10. **More support for arms sales in future** In September 2015 Defence Secretary Michael Fallon told delegates at the DSEI arms fair in London that the MoD would be stepping up its role in arms export promotion. The additional support was confirmed in the [National Security Strategy and Strategic Defence and Security Review](#) (NSS&SDSR) published in November 2015.
11. Paragraph 6.62.says that the Government will:
 - * Establish a team in UKTI dedicated to supporting the negotiation and delivery of government-to-government deals by departments;
 - * Make support for exports a core task for the MoD, with responsibility for managing all strategic defence export campaigns, overseen by the Defence Secretary and a new senior official post. This will create additional capacity to support these campaigns, including the training of international customers. We will adopt a more flexible approach to charging potential customers when supporting export campaigns where this is in our national interest. UKTI DSO will continue to work with the sector to promote exports to potential customers;
 - * Ensure that future export potential is factored into our own equipment procurement decisions from the outset, and that potential customers are routinely invited to trials of British-developed military and security equipment;
 - * Prioritise government resources on those campaigns where it can make the most difference, and where industry is willing to invest its own resources.
12. The NSS&SDSR announcement suggests that more arrangements like the MODSAP one are envisaged, but that the taxpayer would fund them, providing even more support to the arms companies.
13. The priority being given to arms exports by the UK government seems to have increased again as the International Trade Secretary Liam Fox, appointed in July 2016 to the newly formed Department, announced he was taking a [personal lead](#) on the military and security sector.

How important are UK defence exports to the economy?

14. Although the recent Conservative governments have been giving even more support to military exports, disproportionate support for them has been afforded by successive UK governments over the last fifty years. Military exports account for around just 1.5% of the UK's total exports. Even then, it is likely that around 40% of the contents of these exports were imported in the first place.
15. The arms companies receiving UK government support are global businesses. They may have their headquarters in one country, but subsidiaries in several others. While the companies will talk of their contribution to the UK economy, this is not their primary consideration. Production takes place wherever it is likely to maximise the profits of the international shareholders.
16. The support given to the arms industry is at the expense of other sectors which could make a

similar or greater contribution to the UK economy, without the negative consequences that military exports have. In response to a report from the Defence Industries Council, the *Financial Times* stated 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." (2.9.09) If the political support were to move, so too could the jobs and economic benefits.

17. The current Chancellor, then Foreign Secretary, Philip Hammond, talked of the economic advantages of investment in renewables. He told an audience in Boston on 9th October 2014 that renewables would be "critical to reducing our vulnerability to energy supply shocks" and meeting the climate change challenge. Other benefits would also arise, such as cleaner air, more efficient transport and cities, and better health. He continued: "50 years ago, the US showed how a strategic challenge, putting a man on the moon, could guarantee innovation through economy-transforming investments. Today, we have an opportunity to do that again in response to the challenge of climate change ... The potential is immense. And by seizing the initiative, we can take first mover advantage." (<http://bit.ly/1qvwJqP>)
18. As Chancellor, Philip Hammond is in a good position to influence a shift in focus by the UK government from supporting the arms industry to promoting renewable energy and low-carbon technologies. Both the arms and renewable energy sectors are highly skilled. As CAAT's Arms to Renewables briefing, October 2014, (<http://bit.ly/1u53Eoc>) shows, they have similar breakdowns across broad categories of skill levels and employ many of the same branches of engineering. The expansion of offshore wind and marine energy considered by the briefing would lead to many more jobs than displaced arms workers would need and there would also be appropriate work available in most areas where arms workers are located.

What role should HM Government play in promoting UK defence exports?

19. Through its policy of promoting arms exports, the UK government undermines some of its other policies, not least the promotion of human rights. The list of DSO priority countries for 2016/17 includes Bahrain, Colombia and Saudi Arabia ([Hansard, 12.7.16](#)), all listed as Human Rights Priority Countries in the FCO's July 2016 [Human Rights & Democracy Report](#).
20. Your predecessor CAEC in the last Parliament said in its July 2012 report that there is an "inherent conflict between strongly promoting arms exports to authoritarian regimes whilst strongly criticising their lack of human rights at the same time." It subsequently reiterated the point, but, unfortunately, the Government would not accept it.
21. The last Parliament's Foreign Affairs Committee in its report, published in November 2013, into ["The UK's relations with Saudi Arabia and Bahrain"](#) said in paragraph 181: "Both the government and the opposition in Bahrain view UK defence sales as a signal of British support for the government. The UK Government should take this into account when considering high-profile sales, such as the Eurofighter Typhoon, to Bahrain." Until a UK government stops putting arms company interests first, this "signal of British support", which is far from limited to Bahrain, will continue to be made to some of the world's most repressive regimes.
22. The prioritisation of arms exports has also compromised other UK policies. When the Serious Fraud Office investigation of BAE Systems' military contracts with Saudi Arabia was stopped in 2006, it undermined the UK's role in combating corruption. Similarly, the Department for International Development's work in Yemen has been challenged, to say the very least, by the priority UK government policy of continuing to licence the equipment used in Saudi Arabia's bombing campaign.
23. The UK government should not be promoting military exports. It should put the promotion of human rights and sustainable development at the centre of its foreign policy.

How effective is the Defence Growth Partnership in supporting UK defence exports?

24. In July 2016 the Unite trade union adopted an Executive Council Statement on Trident. It said that its dual commitment, to world peace and disarmament and to the protection of its members' jobs, presented it with difficulties. It committed the union to campaigning for a serious government approach to "defence diversification", condemning the failure of successive governments to

grapple with the issue after the Cold War.

25. Instead, however, of looking forward and considering alternatives, the joint government-industry Defence Growth Partnership (DGP) and its UK Defence Solutions Centre sees yet more resources being devoted to assisting military exports.
26. The DGP is another manifestation of the cosy relationship between the arms companies and government which is also illustrated by former Ministers, public officials and military personnel moving into arms companies. This perpetuates the status quo and stops the full investigation of alternative economic strategies that would be better for the economy and genuine security.

Is the UK fulfilling international obligations with regard to defence exports?

27. The Consolidated European Union and National Arms Export Licensing Criteria prohibit all transfers which would breach the Arms Trade Treaty (ATT) or the EU Common Position. While the UK government may argue it is fulfilling its international obligations through its export licensing system, its application of the criteria is at odds with any reasonable understanding of them, allowing the export of virtually any goods anywhere.
28. Successive governments have made the choice to prioritise support for arms exports over controls. It is noteworthy that while the Secretary of State for International Trade takes personal responsibility for the "defence and security sectors", export controls are left to his Parliamentary Under Secretary of State Mark Garnier MP. This may illustrate the relative importance accorded to each.
29. In the past few years, arms sales have been prioritised over human rights with respect to UK relations with a number of countries including Egypt and Israel. However, the bombing of Yemen by a coalition led by Saudi Arabia has shown just how far a UK government will go to preserve its arms sales and military links.
30. Disquiet over this even appears to be affecting arms industry workers. Unite's Assistant General Secretary Tony Burke wrote to a member of the trade union saying: "As regards your comments about the war in Yemen, this is a source of deep concern for all of us and it is disturbing for our members to hear that the end product of their labour may have been used in this conflict. Whilst they cannot control what happens to the platforms and systems they produce and rely on the UK Government to effectively police arms sales, many of our members have raised their concerns with their employers. Nobody who works in the industry wants to see our government being complicit in the things you allege and we are constantly vigilant about the destination of export sales."
31. By continuing to licence the export of military equipment and technology to Saudi Arabia where there is a clear risk that the items might be used in the commission of a serious violation of international humanitarian law in Yemen, the UK government is breaking its own export licensing criteria. CAAT is currently bringing a Judicial Review of the UK government's refusal to suspend extant licences and not to grant new ones
32. If the UK wishes to be seen to be abiding by the spirit of the ATT which it promoted, it must stop prioritising arms company interests.

What more could the UK do to promote responsible defence exports?

33. It is difficult to see how the UK government could be less responsible in its arms trading – the efforts it does put in are to provide a veneer of responsibility to legitimise even the most appalling exports. Instead, the UK government should set an international example, by putting in place an industrial strategy which uses the skills locked up in the arms industry to the advantage of other sectors and the economy and security of the country as a whole.

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