




# OPEN?

The UK's secret arms sales



CAMPAIGN  
AGAINST  
ARMS  
TRADE



**How big is the UK arms trade?  
What is the total value of arms sold  
by the UK around the world each year,  
and how much goes to each country?  
What is being supplied, when?**

**These questions are fundamental  
for effective scrutiny of the arms  
trade, but government inaction  
on the secretive Open licences  
system means we are still unable  
to answer them. It's time to deliver  
on past promises to support proper  
transparency and accountability.**

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# SUMMARY

The UK Government claims to be a leader in transparency in arms exports, pointing to the detailed information it releases regarding export licences issued, refused, and revoked. However, significant gaps remain in this information. For example, there is no information on the precise equipment that is exported, or the companies to which the licences are issued.

One of the biggest gaps is created by the use of “Open” Licences which, despite the name, are secretive and limit transparency and accountability. These licences do not have any financial value or quantities attached, meaning that published values for UK arms exports give only a partial picture of the trade.

In fact, CAAT's research suggests that a majority of the arms exports licensed by the UK government are supplied via Open licences.

The extensive use of these licences means we cannot answer some of the most basic questions required to understand the UK's involvement in the global arms trade. The true nature and volume of the UK arms trade is hidden from public and parliamentary scrutiny and, without information and accountability, there can be no meaningful control.

## Open licences

- Obscure the true level of UK arms exports, in total and to different countries, creating a serious gap in transparency. These hidden arms sales represent some of the most significant and controversial, such as licences covering Saudi contracts.
  - Make arms exports considerably easier, including to highly repressive regimes and countries in conflict
  - Make it easier for the government to create an illusion of restraint by halting new licences, while allowing previous long-lasting open licences to remain in place
- Publishing data on Open Licences is vital for meaningful transparency and scrutiny of the arms trade. The government could collect and publish this data, but it chooses not to.

## Recommendations

- The use of open licences for military equipment should be ended or made subject to much greater scrutiny and restrictions.
- As a minimum, open licences should not be issued for the export of military equipment to countries engaged in armed conflict or with poor human rights records.
- Where a change in circumstance in a recipient country (such as the outbreak of conflict) leads to a suspension in the issuing of new licences, existing licences, single or open, should also be suspended or revoked as a matter of course.
- Open licences should be subject to much greater transparency, in particular through the reporting of actual exports conducted using all types of licences, single and open.

# 1 BACKGROUND

## 1.1 Transparency matters

The global arms trade is a multi-billion pound industry, with deadly consequences: fueling conflict and supporting human rights-abuses, while wasting valuable resources. Most arms sales take place as part of the legal, 'regulated' arms trade, with extensive political and economic support provided by governments such as the UK to facilitate sales.

The UK is one of the world's largest exporters of weapons, and every year the UK Government authorises the sale of arms to well over 100 countries across the globe. UK-made arms are supplied to countries in conflict and to countries engaged in internal repression. The government has licensed the sale of billions of pounds of weaponry to the Saudi-led coalition in Yemen, despite overwhelming evidence of repeated breaches of international humanitarian law.

Despite this, the government continues to insist that the UK has one of the most rigorous arms export control regimes in the world.

### About export licensing and controls

The UK government is responsible for controlling the export of military equipment from the UK. An export licence is required by any UK organisation or individual wishing to transfer "controlled goods" out of the UK.

Controlled goods include goods on the Military List of equipment specifically for military purposes, and the Dual Use List of equipment that has both military and civilian applications. The majority of the latter is actually sold for civilian purposes.

Companies must apply for export licences to the Export Control Joint Unit (ECJU), part of the Department for International Trade. Applications are evaluated in conjunction with the Ministry of Defence and the Foreign, Commonwealth and Development Office.

Applications are considered "on a case-by-case basis" against the Consolidated EU and National Arms Export Licensing Criteria.

These eight criteria include Respect for the UK's international obligations and commitments (Criterion One); Respect for human rights and fundamental freedoms and respect for international humanitarian law (Criterion Two); The internal situation in the recipient country, in relation to conflict and tensions (Criterion Three); Preservation of regional peace, security and stability (Criterion Four); and the risk of diversion (Criterion Seven). Applications should be refused if they do not meet these criteria.<sup>1</sup>

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<sup>1</sup> Licences are also required, and the same criteria apply, for UK individuals or entities who want to arrange sales of controlled goods between other countries, that do not go through the UK (brokering)"

## Accountability and scrutiny

Under the Export Control Act 2008 the government is required to make an Annual Report on Strategic Export Controls to Parliament. In addition, statistical data on export licensing decisions are published quarterly, usually about 3-4 months after the end of each quarter.

***“HM Government remains committed to openness and transparency of strategic export licensing to provide the means for Parliament and the public to hold us to account”*** (2019 Annual Report)

The government's export licencing data provides information on the type of licence, the date on which it was issued, refused, or revoked, the destination country or countries for the equipment, the types of equipment covered by the licence, and the categories of equipment on the Military List (ML) and/or the Dual Use list (DU) covered by the licence.

Different levels of information are given depending on the type of licence issued.

## 1.2 Types of export licences

There are three main types of export licence issued by the government for military and dual-use equipment and technology:

### 1 Single Individual Export Licences (SIELs)

SIELs are the most common type of export licence. They permit a specific exporter to transfer a fixed quantity of specified equipment to a single destination. They are valid for two years.

SIELs are the only type of licence where a financial value is attached to the equipment to be exported.

**Example 1:** On 7 December 2020, a SIEL was issued for the export of “components for combat aircraft” to India, in the category ML10 (aircraft, UAVs, and related components and equipment), worth £1,103,900. The precise nature of the components – which can be major parts like wings or fuselage – is not disclosed.

**Example 2:** On 25 June 2018, a SIEL was issued for the export to Brazil of “components for machine guns”, and 45 machine guns (category ML1: small arms), for a combined value of £365,053, along with “technology for machine guns” (ML22: technology), worth £5,624. In the case of licences for complete small arms (e.g. machine guns, assault rifles, pistols, etc.), the *number* of items licenced is disclosed, which is not the case for other types of equipment.

### 2 Open Individual Export Licences (OIELs)

An OIEL covers the export of specified equipment to one or more countries.

Sometimes the list of approved destinations can include 30-40 countries or more.

OIELs are also specific to an individual exporter, but they allow **unlimited deliveries** of the specified equipment to any of these destinations. They are usually valid for five years.<sup>2</sup>

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<sup>2</sup> An exception is OIELs covering the export to EU Member States of goods entered on the Military List and Dealer to Dealer OIELs (an OIEL subtype) which are generally valid for 3 years.”

While much of the same information is provided for OIELs as for SIELs – including the destination countries, the descriptions of the types of equipment authorised, and the Military or Dual Use categories of this equipment, there is **no financial value** attached.

### 3 Open General Export Licences (OGELs)

OGELs are even more wide-reaching and less transparent than OIELs. An OGEL is a pre-approved licence issued by the government, and is **valid indefinitely** until it is withdrawn or revised. Companies wishing to use an OGEL must register for it, and fulfil certain conditions including keeping records of their use of the OGEL.

OGELs allow registered companies to export certain types of equipment – in some cases a very wide range of equipment – to a list of destination countries, again sometimes covering most countries in the world. Companies do not need to apply for further individual licences to do so, and can export unlimited quantities of such equipment using the OGEL.

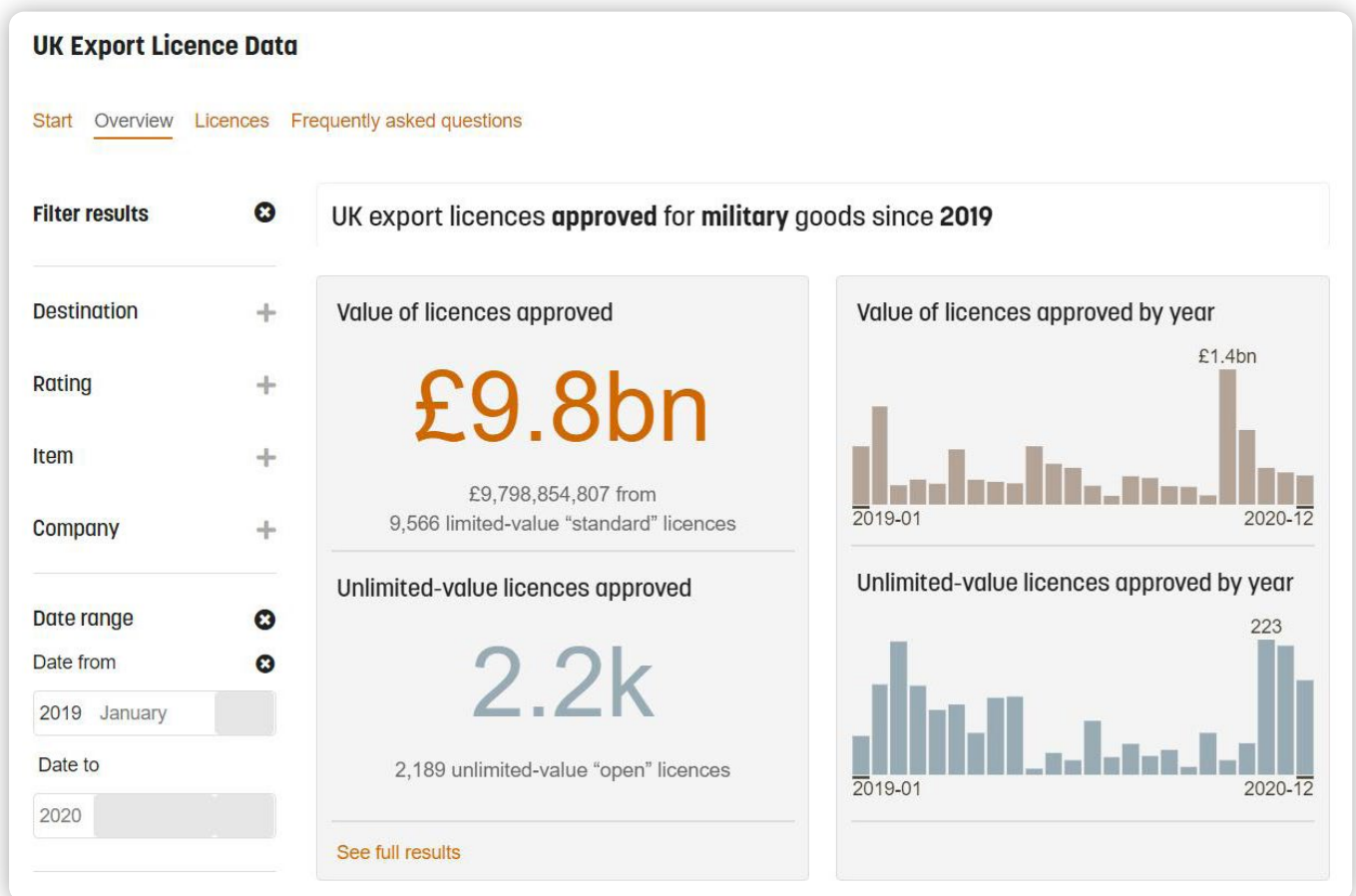
OGELs are not included in the government's quarterly export control statistics, or the CAAT online database. Instead, all currently applicable OGELs are listed on a separate government [website](#). For example, there is an OGEL that “allows you to export components for military equipment, as long as the original equipment was exported with the approval of the UK licensing authority, or was supplied by the UK government.” This licence covers 34 countries.

Type of Export Licence	Duration	Value and quantity	Destinations
Single Individual (SIEL)	2 years	Limited. Value disclosed, quantity disclosed for small arms	One only per licence
Open Individual (OIEL)	Usually 5 years	Unlimited	One or multiple
Open General (OGEL)	Indefinite	Unlimited	One of multiple

## 2 THE VALUE OF EXPORTS

Single Individual Export Licences (SIELs) are the only type of licence for which information on the value of the equipment licenced for export is provided, broken down by ML or DU category.<sup>3</sup> This data on the value of SIELs issued for each destination country, and in total, can be added up over any given period of time, and is searchable in [CAAT's data browser](#).

These are also the figures usually quoted in the media for the value of UK arms sales to different countries.



Over the 10-year period from 2010-2019, the UK issued SIELs for military equipment worth a total of £42.4 billion for export around the world. If "Temporary" licences are excluded<sup>4</sup> the figure falls to £40.7 billion.

However, this figure ignores all of the weapons licenced for export using Open Licences, both OIELs and OGELs.

<sup>3</sup> For small arms and light weapons (SALW), the number of items (e.g. assault rifles, machine guns) covered by SIELs is also recorded. The public database does not provide information on the exact nature of the equipment, or the identity of the exporting company, just a broad description (e.g. "components for combat aircraft", which could be anything from a small electronic component to the aircraft's wings).

<sup>4</sup> For example for equipment sent abroad for repair, or to be displayed at an arms fair or tested by a foreign military, before return to the UK



## What's the gap?

Statistics on arms export *contracts* offer an alternative source of data on UK arms exports. Annual figures are published by the UK government's arms export promotion unit, UK Defence and Security Exports (UKD&SE)<sup>5</sup>, for the value of contracts for arms and military services signed by UK companies with foreign governments.

These figures come with virtually no detail: they do not include figures for the level of sales by recipient country, only a breakdown into very broad regions: Africa, Asia Pacific, Europe, Latin America, the Middle East, and North America. The type of equipment sold is broken down into only three categories: Aerospace, Land, and Marine. This is far less detail than that contained in the export licence data, so they are of little help for those interested in transparency and accountability in arms export licensing – **except to expose the extent of the transparency gap in the official data.**

The most recent figures, also covering 2010-2019, show a much higher figure of £85.9 billion – well over **double the value of SIELs.**

***The UK licenced £40.7 billion in arms exports from 2010-19, but the value of arms contracts signed was £85.9 billion. Open licences explain the gap***



<sup>5</sup> Until 2020 this was known as the Defence and Security Organisation, DSO, and before that the Defence Exports Services Organisation, DESO. UKD&SE/DSO also sits within the Department for International Trade.

## 3

# PROBLEMS WITH OPEN LICENCES

## 3.1 The hidden half of UK arms exports

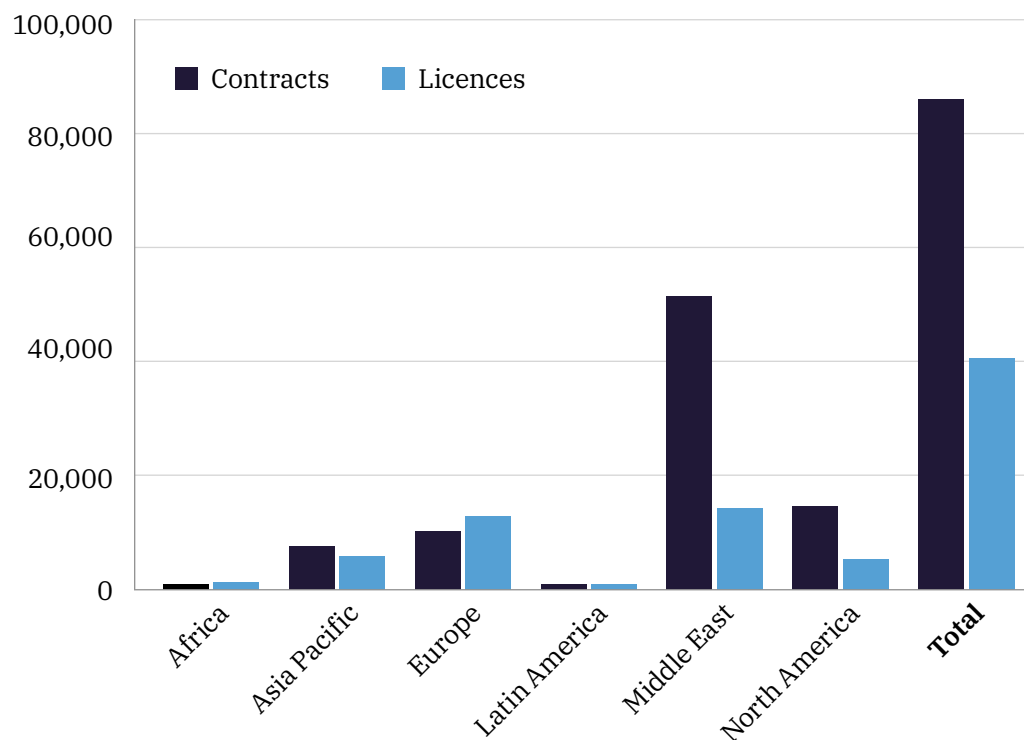
The vast gap between the figures for the value of arms export licences issued, and the value of arms export contracts signed, is mostly explained by the fact that a large proportion of UK arms exports are made using open licences, which allow for potentially unlimited transfers of the equipment authorised, and for which companies are not required to report the value of equipment to be transferred.<sup>6</sup>

**The figures above suggest that a majority of the arms exports licensed by the UK government are supplied via Open licences.**

The gap between contracts and licence values is particularly high for the Middle East and North America (See figure 1 and Appendix). The value of SIEL licences to the Middle East in particular accounts for less than a third of the value of contracts signed.

### Value of UK arms exports 2010-2019

Single Licences vs Contracts



<sup>6</sup> The two sets of figures are not completely comparable, as export licences are not necessarily issued in the same year as a contract is signed (usually, though not always, later). However, the vast difference between the two sets of figures, and the consistently high difference over the years, means that this issue of timing can only explain a small part.

## 3.2 “Uncontroversial” exports?

Apart from obscuring the true level of UK arms exports, the main purpose of open licences is quite simply to *make arms exports easier*. One of the main reasons given for the use of OIELs and OGELs is that they limit the administrative burden on companies, by not requiring them to apply for new SIELs every time they make a repeat delivery to a regular customer – for example, a particular type of component that is needed on a regular basis.

This is justified by the claim, made by both government and industry, that open licences are generally used for “less sensitive” equipment, and for “uncontroversial” or “less sensitive” destinations.<sup>7</sup>

**This is plainly false. Both OIELs and OGELs are used to facilitate the export of controversial equipment to controversial destinations, and they serve to obscure the nature and extent of these continuing sales.**

OIELs are often issued for the most repressive regimes or for countries involved in armed conflict, and can cover weapons such as machine guns, bombs and missiles, artillery, and other highly lethal equipment.

- In 2014, an OIEL was issued for the sale of bombs and air-to-surface missiles to Saudi Arabia, of the type that has been repeatedly used in the war in Yemen. This licence only expired in August 2019.
- Between 2016-2020, 11 OIELs were issued for exports to Israel that included “components for combat aircraft”. We have no way of knowing if the aircraft in which these components are included have been used in bombing raids on Gaza.
- Since 2010, OIELs have been issued including “tear gas/riot control agents” and “CS hand grenades” to a large number of countries, including Brunei, Bahrain, Hong Kong, Kuwait, Oman, Qatar, the UAE, and the USA.

The scope of OGELs varies enormously. Some cover *specific programmes*, for example various OGELs cover equipment and components for use in:

- the Eurofighter Typhoon (which includes those of the Saudi Air Force).
- the A-400M transport aircraft, produced jointly with various European partners.
- the US F-35 stealth fighter, in which UK arms companies have a 15% stake. One customer for the F-35 is Israel, who used these planes, containing UK components, in their May 2021 attack on Gaza.
- Other OGELs cover wide categories of equipment, such as certain classes of lower-level components, or one covering the export of spare parts for previously exported equipment.

***Open licences facilitate the export of controversial equipment to controversial destinations, and they serve to obscure the nature and extent of these sales***

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<sup>7</sup> E.g. House of Commons Committee on Arms Export Controls, *Scrutiny of Arms Exports and Arms Controls* (2015), p198, <https://publications.parliament.uk/pa/cm201415/cmselect/cmquad/608/608ii.pdf>

- One OGEL has just one destination country, the USA, allowing for the sale of most types of military equipment to the US, under the UK-US Defence Cooperation Treaty.
- Another covers equipment transferred under UK Government Defence agreements, where the UK Government has agreed arms sales directly with a foreign government. By far the largest customer in such government-to-government arrangements is Saudi Arabia.

### £20 billion UK arms for war in Yemen

The published value of UK arms licensed for export to the Saudi-led coalition since the bombing began in March 2015 to the end of 2020 is **£6.8 billion**; however, CAAT estimates that the real value is at least **£20 billion**. BAE Systems' revenues alone, from the KSA Ministry of Defence & Aviation over this time, total nearly £17 billion.<sup>8</sup>

- Another OGEL relates specifically to a contract with Turkey, another highly repressive regime engaged in a long-running war against the Kurdish people in Turkey and neighbouring countries.
- Some OGELs are admittedly less concerning – for example, one covers the export of historic military equipment made before 1897!

## 3.3 Obscuring and facilitating arms sales

The use of open licences also offers the government a convenient sleight of hand when it comes under pressure over arms sales to a particular country due to events such as wars, military coups, or well-publicised human rights abuses.

In response to such events, the government sometimes suspends issuing new export licences for a period of time. It did this when Turkey invaded northern Syria late in 2019. It also stopped issuing new arms export licences for use in the war in Yemen after the 2019 Court of Appeal ruling on arms to Saudi Arabia, following a case brought by CAAT. But when existing licences remain valid, this can mean little. OIELs can be valid for up to 5 years, while OGELs are valid indefinitely.

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<sup>8</sup> The basis of this calculation is as follows: BAE Systems have received £17,573 million in revenue from the Kingdom of Saudi Arabia Ministry of Defence and Aviation between 2015-2020, according to their annual reports. If we assume a pro-rata spread of revenue through each year, we may subtract £824 million for the portion of 2015 before the Saudi entry into the war in Yemen. However, BAE do not produce most of the bombs and missiles sold to Saudi Arabia, which largely come from Raytheon and MBDA. We may therefore add the value of SIELs in the category ML4 (bombs, missiles, and countermeasures) to Saudi Arabia since the start of the war, £3,877 m., for a total of £20,626 million. While some ML4 items may already be included in the BAE revenues, this estimate does not include other types of equipment sold by companies other than BAE, or ML4 equipment sold by other companies under open licences.

## Continuing to supply the war in Yemen

In 2019 the Court of Appeal found that it was ‘irrational and therefore unlawful’ for the Secretary of State for International Trade to have granted licences for the export of arms to Saudi Arabia for use in Yemen without having assessed whether violations of International Humanitarian Law had taken place. The government was ordered to retake all decisions to export arms to Saudi Arabia in accordance with the law and to stop issuing new arms export licences to Saudi Arabia. The government applied the same restrictions to licences to Saudi Arabia’s coalition partners, UAE, Bahrain, Kuwait and Egypt, for use in Yemen.

As a result of this judgment, hundreds of millions of pounds worth of arms sales were put on hold.<sup>9</sup> Yet, despite the Court of Appeal having declared the decision to grant licences “irrational and therefore unlawful”, many more exports continued under extant licences, which were not suspended. This included more than 60 open licences.

OGELs covering Saudi Arabia and its coalition partners were suspended to *new company registrations*, but companies already registered, which certainly would have included BAE Systems, were able to continue to use these OGELs. Thus, a large proportion of UK arms sales to Saudi Arabia, in particular the supply of spares and maintenance support for the Saudi Air Force carried out by BAE as part of UK-Saudi agreements, was able to continue uninterrupted. BAE Systems still received £2.5 billion in revenue from Saudi Arabia in each of 2019 and 2020, only slightly less than the average for previous years.

The UK Ministry of Defence itself exported 2,373 spare parts for Tornado fighter aircraft to Saudi Arabia from surplus RAF stocks late in 2019, using an OIEL issued in 2017.<sup>10</sup>



Royal Saudi Air Force Typhoon aircraft. BAE Systems continued to maintain and supply these aircraft even when new licences were suspended from 2019-20, using and existing OGEL © Clement Alloing

- 9 After the government resumed issuing export licences to Saudi Arabia in July 2020 – a decision currently subject to a new legal challenge by CAAT – there was a large increase in the number and value of SIELs issued to Saudi Arabia. A total of £1.4 billion worth of SIELs were issued in July-September 2020 alone, the vast majority of which was for bombs, missiles, and components thereof.
- 10 From the government’s [Annual Report on Strategic Export Controls for 2019](#), and FOI requests.

**Thus, the government can appear to be taking action, while allowing most of the arms trade with a country to continue uninterrupted.** Of course, the government *can*, if it so chooses, suspend or revoke existing export licences as well as stopping new ones – but it rarely does so.

These licences – for equipment and destinations that are the focus of significant public and parliamentary concern, and the subject of government and court ordered suspensions – clearly do not relate to “uncontentious technologies going to places that are uncontentious”.<sup>11</sup>

Yet neither the fact that exports continue under these licences, nor their value and extent, is clear from the statistical data made available for public and parliamentary scrutiny.

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11 Paul Everitt, ADS Chief Executive, CAEC evidence session 12 Jan. 2021, <https://committees.parliament.uk/oralevidence/1482/default/>

## 4 MAKING CHANGE

Open licences, both OIELs and OGELs, create a huge gap in transparency on UK arms exports. The figures for arms sales contracts discussed above suggest that at least half of all arms exports are made using open licences, but information on how much equipment and services are actually exported using OIELs and OGELs, is never collected or published.

Since companies are required to keep records of their usage of open licences, the government could easily collect such data, but it does not.

Even with SIELs, while there is an upper limit on the value and quantity of equipment that can be exported using each licence, once again the government chooses not to collect information on whether the licence has actually been used, to its full extent or at all.

The lack of information on the actual value of exports by the UK stands in contrast with most European states, who do publish such data, along with information on export licences.<sup>12</sup>

***When a Court of Appeal ruling stopped new export licences for arms sales to Saudi Arabia for a year, BAE's work supporting and maintaining the Saudi Air Force continued uninterrupted – thanks to open licences***

### Broken promises

Action is long overdue. Nearly a decade ago, in July 2012, following concerns raised about UK arms export licensing to the Middle East and North Africa, Vince Cable, then Secretary of State for Business, Innovation and Skills under the Coalition government, made a number of proposals to increase the transparency of the export licensing system.

These included requiring the exporter to report periodically on transactions undertaken under open export licences, information which would then be published by the Government, and considering how to make additional information contained in standard export licence applications public.

No significant concerns were raised by industry.<sup>13</sup> The government's consultation of companies found that "A majority were content to provide a description of the items exported (including the rating), the value/quantity, and destination."

Transparency "plays a vital role in enabling the public to hold the Government to account. It is particularly important in a high profile area such as export control – confidence in the workings of the export licensing system needs to be shared by Parliament and by the public." (ECO, Transparency in arms export licensing, government response, 2012)

<sup>12</sup> The US also did so until recently, although this data ceased to be published under the Trump Administration. It is hoped that the Biden Administration will resume publishing this information.

<sup>13</sup> ECO, Transparency in arms export licensing, government response, 2012



In July 2013 the measures appeared to be going ahead, albeit slightly later than planned, but at the end of that month, most of these commitments were abandoned, for reasons that are not completely clear.<sup>14</sup> In 2018, the government stated: *“We are continuing to improve the reliability of the data we collect about open licence use, including the development of a new digital licensing system and a new Customs Declaration System. Once new systems are in place, we will be able explore options for greater transparency, particularly with respect to open licences.”*<sup>15</sup> However, as yet, no new transparency measures have been delivered.

## Recommendations

### 1 End or restrict the use of Open Licences

In principle, CAAT believes that **the use of Open Licences for military equipment should be ended**,<sup>16</sup> as they enable the unlimited transfer of the means of lethal violence over a long period of time, or indeed indefinitely. However, so long as open licences for military equipment continue, their use should be subject to significantly greater scrutiny, restrictions, and transparency. These hidden arms sales represent some of the most significant and controversial, such as licences covering Saudi contracts. The current practice is far from that which is claimed, of “uncontroversial technologies” exported to “uncontroversial destinations”. **Open licences should not be issued to countries engaged in armed conflict or with poor human rights records.**

### 2 Suspension of licences

When arms exports are suspended to a particular destination, open licences must be subject to particular scrutiny. Halting the issuing of new licences means little if there are extant open licences that continue to allow unlimited deliveries to the recipient state, potentially for years to come. **Where a change in circumstance (such as the outbreak of conflict) leads to a suspension of new licences, existing licences to that destination – single and open – must be revoked or suspended.**

### 3 Deliver on transparency

**Government statistics should report on deliveries of actual arms exports for all licences.** Routine reporting on licences should include, for each individual licence:

- the name of the licence applicant or holder;
- the specific end-user, for example, “Saudi Arabian National Guard”, “coastguard”, named media organisation. Where this is not possible, the description needs to be as specific as possible; the general terms of “government” or “commercial entity” are too vague. It should, for example, say “mining company” or “private military company” or similar;

14 31 July 2013 Notice to Exporters 2013/18: Important Changes to the Strategic Export Control Transparency Initiative.

15 Strategic Export Controls Annual Report for 2018

16 With some exceptions for genuinely unproblematic transfers, such as of historic military equipment



- the item description and rating of the equipment exported;
- when the licence stops being extant.

In addition, the government should provide regular and detailed reporting on the value of actual exports using all types of licences.

***The government could easily collect and publish data on the value of actual arms deliveries, not just licences – but it chooses not to do so”***

## **4 Control not promotion**

The government is supposed to ‘control’ the export of military equipment from the UK, but there is a fundamental conflict between this role, and its focus on promoting the sale of weaponry.

The government does not just oversee the arms trade; it is an active participant, providing extensive support to facilitate the sale of weapons. There is an entire arms sales unit within the government, dedicated to promoting sales to international customers. The government helps organise arms fairs, provides insurance for companies making arms deals, in case the buyer doesn’t pay, and works alongside privately owned arms companies to secure contracts.

Unfortunately, the government’s focus is on securing further business, not controlling arms sales. The current approach tends to treat permitting arms exports as the default, unless a very clear case can be made on the basis of one of the Criteria that it should not. As we have seen in the case of Saudi Arabia in Yemen, where major economic and geopolitical interests are in play, the government interprets the criteria in such a way that meeting the threshold for denial appears almost impossible. We call instead for a “presumption of denial”, that export licences will not be issued where the equipment would go to an area of conflict or to governments with poor human rights records.

Open licences, especially OGELs, with their blanket approval of unlimited quantities of often wide ranges of equipment, are incompatible with a control-centered, or a human rights-centred approach.

# APPENDIX

## Table: value of arms contracts vs licences issued 2010-19 by region

Region	Estimated value of contracts (£ b.) <sup>17</sup>	Value of SIELs (£ b.) <sup>18</sup>	Estimated ratio of contracts to licences
Africa	0.9	1.37	0.6
Asia Pacific	7.7	5.84	1.3
Europe	10.3	12.93	0.8
Latin America	0.9	0.98	0.9
Middle East	51.5	14.2	3.6
North America	14.6	5.36	2.7
<b>Total</b>	<b>85.9</b>	<b>40.64</b>	<b>2.1</b>

17 Based on the percentage share of sales to each region given in the UKD&SE figures. These figures are rounded to the nearest whole percentage point, and therefore come with a potential rounding error of up to 0.5% either way, or about £430 million. There is therefore also a margin of error in the ratio of the value of contracts to licences in the last column. The figures for Africa and Latin America, where the reported share of contracts is only 1% each, are particularly uncertain, as the 1% figure could, due to rounding, mean a value of contracts anywhere from £430m to £1,290m. The resulting contracts:licences ratios for these regions is similarly uncertain. The rounding error in the contracts figures is much less significant for the other regions, where the levels of sales are much higher.

18 Permanent licences only

## Contracts versus licences

The figures for contracts and licences are not directly comparable, but the differences between them are not enough to account for more than a small part of the very large gap between the two sets of figures.

Contracts will usually (though not always) be signed before a company applies for an export licence. Thus, contract figures for 2010-19 will include some sales for which licences were not yet issued by the end of 2019. Conversely, however, the licence figures will include licences issued for contracts signed before 2010. While this effect could significantly distort the comparison of the two for a single year, it will have much less impact when the figures are compared over a longer period, such as ten years.

The UKD&SE contract figures don't even include all UK arms exports. Up to 2018 they exclude exports of equipment for collaborative arms programs to partner countries in those programs, such as the Eurofighter Typhoon combat aircraft and A400M transport aircraft, which are produced jointly with other European countries. When the parts of these aircraft produced in the UK were transferred to the partner countries for final assembly, these sales were not counted (up to 2018). This is probably why the licence figures for Europe are actually *higher* than the contract figures, as some major sales for the A400M were made under SIELs. This is the reverse of the more usual pattern, where the value of contracts is much higher due to the exclusion of arms sold under open licences from the SIEL figures.

The figures for contracts are also based on survey data from companies, which UKD&SE estimate capture about 94% of relevant export contracts.

A final source of discrepancy is that some SIELs have been issued twice when the company failed to deliver the equipment within the original licence's period of validity. This would tend to make the share of exports relying on open licences even larger than is apparent from the figures.

In conclusion, there are some sales included in the SIEL figures that are not included in the contracts figures, but a much larger quantity of sales (made through open licences) included in the contracts figures but not the SIEL figures – and there are some arms sales not included in either set of data.



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