



From revolving door to open-plan office:

The ever-closer union between the UK government and the arms industry

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About:

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Campaign Against Arms Trade works to end the international arms trade. The arms business has a devastating impact on human rights and security and damages economic development. Large-scale military procurement and arms exports only reinforce a militaristic approach to international problems.

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Introduction:

How does the arms industry get away with it?

They sell arms to Saudi Arabia and Israel, even while these countries kill and starve civilians in the hundreds of thousands. They are continuously absolved of gross misconduct. In one of the most egregious cases, in 2006, the United Kingdom (UK) government cancelled a Serious Fraud Office (SFO) investigation into allegations that BAE Systems, the UK's top arms company, paid £6 billion in bribes to Saudi princes and generals.¹ And their coffers continue to fill, even while development aid and diplomacy face ever-tightening budgets.

Meanwhile, the weapons they produce for the UK Ministry of Defence (MOD) are regularly over budget, behind schedule, and/or fail to perform as intended. Yet, the companies that all too often produce such failures continue to receive lucrative profits, and to distribute generous dividends to shareholders. As example: when the £5.5 billion contract for the Ajax armoured vehicle programme was signed with General Dynamics UK (GDUK) in 2014, they were supposed to be in service by 2020. The vehicles they produced had such severe problems with noise and vibration as to damage the hearing of the soldiers testing them, that delivery was delayed until 2025. Far from the only problem, the Ajax was described by one MP as being "heavier than a Sherman tank, too small, and as stealthy as a Ford Transit full of spanners." By this time, GDUK had already received most of the price of the contract, the programme was not cancelled, and GDUK continued to profit. Such a pattern is all too familiar.

While there is no single explanation for these outcomes, one factor that receives insufficient attention is the extraordinary degree of privileged access to government the arms industry enjoys and the level of influence it exerts over government policy. This report documents the channels of influence that help the arms industry remain unaccountable and overfunded.

¹ Campaign Against Arms Trade, "Corruption," last updated 27 May 2022, <https://caat.org.uk/challenges/the-arms-trade/corruption/>

The UK is one of the world's largest military spenders, arms producers, and arms exporters. The UK arms industry² is probably the third largest in the world, after the United States (US) and China (with France and Russia's industries being of comparable size to the UK). UK-based BAE Systems is the largest arms company outside the US, and the sixth largest in the world, although close to half of its production actually takes place in the US.

The arms industry is not like other industries. Not only because its products are specifically designed to kill, but because of its close relationship with the state, in almost all significant arms producing countries, including the UK. Governments are generally the primary customer of the industry in their countries, and regard it as essential in providing the state with the means to uphold its monopoly of violence, to guarantee national security (as it is usually viewed, in military terms), and to participate in the international system as a meaningful military power.

As such, the arms industry frequently wields influence over government disproportionate to its size, and receives "special treatment" from it.³ The industry is fully or partially exempted from almost all international trade treaties, including the EU's single market and the World Trade Organisation agreement on government procurement. In the UK, a large proportion of arms procurement is single-sourced, with some companies like BAE Systems and Rolls Royce consistently receiving 90% or more of their revenue from the MOD through non-competitive contracts. Rather than funding their own research & development (R&D) costs like other industries, arms companies usually have these costs paid upfront by the government, as part of the process of developing new weapon systems. UK government ministers, including prime ministers, and even senior royals, actively lobby for arms sales overseas. The arms industry is even sometimes given special protection from the rule of law, as in the case described above of the 2006 decision to force the SFO to abandon its investigation into corruption in the massive Al Yamamah arms deals between BAE and Saudi Arabia, a decision which brought severe criticism from the UK's key western allies, and even from the finance industry, for undermining the UK's anti-corruption reputation.⁴

This report examines *why* the arms industry enjoys such a privileged position, and how it is able to exercise an outsized influence on government to ensure that this remains the case. The report presents the most comprehensive analysis to date of the means by which the UK arms industry influences government policy and decision-making. It examines the development of government policy towards the industry over time, showing how changes have strengthened that influence. It also assesses the *impacts* of this influence, in terms of defence policy and procurement, and arms export policy in particular. More broadly, it clarifies and characterises the *nature* of arms industry influence and the relationship between the industry and government in the UK.

2 Often referred to as the "defence industry," CAAT avoids this term as a loaded one, suggesting that military forces, and the equipment they use, are solely for defence. This is not the case, including for the UK. "Arms industry" here, in line with the approach taken by the Stockholm International Peace Research Institute, is taken to mean companies producing equipment and services specifically designed or adapted for military use, including components and subsystems, electronic sensors and communications systems, and technical, training, and support services for military forces and equipment, as well as what might colloquially be thought of as "arms" or weapons.

3 A point made in a CAAT report, Sam Perlo-Freeman, *Special Treatment: UK government support to the UK arms industry and trade*, CAAT/Stockholm International Peace Research Institute, 2016, <https://caat.org.uk/publications/special-treatment/>

4 See the Introduction to *Special Treatment*.

Of course, the UK is far from unique in this respect, and a subsequent report will compare the patterns of arms industry influence across countries, including the US, major European arms producers, Australia, and the UK.

Such close relationships between government and industry afford the arms industry considerable influence, direct and indirect, over government policies that concern it. These policies include defence, security, foreign policy, defence industrial policy, military procurement, and arms exports. Channels of influence include direct efforts to impact policymaker decisions through: political contributions, active lobbying efforts with government and/or parliament, regular meetings between arms industry leaders and ministers and top civil servants, which afford them privileged access to decision-makers; and dedicated government-industry policy forums. Influence is also exerted through the “revolving door” between government and industry, whereby politicians, civil servants, and military officers take up roles in the arms industry, while arms industry executives are recruited into government roles relevant to the industry. Additionally, there exist softer forms of influence such as funding of think tanks working on defence, foreign policy, and security issues.

Excessive arms industry influence leads to wasteful and inefficient arms procurement, where arms companies enjoy almost guaranteed profits, and are unaccountable for failures in delivery and cost and schedule overruns. It can lead to arms export policies that place the interests of industry over concerns for human rights, armed conflict, sustainable development, and anti-corruption efforts. And it can contribute to a militarised approach to foreign policy and security, engendering a “groupthink” mentality within government that excludes alternative ideas and approaches.

The arms industry is not just as an external actor seeking to influence the government in its favour, as many other industries might. Rather, this report argues, it is so deeply embedded institutionally with the government that it is more accurately described as an extension of the state itself, although one that is privately owned, with its own core interest of maximising its return to shareholders—in many cases primarily large international hedge funds and asset managers.

Chapter 2 of this report presents a brief overview of the UK arms industry, including key facts and figures, and major players. Chapter 3 discusses previous work on arms industry influence in the UK, and addresses the question of what we mean by “influence” in this context, and when and why it can be seen as “undue” or “excessive”. Chapters 4–7 map the various channels of arms industry influence in the UK, and how they operate, presenting relevant quantitative and qualitative data, including interview material.⁵ These chapters cover the headings of “Money”, “Ideas”, “People”, and “Institutions”, as a way of categorising the channels of influence. Chapter 8 discusses the development of the government’s *defence industrial policy and strategy*—the approach governments have taken towards the structure and operations of the arms industry in the UK, how the government helps ensure that the technologies and capabilities it deems essential are sustained and developed, and how it uses MOD procurement to achieve these goals. Such policies, the chapter

5 One key source of this data is CAAT’s Political Influence browser, an online visual tool that tracks the revolving door between government and the arms industry, and meetings between arms industry representatives and top political, military, and civil service officials: <https://caat.org.uk/data/influence>.

argues, are important for understanding how the arms industry has gained ever greater influence over the years.

Chapters 9 and 10 discuss the *impact* of arms industry influence. Chapter 9 looks at MOD procurement, and how the arms industry consistently profits from a system that is almost universally acknowledged as “broken”, with huge cost overruns, delays, and performance failures in major programmes. Chapter 10 examines arms export policy and decision-making, which consistently favour exports over concerns about human rights and conflict. In both these areas, it is important to bear in mind that many of these outcomes have multiple causes, and establishing the specific role of industry influence can be difficult. Rather, these chapters present a landscape of policy and outcomes that are in most respects highly favourable to the interests of the arms industry. Chapter 11 synthesises the analysis and presents conclusions, as well as policy recommendations to address some of the problems and distortions created by the excessive influence of the arms industry on government policy in the UK.

The UK arms industry

2.1 The UK Arms Industry: key facts and figures

This section outlines some of the key facts and figures, and the major players, of the UK arms (or “defence”) industry. A first question one might ask is just how large, in terms of revenue and employment, is the industry? Yet finding a clear answer to this is surprisingly difficult in the UK and elsewhere, largely because there is no universally agreed-upon definition of what constitutes the arms industry.⁶

The arms industry does not just include equipment, but also military services, including Research & Development, technical support, facilities management, IT services, consultancy, etc. The boundaries of what should be considered part of the arms industry are blurry. For example, few would consider companies providing financial services to the MOD as arms or defence companies, but research, testing, and evaluation services for military technology provided by companies such as QinetiQ should certainly be included.

The data picture has improved somewhat recently with a government-funded initiative, the Joint Economic Data Hub (JEDHub), which publishes annual data on the economic contribution of the defence sector in terms of jobs, turnover, exports, value added, etc. JEDHub’s data is produced by the UK Defence Solutions Centre, a government–industry–academia forum.⁷

JEDHub’s data is based on a survey of major UK arms companies, with the most recent survey published in 2024, covering the years 2021 and 2022, receiving full or partial responses from 22 companies.⁸ This is clearly far from the whole arms industry, but it does include most of the major suppliers of military equipment and services to the MOD.

6 In particular, industries producing military equipment do not correspond to any one or group of Standard Industrial Classification (SIC) codes. There is a SIC code for “weapons and ammunition,” but for example military aircraft, ships, and electronics are all amalgamated into broader categories with their civilian counterparts in published trade statistics.

7 While this comes from a clearly pro-arms industry standpoint, it is transparent about its methodology, uses solid data derived from the ONS and industry surveys, and is peer reviewed by a number of defence economists, not all of whom come from a militaristic starting point.

8 JEDHub 2024 Annual Economic Report, date not given, <https://www.jedhub.org/report2024>

The JEDHub survey found a total defence revenue of **£22.1 billion** in 2022, compared with **£21.4 billion** in 2021, out of total revenue (civil and military) for these companies of £32.1b in 2022 and £30.3b in 2021. Of the 2022 defence revenue, £13.9b was from domestic customers (mostly the MOD, but also other government departments and other companies), and £7.8b was from international customers (government and industry). In line with previous figures for arms export contracts, the largest share by far of international customers was in the Middle East (£3.9b), followed by North America (£1.8b) and the rest of Europe (£1.6b).⁹ The report gives figures for the total *Gross Value Added* of the arms production of the companies as £9.9 billion in 2021, and £9.5 billion in 2022. This measures the market value of the goods and services produced over and above the value of the inputs obtained from suppliers, and is the measure most comparable to GDP.

The survey reported a total of **83,889 full-time equivalent (FTE) defence employees** in 2022 out of 115,769 total FTE for the 19 companies that provided this data, barely changed from 2021. JEDHub also estimates that a further 88,575 indirect jobs (in the supply chain) are supported by companies that are full members of the Defence Growth Partnership.¹⁰

Of course, this survey does not capture the entire arms industry by far, although it captures most of its major players. A useful point of comparison is the annual survey from the industry association ADS, representing companies in the Aerospace, Defence, Security, and Space sectors. In its 2023 survey, ADS estimated that in 2021/22, the Defence sector had a turnover of £22.8 billion, of which £7.4 billion was exports, and 147,500 direct employees.¹¹ However, the sources and methodology behind these figures are not clear.

Nonetheless, the figure of £22.8 it provides for Defence sector revenue in 2021/22, based on its own data and a variety of other sources, is only a little higher than the 2021 figure from JEDHub, suggesting that, by including the 20 largest companies, the latter is capturing the great majority of overall arms production.

However, the figure for the number of employees shows a far greater difference. Comparing the methodologies used by the two,¹² I would estimate that the **total number of employees (working on arms production) for the whole arms industry in the UK is likely to be between 100,000–10,000**, but more precise figures are not currently possible.

9 JEDHub 2024, *ibid.*, and JEDHUB 2024 attached data tables, <https://www.jedhub.org/report2024>

10 Airbus, AtkinsRéalis, Babcock, BAE Systems, General Dynamics, Leonardo, MBDA, QinetiQ, Raytheon, Rolls Royce, and Thales. As these probably represent the vast majority of prime contractor revenue (as opposed to components), it is a reasonable basis for estimating indirect jobs, as the other survey respondents are mostly in the supply chain.

11 ADS Group Industry Facts & Figures, no date given, <https://www.adsgroup.org.uk/knowledge/facts-figures/>. The report does not state whether by "2021/22" they mean the UK fiscal year April 2021 - March 2022, or if they are combining figures provided by some companies in 2021 with others in 2022. They note that the space sector figures are from 2020/21.

12 The most important reason for this seems to be that JEDHub is making a clear distinction between "defence" FTEs and total FTEs for the companies surveyed, while ADS may well be counting all employees for those companies they count as being in the "defence" sector. In addition, the JEDHub survey counts FTEs, while the ADS document gives only numbers of "employees," so the number of FTEs implied by this may be lower; The JEDHub survey includes companies' international revenue as part of the overall turnover figures, which is a broader measure than the figure for exports measured in the ADS survey. Thus, it may be more appropriate to compare just the domestic turnover in the two surveys - £15.4b for ADS, and £12.9b for JEDHub in 2021 and £13.9b in 2022 - this would lead one to expect a correspondingly bigger difference in employee numbers; and the productivity per employee in the major companies surveyed by JEDHub may be higher than average, so that we would expect the gap in turnover to be less than that in number of employees. Taking these factors into account, the two sets of figures are broadly comparable. However, the JEDHub survey, while less comprehensive, is methodologically far stronger.

Based on the estimated *value added* of the arms industry of somewhat less than £10b, this would make the arms industry worth somewhat less than one half of one percent of UK GDP.¹³ Using a rough estimate of 110,000 for the number of employees, this would be about a third of one percent of total employment.¹⁴ However, while the size of the arms industry is fairly small compared with many others, even in manufacturing, the importance it is given by government is far higher.

Table 2.1 UK military industry revenue and employment figures, 2021-2022

JEDHub defence revenue	£21.4b (2021)	£22.1b (2022)
JEDHub domestic defence revenue	£12.9b (2021)	£13.9b (2022)
JEDHub MOD revenue	£11.3b (2021)	£12.3b (2022)
ADS defence sector revenue:	£22.8b (2021/22)	
ADS domestic defence revenue:	£15.4b (2021/22)	
Exports/international sales		
JEDHub international defence revenue	£8.1b (2021)	£7.8b (2022)
ADS exports (3-year average ¹⁵)	£7.4b (2021/22)	
Employment		
JEDHub defence FTEs	83,755 (2021)	83,889 (2022)
JEDHub total FTEs	115,153 (2021)	115,761 (2022)
ADS employees in defence sector	147,500 (2021/22)	

2.2 The UK arms industry: the major players

The UK arms industry includes hundreds of companies, ranging from those with a few dozen employees to those with tens of thousands. Some are producers of small electronic or mechanical components, many of which have similar applications for civil aerospace or other markets. Others manufacture major weapons platforms such as combat aircraft, warships and submarines, tanks, and advanced missiles. In the UK, the arms industry is overwhelmingly privately owned.

As in the US and much of Europe, the arms industry in the UK consolidated massively during the 1990s and 2000s, partly due to military budget cuts following the end of the Cold War, and later as part of the companies' own strategic choices. BAE Systems in particular, long the UK's largest arms company, became a multi-sector giant at

¹³ GDP data from World Economic Outlook (WEO) database October 2023, <https://www.imf.org/en/Publications/WEO/weo-database/2023/October>

¹⁴ WEO data. The figure given is for total employment in number of persons, rather than FTE, hence the ADS figure is the more appropriate comparator.

¹⁵ They do not specify which three years the average is taken over.

the heart of the industry, swallowing up numerous other large and medium-sized companies, while developing a US business as large as in the UK.¹⁶

Several of the most important UK arms companies: Thales, Leonardo, Airbus, Boeing, and Raytheon in particular, are subsidiaries of major US or European arms companies. However, for most practical purposes, these UK subsidiaries operate as UK companies, and are considered as such by the UK government, as part of the UK's Defence Industrial Base (DIB). Conversely, many of the largest UK-headquartered arms companies have a significant portion, or even a majority, of their business overseas, chiefly in the US. For example, Meggitt in 2021 had roughly half its employees in the US, and only about a quarter in the UK.¹⁷ Thus, while some UK-based companies may appear in the SIPRI list of the Top 100 arms companies worldwide, they may not be as important within the UK DIB.

Table 2.2 presents key information on some of the largest companies, which typically receive the lion's share of MOD spending, and which have the most potential and actual influence over government policy. The information in this table is not complete, as relevant data is not always available. Not all companies break down their employees by country, or revenue by country of origin.¹⁸ For subsidiaries of internationally headquartered companies, their annual reports submitted to Companies House often provide this information; however, the breakdown between military and civil revenue for these subsidiaries may not be disclosed.

One company, however, so dominates the arms industry landscape, and wields such disproportionate influence on the government, that it requires its own section.

BAE Systems

BAE Systems is the UK, and Europe's, largest arms company, and the sixth largest in the world in terms of total arms sales, according to SIPRI.¹⁹ It had 93,100 employees worldwide at the end of 2022, including 39,600 in the UK, according to its annual report for the year. It made £23.3 billion sales in 2022, of which well over 90% were of a military nature.²⁰ Its largest customers were the US Department of Defense (35% of total sales), the UK MOD (22%), and the Saudi Arabia Ministry of Defence and Aviation (11%). BAE has major subsidiaries in the US, and smaller ones in Australia, Sweden, and elsewhere. BAE Systems grew out of British Aerospace, with a series of mergers and acquisitions in the 1990s and 2000s (see Section 7).

For the purposes of this report, it is primarily BAE's UK-based operations that are relevant. BAE Systems Inc., the US subsidiary, is a major US arms company, but does not interact regularly with the UK government. Roughly half of BAE's revenue comes

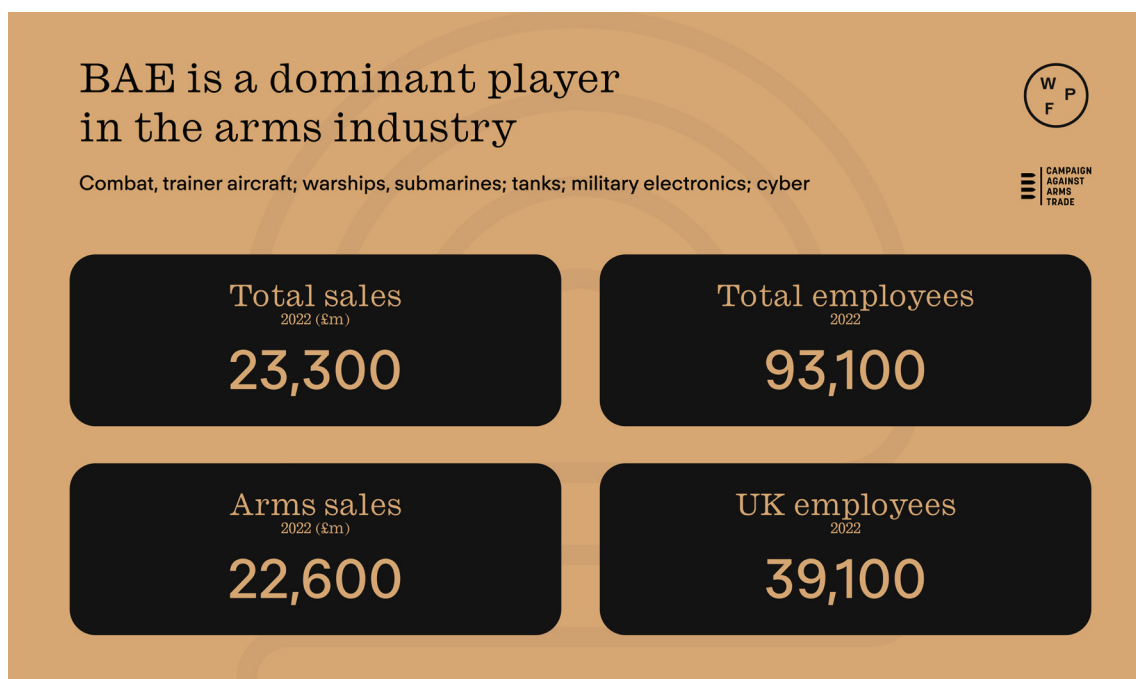
16 These and other trends in the UK arms industry in the 1990s and 2000s are discussed in Sam Perlo-Freeman, 2009, "The UK arms industry in a globalised world," in Andrew Tan (ed.) *The Global Arms Trade*. London: Europa / Routledge

17 Meggitt Annual Report 2021, <https://find-and-update.company-information.service.gov.uk/company/00432989/filing-history>. Meggitt was acquired by Parker Hannafin in September 2022, and thus stopped producing annual shareholders' reports. A report was filed, as a private company, to Companies House for the period 1 Jan 2022 - 30 June 2023, but this did not provide figures for employees by country.

18 Most provide information on revenue by country/region of customers, but not by the location from which the revenue is generated.

19 SIPRI arms industry database, <https://www.sipri.org/databases/armsindustry>

20 BAE Annual Report 2022, https://investors.baesystems.com/~/_media/Files/B/BAE-Systems-Investor/documents/bae-ar-complete-2022-new.pdf



Sources: SIPRI Arms Industry Database; company annual reports to investors (publicly traded companies); company annual reports to Companies House, <https://www.gov.uk/get-information-about-a-company> (UK subsidiaries of foreign-owned companies); company websites. Graphic: playedapixel, 2024

from, or is dependent on, its UK operations, including its sales to the UK MOD and to Saudi Arabia and various other export customers.²¹

BAE Systems in the UK is active in multiple sectors. It is the only UK producer of major combat aircraft, currently the Eurofighter Typhoon. It is the lead UK company in the project to develop a 6th generation combat air system, Tempest or Global Combat Air Project, where the company is partnering with Leonardo of Italy and Mitsubishi Heavy Industries of Japan.²² It also has a major role as a supplier of major components for the US-made F-35 Joint Strike Fighter stealth aircraft.²³

BAE is also the only UK producer of nuclear-powered submarines, at its shipyard in Barrow-in-Furness, Cumbria. These include the nuclear-armed Dreadnought-class submarines, which are being built as a successor to the current Vanguard class that carry the UK's Trident nuclear missiles, and the Astute-class nuclear-powered, conventionally-armed, attack submarines. BAE also produces surface warships, although in this sector it competes for business with Babcock and Thales UK. BAE had the largest share of the construction of the UK's two new Queen Elizabeth Class aircraft carriers, as part of the Aircraft Carrier Alliance. They are also producing the UK's Type 26 frigates.

21 Based on those divisions that are wholly or almost entirely based in the UK, and a smaller share of other divisions. This includes BAE's work supporting the Saudi Air Force's BAE-supplied Eurofighter Typhoons and Tornado aircraft, which takes place in Saudi Arabia, but is part of a UK-Saudi government-government agreement, and depends on the supply of parts and technology from the UK.

22 UK Ministry of Defence, "UK, Japan, and Italy sign international stealth fighter jet programme treaty," 14 December 2023, <https://www.gov.uk/government/news/uk-japan-and-italy-sign-international-stealth-fighter-jet-programme-treaty>

23 BAE Systems, "F-35 – a trusted partner on the world's largest defence programme," accessed 31 July 2024, <https://www.baesystems.com/en/product/f-35-lightning-ii>

On land, Rheinmetall-BAE Systems Land, a joint venture formed in 2019 from the merger of BAE and Rheinmetall’s UK land businesses, will be producing the UK’s next-generation Challenger 3 tank.²⁴ BAE also has a 37.5% stake in the missile joint venture MBDA, along with Airbus (37.5%) and Leonardo (25%). Other UK activities include military electronics and cyber security.

Of all the UK arms companies, BAE Systems has by far the closest relationship with the government, being the only player in what successive governments have considered absolutely vital strategic sectors—combat aircraft, and nuclear submarines. In these sectors, they are a monopolist with guaranteed contracts.

Table 2.2 The major UK arms companies

Company	HQ	Key UK arms sectors	Total sales 2022 (£m)	Arms sales 2022 (£m)	Total 2022 employees	UK-based sales (£m)	UK 2022 employees	MOD spending 2022/23 (£m)
BAE Systems	UK	Combat, trainer aircraft; warships, submarines; tanks; military electronics; cyber	23,300	22,600	93,100	~50% of total Almost all military	39,100	4,560
Babcock International	UK	Shipbuilding and maintenance; management of naval bases/shipyards; training; land vehicle support	4,400	3,000	28,975	2,600 (a) Mostly military	22,000	2,416
Atomic Weapons Establishment (e)	UK	Nuclear warheads	1,461	1,461	2,000	1,461	2,000	1,461
QinetiQ	UK	Robotics & autonomous systems, experimentation & technology services, engineering services, test & evaluation, cyber & information solutions, training & mission rehearsal	1,600	1,300	8,190	N/A	5,672	986
Rolls-Royce	UK	Engines for military aircraft, ships, submarines	12,700	4,000	41,800	N/A	19,900	934
Airbus	Trans-Europe (b)	Satellites; secure comms; cyber; helicopters; wings for A400M transport %; provision of air-air refuelling tankers (c)	50,100	9,800	134,267	5,341 Military est. 800-1,100	10,230	710 (From UK businesses - 979 total for Airbus)

24 Rheinmetall BAE Systems Land website, “About us,” accessed 31 July 2024, <https://rbsl.com/about/about-us>; and *ibid.*, “Delivering the most capable tank in NATO - Challenger 3 programme update”, accessed 31 July 2024, <https://rbsl.com/news-and-events/news/challenger-3-programme-update>

Company	HQ	Key UK arms sectors	Total sales 2022 (£m)	Arms sales 2022 (£m)	Total 2022 employees	UK-based sales (£m)	UK 2022 employees	MOD spending 2022/23 (£m)
Leonardo	Italy	Helicopters ; military electronics	12,200	10,100	51,392	2,100	7,540	685
Boeing	USA	Servicing UK MOD military aircraft supplied by Boeing	54,000	23,800	156,000	465 (defence unit only)	1,634	594
MBDA	Trans-Europe (d)	Missiles	3,600	3,600	12,000	1,100 All military	4,494	545
Thales	France	Sonars & radars, electronic warfare, avionics, comms, intel, surveillance & recon, optronics, combat management systems, missiles, unmanned systems	15,000	7,600	77,000	1,300 Military est. 700-800	7,000	449
General Dynamics	USA	Building new Ajax armoured vehicles, military comms	32,000	23,000	106,500	495 Almost all military	1,090	447
Serco	UK	Facilities management, engineering and asset management, training	4,500	1,500	49,960	2,100 (UK & EUR) 316 military	23,855 (UK & EUR)	260
Raytheon/RTX	USA	Aerospace subsystems; ISR, "national security", sensors, space, Paveway IV guided bombs	54,400	32,100	182,000	368 (f) Almost all military	1,867 (f)	155

Notes: Bold text indicates a monopoly or near-monopoly status in this sector, among UK-based companies.

- (a) By customer origin. As most of Babcock's business is services, and their shipbuilding is UK-based, this is probably similar to revenue from UK-based businesses.
- (b) Airbus is headquartered in the Netherlands, but its business is mostly based in France, Germany, and Spain, whose governments own shares in the company.
- (c) AirTanker is a joint venture in which Airbus (the parent company) holds a 46.1% stake. It owns and runs a fleet of 14 tanker aircraft, which it provides to the MOD and other customers, charging on a usage basis. A proportionate share of revenue is included in the figures above for Airbus UK revenues.
- (d) MBDA was formed in the 1990s from the merger of the missile businesses of BAE Systems (37.5% share in MBDA), Airbus (37.5%) and Leonardo (25%).
- (e) From 2000-2020, AWE was run by a private-sector consortium led by Serco. It was renationalised in 2020-21 following poor performance.
- (f) Figures for Raytheon Technologies UK only. I was unable to find figures for the other RTX subsidiaries in the UK, Collins Aerospace and Pratt & Whitney.

Sources: SIPRI Arms Industry Database; company annual reports to investors (publicly traded companies); company annual reports to Companies House, <https://www.gov.uk/get-information-about-a-company> (UK subsidiaries of foreign-owned companies); company websites.

2nd Tier Companies

The companies listed in Table 2.2 cover the most important “top tier” arms producers in the UK, that produce complete weapons platforms (aircraft, warships, armoured vehicles), and weapons systems (missiles, air defence systems, artillery, etc.). There are of course hundreds of others of companies involved in the supply chain for the arms industry, but some of the most important “second tier” companies in the UK include:

- Meggitt (Parker Hannifin) – Various electronic systems, components, subsystems for aircraft, vehicles, warships
- GKN Aerospace (Melrose Industries) – airframes and engine components for civil and military aircraft
- Cobham (Advent International) – Electronic subsystems for aerospace
- Ultra Electronics (Advent International) – Military electronics
- Chemring – Pyrotechnics and countermeasures
- Marshall of Cambridge, aerospace and land systems
- Atkins Engineering

Several of the above companies have been taken over in recent years by other companies and/or private equity firms. This can make finding quantitative information about their UK operations difficult, if not impossible.

2.3 Concluding remarks

In conclusion, the UK arms industry is heavily concentrated around a small number of key prime contractors, who possess monopoly or sometimes duopoly status in most major sectors. Any new major arms procurement programme without some of these key companies is unthinkable. The government views them as key strategic assets, essential for maintaining the UK’s autonomous military production capabilities.

Context: What is influence?

3.1 Existing research on arms industry influence

The case that the arms industry exerts undue and excessive influence on government—likely leading to inflated military budgets, lack of restraint in arms exports, a militaristic approach to foreign policy, and reduced military effectiveness due to broken procurement systems—has been made in relation to numerous other countries, notably, the US. The US is home to by far the world’s largest arms industry. The phrase “military industrial complex” (MIC) was famously coined by President Eisenhower, to describe the interplay of vested interests between the Department of Defense, the military, and the arms industry.

The concept of the MIC, and the influence of the arms industry on the US government that it engenders, has been widely discussed by academia, civil society, and the media. Several recent reports have focused on the issue,²⁵ while the Washington DC think tank Open Secrets, which monitors the influence of money in politics, maintains a comprehensive database on political contributions, lobbying expenditure, and the revolving door, covering the arms industry as well as other industry sectors and interest groups.²⁶ Some of the key issues that emerge include:

- While the arms industry is far from the largest sector in donations to political campaigns, it is able to gain disproportionate sway by focusing its spending on the powerful House and Senate Armed Services Committees that have a major influence on shaping the Defense Budget
- The arms industry is a big spender on lobbying relative to its size, again with a focus on key decision-makers
- A result of the above is that Congress frequently *adds* extra spending to the Administration’s budget request for the Department of Defense, both to satisfy donors and for individual congress members to direct additional spending to their states and districts

25 Quincy Institute for Responsible Statecraft, “March of the Four–Stars: The Role of Retired Generals and Admirals in the Arms Industry,” <https://quincyinst.org/research/march-of-the-four-stars-the-role-of-retired-generals-and-admirals-in-the-arms-industry>, 4 October 2023; Project on Government Oversight, “Brass Parachutes: The Problem of the Pentagon Revolving Door,” 5 November 2018, <https://www.pogo.org/reports/brass-parachutes>; and Jodi Vittori, “A mutual extortion racket: the military industrial complex and US foreign policy,” Transparency International Defence & Security, December 2019, <https://www.transparency.org.uk/publications/usa-defence-arms-industry-corruption-risk-exports-saudi-uae-middle-east>

26 Open Secrets website, accessed 31 July 2024, <https://www.opensecrets.org/>

- There is a huge interchange of personnel between the military, Congress, the Department of Defense, and the arms industry, in both directions, leading to massive conflicts of interest.
- According to one recent study, 26 out of 32 four-star military officers who retired between June 2018 and July 2023, 26 went on to work for the arms industry, as board members, advisors, executives, consultants, lobbyists, or members of financial institutions investing in the arms industry.
- In many cases, top military officers and DOD officials personally pushed for particular arms programmes to be advanced or kept going, before taking positions with the companies involved in these programmes shortly afterwards.
- With regard to arms exports, the lobbying and diplomatic efforts of Middle East governments especially complements the influence of the arms industry to ensure a favourable political climate for massive US arms exports to these countries.

Other recent reports have focused on arms industry influence in Australia, France, Germany, Italy, and the European Union.²⁷

In contrast to the extensive literature in the US, there is comparatively little recent research on industry influence in the UK. In 2005, CAAT published a report titled *"Who calls the shots?: How government-corporate collusion drives arms exports."*²⁸ The report highlights the high level of support the government gives to arms exports, in terms of subsidies, political support, direct government promotion, and allowing exports to controversial destinations. It argues that the most commonly proposed reasons or justifications for this—such as job creation or foreign policy motivations—are unlikely to be key. Instead, it argues that the political influence of the arms industry, arising from "the willingness of the government [specifically, the New Labour government since 1997] to allow arms companies myriad routes into the very heart of official decision making." These routes include: the revolving door, which was spinning at least as fast as it is today; the plethora of government-industry advisory bodies in which the arms industry was highly represented; the prominence of politically well-connected figures within lobbying companies representing arms companies; the influential role in government of several Labour members of the House of Lords with strong arms industry connections; donations to the Labour Party from high-level arms industry-linked figures; and the role of arms companies in direct provision of public services (in the military sphere and elsewhere) through public-private-partnerships.

Nearly twenty years later, many of these channels of influence remain important, although there have been some shifts. Of lesser significance today are political contributions, and the close individual links between the arms industry and the New Labour project documented by the report.

For example, the report highlights Clive Hollick, who was a Director of British Aerospace (the forerunner to BAE Systems) from 1992 to 1997, after which he became a Special Advisor to Labour Trade and Industry Ministers with strong links to Prime

²⁷ To be discussed in a forthcoming comparative report.

²⁸ Campaign Against Arms Trade, "Who calls the shots? How government-corporate collusion drives arms exports," February 2005, <https://caat.org.uk/app/uploads/2022/01/2005-CAAT-Who-Calls-the-Shots.pdf>

Minister Tony Blair. *Calling the Shots* argues that Hollick was particularly influential in stymieing the efforts of Former Secretary of State for Foreign, Commonwealth and Development Affairs, Robin Cook to strengthen arms export controls. The most flagrant example of this was in the government's decision to continue a major arms sale to Indonesia during its illegal and genocidal occupation of East Timor, in spite of Cook's apparent intention to stop it.²⁹ Hollick also donated between £25,000 and £50,000 to the Labour Party in 1997, the year in which he transitioned from the British Aerospace board to government.

These individual political links were perhaps a key feature of how the industry, and in particular British Aerospace/BAE Systems, gained influence with a newly-incoming government, replacing 18 years of continuous Conservative rule. They are perhaps less critical in the current situation, where close government-industry institutional links are more firmly established, and both major parties share a firm commitment to a strong arms industry.

Since then, CAAT has developed an online data tool for exploring and visualising two key aspects of arms industry influence.³⁰ First is a record of meetings between arms companies and government ministers, and top civil servants in the Ministry of Defence, and elsewhere. Second is a database of the revolving door, providing details of ministers and top civil servants and military personnel who have subsequently taken roles, and/or who previously held roles, in the arms and security industries.³¹ The two sets of data are cross-referenced, so one can see when individuals participating in particular meetings are "revolvers," and who were their previous and subsequent employers.

The picture painted by both *Calling the Shots* and the online data tool is of an industry deeply entwined with the government that is both its main customer and the regulator of its exports. A lot has changed since 2005 of course, although many of the issues discussed then still apply. As well as updating the picture from *Calling the Shots*, with analysis of more recent data (including from the online database), the following chapters will seek to take a more analytical approach in understanding the web of relationships between the government and industry that help explain why the latter was able to gain such influence in the first place.

3.2 What's the problem with industry influence?

Many interests, corporate, intra-governmental, and non-governmental, seek to influence government policy and decisions. Much of this activity is perfectly legitimate in a democracy. What distinguishes legitimate participation in democratic processes from "excessive," "undue," or "unwarranted" influence (terms often used in studies addressing this issue), and what makes such influence problematic? There are

29 *Who calls the shots?*; John Kampfner, Robin Cook (London: Phoenix, 1999) p. 145; and Andrew Rawnsley, *Servants of the People: The inside story of New Labour* (Suffolk: Penguin Books, 2001), p 170

30 CAAT, "Political Influence Browser," available at: <https://caat.org.uk/data/influence>

31 The data on meetings comes from published government transparency information and Freedom of Information requests. The revolving door information is mostly based on data taken from advice given by the Advisory Committee on Business Appointments (ACOBA), which vets proposed private sector positions to be taken by top public officials when leaving public service (discussed at greater length in chapter 6).

at least four broad ways in which an industry may become detrimental to democracy, the public good, and good governance. These are:

- First, when it *creates or exploits the private interests of decision-makers*. This can include illegal corruption, but also for example legal political contributions where they are unconstrained, allowing industry to effectively “buy” lawmakers or political leaders. Another channel for this is the revolving door between government and industry, where officials may consider (consciously or unconsciously) potential future career opportunities in their relations with the industry with which they interact.

The problem in this situation is that decisions are made based on the private interests of decision-makers, and not on the basis of the public interest, however that may be understood.

- Secondly, where it involves *privileged access to decision-makers*, not available to other actors, giving the industry/interest a dominant voice that tends to exclude or minimise other voices, interests, and ideas. Such access may be obtained by spending on professional lobbyists, by personal connections, or again through the revolving door.

This is a problem as it is likely to create an atmosphere of “groupthink” within government departments and agencies, where received ideas (that favour the industry) are unchallenged, and as it may lead to a bias in decision-making towards the industry’s interests. It is especially problematic where the industry’s access undermines the purpose of a public body through “regulatory capture,” i.e. distorting the purpose of the agency from exercising regulation in the public interest to supporting the interests of the industry it regulates. For example, capture of an energy regulator by the energy companies, or of export control processes by arms exporters.

- Thirdly, where an industry is able to *skew public debate* of issues concerning its interests in a way that excludes contrary ideas and interests. This can overlap with the first issue, for example through political contributions, but also for example through media ownership (or influence via advertising revenue, though this is less relevant for the arms industry), and funding of think tanks, especially those that have a major role in setting the policy agenda in a particular area, as is the case with a small number of (arms industry-funded) think tanks in the defence sphere.
- Fourthly, where *structures and institutions* are arranged so as to embed an industry’s influence in government in a way that is very hard to challenge or change. This is less discussed in the above literature than other aspects of industry influence, and is in some ways less clearly delimited. However, it is key to understanding the influence of the arms industry in the UK, and arguably in other countries. It is in some ways an extreme case of privileged access, but the point here is not specific influence efforts by the industry, rather it is the impact of institutional relationships. An industry in such a position can perhaps afford to ease up on some of the traditional forms of influence, such as political contributions and hiring professional lobbyists. The institutional structures protect the industry regardless of which party is in power, and because companies have sufficient access to top decision-makers through institutional channels, there is much less need for external lobbyists.

All of these situations can lead to a distortion of policymaking in the interests of the industry, in a way that is shielded from public opinion or competing interests. This can allow rent-seeking behaviour by companies with a dominant market position, and privileged access to government, leading to high costs to the public purse, and poor outcomes in public procurement. Moreover, in the case of the arms industry, such undue influence privileges a militaristic approach to security by governments, and leads to far too great a willingness to export arms, resulting in violence too often directly experienced by populations in the global south. Arguably, as will be substantiated in the subsequent chapters, these traits are emblematic of the arms sector in the UK.

3.3 Modes of influence

The above characterisation discusses the ways in which influence can be said to be excessive (undue, unwarranted, problematic). Another lens through which to view this issue is the various *modes* or *channels* of influence that the arms industry—or other industries or interests—may use to gain influence. Many studies tend to identify a similar set of channels of potential or actual influence. Transparency International Defence & Security, in their reports on arms industry influence in Germany and Italy,³² divide these into three categories: *money* (e.g. political contributions, bribes), *ideas* (lobbying, funding of think tanks, media, PR, etc.), and *people* (notably the revolving door).

This report adds a fourth category: *structures & institutions* that directly embed arms industry influence in government almost regardless of the other channels. This includes government-industry policy forums, industry representation in government, and regular meetings between government and industry as an institutional practice (as opposed to external lobbying through professional lobbyists). While in the US for example, arms industry influence operates perhaps primarily through money and people, this report argues that in the UK, while the revolving door is also highly significant, it is primarily through structures and institutions that the arms industry exerts influence.

The next four chapters discuss these four categories in relation to the UK: Money (chapter 4), Ideas (chapter 5), People (chapter 6), and Institutions (chapter 7).

³² Transparency International Defence & Security (TID&S), "Defence Industry Influence in Germany: analysing defence industry influence on the German policy agenda," October 2020, <https://ti-defence.org/publications/defence-industry-influence-germany/>; and TID&S, "Defence Industry Influence in Italy: analysing defence industry influence on the Italian policy agenda," April 2021, <https://ti-defence.org/publications/defence-industry-influence-italy/>

Money

4.1 Political contributions

In the UK, there are few if any limits on individual and corporate contributions to political parties and campaigns. In general elections, there is a spending limit at a constituency level for each candidate, and a national limit on spending by political parties, but this limit is rather high, at £30,000 per constituency, which would amount to around £19 million for a party standing across the country.³³ Only spending that is specifically used on behalf of a particular candidate counts towards the candidate spending limit. As such, political funding is dominated by large individual and corporate donors, rather than party membership fees and small donations.

In general, the Conservative Party receives by far the most funding from corporations and wealthy individuals, although Labour sometimes receives them when they move to the right and are expected to win an election. The Labour Party also receives significant funding from trade unions. The Lib Dems tend to receive smaller amounts of corporate funding. In general, the Conservative Party tends to raise considerably more funds than the other parties as it tends to be favoured by most major corporate and wealthy individual interests.³⁴

Unlike the US, in the UK, political contributions either by the arms industry or by major individual donors with strong links to the arms industry are extremely rare, and cannot be considered a significant source of influence. A search of the Electoral Commission's database of party political funding (for both national parties and local branches), from mid 2015 to mid 2023,³⁵ found that the only contributions by arms companies (or at least companies with significant defence interests) were:

- Two donations by Fujitsu (an electronics company with mostly civilian business but some military) to the Labour Party, in 2016 and 2018, worth a total of £50,400.
- Two donations by Inmarsat (a satellite service provider, again with some military business) to the Conservative Party, in 2016 and 2017, worth a total of £44,000.

³³ Details of political finance regulations in most countries can be found at the International IDEA database on political finance, accessed 31 July 2024, https://www.idea.int/data-tools/dat%country?country=236&database_theme=302

³⁴ Data on political donations and finance can be found at the database of the Electoral Commission, website accessed 31 July 2024, <https://search.electoralcommission.org.uk/>

³⁵ Ibid.

- One donation by Airbus to the Conservative Party's South-West region, in 2015, worth £6,000.

Such amounts are dwarfed by contributions from other sectors and wealthy individuals. The finance and real estate industries in particular are among the most prominent corporate donors to the Tories.

I also looked for donations over £100,000 by individuals with strong links to the arms industry. I found only one clear case—Ann R. Said, wife of the prolific arms dealer/broker Wafic Said, who played a major role in the Al Yamamah arms deal between the UK and Saudi Arabia in the 1980s, donated a total of £1,436,000 to the Tories between 2019 and 2023. It does not seem likely that Said remained active in the UK arms trade during this period.

More recently, articles in Novara Media and Open Democracy revealed that a major donor, Christopher Harborne, who has given £1.8 million to the Conservative Party since 2001 (mostly in 2022), and £13.7 million to Reform UK, formerly the Brexit Party, is the largest single shareholder in the arms company QinetiQ. Harborne also made a £1 million donation to the Office of Boris Johnson Ltd, a company set up by the former Prime Minister after he left office in 2022. Harborne had, by early 2023, built up a more than 10% stake in QinetiQ.³⁶

However, while Harborne may well be suspected of having ulterior motives in these donations, it is hard to see this as a means of influencing the government in QinetiQ's favour. Donations to Reform UK are unlikely to be a major source of influence with the government. Donations to the Tory Party could be, but QinetiQ was a major MOD supplier long before Harborne built up his shareholding in them, or made his donations to the Tory Party or Boris Johnson. As the privatised former research and development agency of the MOD, QinetiQ had a more or less guaranteed stream of MOD business from its foundation in 2003.

Finally, the Register of Members' Interests for 2022–23, which provides details of individual MPs' business interests, donations, and gifts, again reveals very few direct arms industry links among current MPs.³⁷

Analysis

In the UK, Parliament has little formal role in key decisions of greatest concern to the arms industry. Budgets are proposed by the government, and almost always voted on along party lines. MPs cannot increase proposed spending budgets, and can only reduce them by a token £1,000.³⁸ They cannot redistribute spending in a departmental

³⁶ Andrew Kersley, "Revealed: Tory Superdonor Makes Millions From Government Handouts to Arms Trade," Novara Media, 31 October 2023, <https://novaramedia.com/2023/10/31/revealed-tory-superdonor-makes-millions-from-government-handouts-to-arms-trade/>

³⁷ Tobias Elwood MP, then Chair of the Parliamentary Defence Committee, received travel, accommodation, and expenses worth about £5,400 from Boeing in June 2022, for a fact-finding trip to the US to visit aerospace defence plants. Sarah Atherton MP, at the time a member of the Defence Committee, received two tickets to the Royal International Air Tattoo, worth £408 in July 2022 from Saab Technologies UK. Jane Stevenson MP, not a member of the Defence or other relevant committees, received tickets worth £498 from Raytheon UK for the RAF Cosford Airshow in 2022. House of Commons - The Register of Members' Financial Interests, accessed 31 July 2024, <https://publications.parliament.uk/p/m/cmregmem/contents2223.htm>

³⁸ House of Commons Library, "The Estimates: Parliament's role in authorising Government spending plans," 10 July 2018, <https://commonslibrary.parliament.uk/the-estimates-parliaments-role-in-authorising-government-spending-plans/>

budget, for example between different military equipment programmes.³⁹ Parliament plays no role in decision-making on individual arms exports (although of course they vote on legislation on export controls). The Parliamentary Defence Committee scrutinises the work of the MOD, including in particular arms procurement, and frequently produces highly critical reports on the procurement system—although their criticism tends to be directed much more at the MOD than its arms industry suppliers. When it comes to arms exports, until recently scrutiny was conducted (irregularly) by the Parliamentary Committees on Arms Export Controls (CAEC), a hybrid committee formed from the Defence, Foreign Affairs, Business and Trade, and International Development Committees, which had even less power as it was not a formal select committee. The role of CAEC was taken over by the Business and Trade Committee in 2024, the effect of which remains to be seen.⁴⁰ This may be one reason why the arms industry sees little need to spend money directly on individual MPs.

Funding to political parties at a central level is a different matter. Interest groups may provide such funding for two main reasons. First, if they have a clear policy preference for one party over another. This seems unlikely in the UK context, as there is a broad political consensus between the two main parties on most defence issues, including, at present, on the desirability of higher military spending and the importance of the domestic arms industry. As will be discussed in chapter 10, both Labour and Conservative governments have consistently supported the interests of the arms industry in arms export decision-making, in spite of Labour's promise when coming to power in 1997 to bring in stronger controls. Indeed, arms export control efforts by the Labour government, such as the Arms Trade Treaty, were actually *supported* by the UK arms industry.⁴¹

Thus, there is no clear reason why arms companies might donate to either main party out of preference for their policies.

The other reason why interests might donate to political parties, and may even donate to both main parties at the same time, as is often the case in the US, is to influence these parties' policies in their favour. For example, in the build-up to a general election when a change of government is expected, one might expect a surge in donations to the party expected to gain power, to ensure their policies remain favourable. Why, then, do arms companies (or key figures linked to them) not tend to make major donations to Labour and/or the Conservatives as a means of buying influence?

One possible reason is that, given that arms companies must work with governments of both parties, they may not wish to antagonise one by making large donations to the other. Equally, large donations to any party might draw adverse public attention for companies with a significant public profile. Indeed, when one looks at industries that

39 House of Commons Defence Committee report July 2023, <https://publications.parliament.uk/p/m5803/cmselect/cmdfence/1099/report.html>: "Unlike in the United States, UK Parliamentary Committees do not have "line-item power" to alter individual aspects of the Defence budget, including on procurement programmes, which makes their remaining scrutiny function arguably even more important."

40 UK Parliament website, "Committees on Arms Export Controls", accessed 31 July 2024, <https://committees.parliament.uk/committee/15/committees-on-arms-export-controls-formerly-quadrupartite-committee>

41 See e.g. Anna Stavrianakis, "Legitimising Liberal Militarism", *Third World Quarterly*, Vol. 37 Issue 5, 8 Jan 2016, Taylor & Francis, available at https://sussex.figshare.com/articles/journal_contribution/Legitimizing_liberal_militarism_politics_law_and_war_in_the_Arms_Trade_Treaty/23423336

do provide substantial political funding, it is not typically the household names such as the big high street banks.

Another possible reason is that the arms industry does not feel the need to make political contributions, as it already wields sufficient influence on the government without them.

Whatever the reasons, it is clear that direct political contributions appear to play virtually no role in the arms industry's efforts to influence government policy.

4.2 Professional lobbying⁴²

According to Lionel Zetter, in *"Lobbying: The Art of Political Persuasion,"*⁴³ known as the "Lobbying Bible," lobbying falls into two categories: direct lobbying of decision-makers, and indirect lobbying of opinion formers, such as the media, think tanks, and MPs who are not part of the government (i.e. not ministers or Parliamentary under-secretaries). While MPs might in principle be considered decision-makers, as they must vote on any proposed legislation, the strong tendency for them to vote along party lines means that so long as the governing party (or coalition from 2010–15) enjoys more than a very narrow majority, individual MPs rarely exert any meaningful decision-making power.

Corporate lobbying can in-turn be done "in house," by company employees in a PR or lobbying role, or by engaging paid professional lobbyists or consultants (the latter being a term many lobbyists prefer to use, given the negative connotation of the term "lobbyist").

In-house lobbying

In the case of major arms companies, whose customers are governments, in-house lobbying is typically conducted either by people in roles such as Government Relations Director/Officer etc., or by top management themselves, the Chair or CEO. These in-house lobbying activities are discussed in more detail later under the "Institutions" category, as I argue that the regular meetings between government and industry are part of an institutional embedding of the arms industry in government, rather than *ad hoc* meetings secured by companies seeking an audience as part of lobbying efforts.

For example, Charles Woodburn, CEO of BAE Systems, had 52 meetings with the government between January 2017 and December 2019.⁴⁴ Most of these were with the Chief Executive of Defence Equipment & Support (DES), the MOD's arms procurement agency, but several were with the Minister of Defence. Roger Carr, Chairman of BAE, had 23 meetings between July 2014 and May 2019,⁴⁵ of which 8

⁴² This section draws significantly on unpublished research conducted by former CAAT staff member Joe Lo in 2017.

⁴³ Lionel Zetter, *Lobbying: the Art of Political Persuasion*, 3rd Edition, Harriman House Publishing, 2014

⁴⁴ CAAT Political Influence database, <https://caat.org.uk/data/influence/person/3605/meetings>

⁴⁵ CAAT Political Influence database, "Roger Carr," accessed 31 July 2024, <https://caat.org.uk/data/influence/person/349/meetings>

were with the Secretary of State for Defence, and one with a junior minister. Bob Keen, Head of Government Relations at BAE, had 40 meetings with the government from 2012–18, of which 11 involved MOD ministers, including 3 with the Secretary of State.⁴⁶

Thus, BAE Systems at any rate does not need to make special pleas to secure an audience with a minister.

Lobbying agencies

Nonetheless, some UK arms companies do make use of lobbying agencies, or “consultant lobbyists” as they are also known. To what extent is very difficult to ascertain, due to the very limited transparency of lobbyists.

The Transparency of Lobbying, Non-Party Campaigning and Trade Union Administration Act of 2014 established a Register of Consultant Lobbyists, and required all individuals and organisations engaging in consultant lobbying to join the register, submit details about their business, and report their list of clients. The Act defines a “consultant lobbyist” as “a person who, in the course of a business and in return for payment, personally makes communications on behalf of someone else to a Minister of the Crown or a Permanent Secretary.”⁴⁷ The Act covers communications if they concern “government policy, legislation, the award of contracts, grants, licences or similar benefits, or the exercise of any other government function.”⁴⁸

The Act is conspicuous for what it does not cover, which includes any lobbying of MPs who are not ministers, government “Special Advisors,” political appointees from outside the Civil Service who often play a very significant role in policymaking, any civil servant below the rank of Permanent Secretary, or officials of devolved administrations. Moreover, in-house lobbyists, employees of the organisation for which they are lobbying, do not need to register.⁴⁹

The Register can be found online.⁵⁰ Each quarter, any consultant lobbyist who has engaged in activities covered by the Act must submit a report to the register listing clients for whom they carried out lobbying activities, or received payment for them, during the quarter. They are not required to give any details of how much they were paid, who they lobbied, or on what subjects. Thus, a client may have paid a few thousand pounds for their logo on a report, alongside a dozen other companies, or hundreds of thousands of pounds for a prolonged lobbying campaign intensively targeting several ministers and government departments on a subject of specific interest to that client alone.

46 CAAT Political Influence database, “Bob Keen,” accessed 31 July 2024, <https://caat.org.uk/data/influence/person/16/meetings>

47 Office of the Registrar of Consultant Lobbyists, “Guidance on registration and quarterly information returns,” July 2023, <https://registrarofconsultantlobbyists.org.uk/guidance/guidance-on-registration-and-quarterly-information-returns/>

48 Elsie Uberoi, “The register of consultant lobbyists,” House of Commons Library briefing paper, 22 January 2016, <https://researchbriefings.files.parliament.uk/documents/CBP-7175/CBP-7175.pdf>

49 Office of the Registrar of Consultant Lobbyists, *ibid.*, <https://registrarofconsultantlobbyists.org.uk/guidance/guidance-on-registration-and-quarterly-information-returns/>

50 Office of the Register of Consultant Lobbyists, registrarofconsultantlobbyists.org.uk

Arms companies' use of consultant lobbyists⁵¹

BAE Systems have regularly been listed as a client by Policy Connect since July 2017. Policy Connect describes itself as a “cross-party think tank,” whose activities involve “supporting parliamentary groups, forums and commissions, delivering impactful policy research and event programmes and bringing together parliamentarians and government in collaboration with academia, business and civil society to help shape public policy.”⁵² They have over 100 funders and supporters,⁵³ who they report in their quarterly submissions to the register of consultant lobbyists. The list includes corporations, public bodies, educational establishments, civil society groups, and others. In the final quarter of 2023, BAE Systems are listed as a funder in the £0–5,000 range. Babcock is the only other arms company listed, in the same range. Rolls-Royce was a previous client. Policy Connect’s top four clients, in the £40–50,000 range, were all universities.

Hence, Policy Connect cannot be considered a serious means of influence for BAE Systems—rather they pay a small quarterly fee to be part of the group’s activities.

Several other major UK arms companies have been periodically reported as clients by other lobbying agencies, who may well engage in more direct lobbying on their behalf. Some companies are reported in just one or two quarters, others considerably more frequently. A few companies, such as Thales, Ultra Electronics, Cobham, and Chemring, are not listed at all as a client on the register. The most frequent user of consultant lobbyists (other than Policy Connect) was Airbus, who along with its subsidiary Airbus Defence & Space, is listed as a client of Hanover Communications and CT Group (for Airbus D&S) in 15 quarters between 2015–2023 (36 quarters total). They are followed by Boeing and Raytheon with six each; in the case of Boeing, six quarters are for Boeing Defense and Space UK, represented by Luther Pendragon, one of the best-known lobbying agencies. Raytheon has been represented at different times by Terrington Management and Stonehaven Campaigns.

However, cross-referencing the lobbying register with government transparency data on ministerial meetings, made available in a searchable database online by Transparency International,⁵⁴ there are only a handful of meetings with ministers (or Parliamentary under-secretaries) involving any of the agencies representing arms companies on relevant subjects, and none at the time these companies were on the agencies’ client lists. It is possible, therefore, that these agencies were primarily providing advice and consultancy to the arms companies’ in-house lobbyists.

Exactly what the arms companies used these lobbying agencies for, and how much they paid them and got for their money, is therefore unclear, owing to the limited transparency provided by the Register. Again, however, paid professional lobbyists do not appear to be a key means of arms industry influence.

51 All information taken from the Register of Consultant Lobbyists, Office of the Registrar of Consultant Lobbyists, https://orcl.my.site.com/CLR_Search

52 Policy Connect website, accessed 31 July 2024, <https://www.policyconnect.org.uk/>

53 Policy Connect website, “Our funders and supporters,” accessed 31 July 2024, <https://www.policyconnect.org.uk/about/our-funders-supporters>

54 Transparency International UK, “Open Access UK: monitor lobbying meetings with Government,” last accessed 31 July 2024, <https://openaccess.transparency.org.uk/>

The role of “revolvers” as consultants

The revolving door of ministers, senior civil servants, and senior military officers taking up positions in the arms industry, will be discussed at much greater length in chapter 6. However, while many such “revolvers” take up positions as employees or directors of arms companies, many others set up their own consultancies after leaving government employment, taking commissions from defence and security clients, including arms companies. These consultancies may potentially include lobbying activities on behalf of clients, for example using their contacts and/or reputation as a high-level defence official to secure an “in” with ministers, the MOD, or other relevant departments.

The extent of such activities is hard to know. However, one occasion when it surfaced was the “Generals for Hire” scandal in 2012, when *Sunday Times* journalists posed as arms company representatives in order to meet with ex-Generals. These ex-Generals offered to work for them to lobby decision-makers. They were filmed talking about their lobbying methods.⁵⁵ One of the generals was recorded saying that, although theoretically they were not supposed to lobby ministers directly for 2 years after leaving service, they could get round this by calling it “consultancy.”

The journalists posed as representatives of a South Korean arms company, supposedly seeking to sell unmanned aerial vehicles (UAVs, or drones) to the MOD. Thus, they were not purporting to be one of the major UK companies, which might have aroused more suspicion from the ex-generals. Once again, BAE Systems or Rolls Royce would have no need to resort to such backdoor methods to get a meeting with ministers to pitch their products.

55 The Times, author not given, 10 October 2024, <https://www.thetimes.co.uk/article/arms-firms-call-up-generals-for-hire-k5mzcpqth3>; see also CNN, “Report: ‘Generals for hire’ scandal snares retired military figures in UK,” 14 October 2012, <https://edition.cnn.com/2012/10/14/world/europe/britain-generals-for-hire/index.html>

Ideas

5.1 “Soft influence” in Parliament

As discussed in section 4.1, despite the much-heralded doctrine of the “Sovereignty of Parliament,” in practice the influence of Parliament on government policy, especially in the area of foreign policy and defence, is limited. MPs do not have a role in setting the defence budget, or deciding on procurement, arms export licensing decisions, defence industrial policy, etc. Only when the government has a small or no minority might a rebellion by MPs from the governing party change the outcome of a vote, and even that is very rare.

Nonetheless, there are many reasons why the arms industry might want to gain favour with MPs, even opposition MPs or back-benchers of the governing party. Today’s back-bencher may be tomorrow’s minister. Parliamentary select committees may not have binding powers, but they can and do interrogate ministers (and sometimes arms industry representatives), and issue highly critical reports, which often gain media traction, and which the government must at least respond to. MPs can also ask awkward or favourable questions in Parliament, or make interventions in debates, for example praising the role of an arms company for creating jobs in their constituency—or castigating them for their failure to deliver in a major procurement programme.

Two ways in which arms companies seek to gain a favourable opinion among MPs are through sponsorship of All Party Parliamentary Groups (APPGs), and through the Armed Forces Parliamentary Scheme.

All-Party Parliamentary Groups

APPGs are informal groupings of MPs around particular issues or countries of interests and have no formal legislative role, or power to summon witnesses, unlike Select Committees. They are however a social forum for MPs, and a forum for discussion of issues of common interest. It is not uncommon for APPGs to receive funding, sometimes in the form of acting as the secretariat for the group, from companies, NGOs, or other interest groups connected to the subject of the APPG.

There are a few APPGs at the time of writing that receive support in cash or kind from the arms industry:⁵⁶

- The ADS Group provides the secretariat for the Aerospace APPG, worth £1,500-£3,000 in the current year.
- The Armed Forces APPG received a total of £15,000 in the past year from Leidos UK, £9,000 from Thales UK, and £7,500 each from BAE Systems, Babcock, Boeing UK, Leonardo UK, Lockheed Martin UK, MBDA UK, Northrop Grumman, and Saab UK, for a total of £84,000. Arms companies were the only funders of the APPG.
- The APPG on Environmental, Social, and Governance (ESG) – a term for a set of ethical criteria that businesses are encouraged to subscribe to, and which can be a factor in determining the investment policy of many investors – has the College Green Group as its secretariat, for which it is paid a value in the range £154,501-£156,000 for the year (in 2023) by 16 companies, including one arms company, BAE Systems. The division of the sum between the companies is not revealed.
- The Manufacturing APPG has Policy Connect (see section 4.2) as its secretariat, for a value of £51,001-£52,500, paid for in 2023 by 16 companies and other organisations, again including BAE Systems, the only arms company involved.⁵⁷

The 2022–23 Register of Members' Interests also revealed two cases of arms companies sponsoring parliamentary delegations by the Armed Forces APPG, one to Bosnia and Herzegovina to meet Bosnian politicians and learn about the Bosnia war, and one to Monte Cassino in Italy as part of a tour of Commonwealth cemeteries.⁵⁸

Such relatively small sums can only be considered as a form of "soft" influence, with the industry's funding of the Armed Forces APPG in particular perhaps a means of associating the industry with patriotism and support for troops, as opposed to negative images of arms dealers supplying foreign dictatorships.

The Armed Forces Parliamentary Scheme

The Armed Forces Parliamentary Scheme (AFPS) offers MPs and Lords the chance to spend at least 15 days in a year on a military base, with the purpose of enabling them "make a more informed and useful contribution to defence debates in their respective Houses." The AFPS, which the NGO Forces Watch describes as a "military cosplay scheme," is entirely funded by the arms industry.⁵⁹ Participating MPs receive a certificate at the end of the programme, and an honorary military rank. According to Forces Watch, 90 Parliamentarians "graduated" from the scheme between 2014–20. Many of the major UK arms companies sponsor the scheme, including Airbus, Babcock, BAE Systems, DXC technology, Elbit Systems UK, General Dynamics UK, Leonardo UK, Lockheed Martin UK, QinetiQ, Raytheon UK, and Rolls-Royce.

56 UK Parliament website, "Register of All-Party Parliamentary Groups [24 January 2024]," accessed 31 July 2024, <https://publications.parliament.uk/p%2fm/cmallparty/240124/contents.htm>

57 In 2024, BAE left the list of funders, but was replaced by Babcock.

58 UK Parliament website, "Register of Members' Financial Interests - 2019 Parliament," accessed 31 July 2024, <https://publications.parliament.uk/p%2fm/cmregmem/contents2223.htm>

59 The information here is all from research conducted by the NGO Forces Watch. See Forces Watch, "What lies behind Parliament's military cosplay scheme?," 3 November 2021, <https://www.forceswatch.net/comment/what-lies-behind-parliaments-military-cosplay-scheme/>, and "The MPs and the arms company reps," 11 January 2023, <https://www.forceswatch.net/comment/the-mps-and-the-arms-company-reps/>

The most obvious “influence” benefit for the companies is the annual AFPS dinner, where Parliamentarians who have completed the scheme are joined by senior military officers and senior arms company representatives, with all three groups distributed strategically around the tables. The arms company people are typically in positions such as Head of Government Relations, or similar, and many are “revolvers,” having formerly worked in Government or Parliament.

As with APPGs, the amount of spending the AFPS by the arms industry is relatively trivial—the scheme’s total income in 2020 was £95,000, so it cannot be considered as an effort to “buy” the support of MPs through campaign contributions or other political support. But it is far more than a matter of generating “positive vibes” about the companies (and a chance to hand out branded merch); it provides them, at very low cost, with an opportunity to connect with MPs in a social setting, and they may well hope to create generally positive feelings about their companies through their involvement in the scheme. It can be seen, therefore, as part of efforts to create a cross-party consensus around the value of the arms industry and the importance of the major companies that are part of it. Some of the MPs, of course, will go on to be (or may already be) ministers in relevant departments.

5.2 Think tank funding

Reports in the US, Germany, and Italy have noted funding of security-related think tanks by the arms industry as one channel of “soft” influence.⁶⁰ Such think tanks may play an important role in informing policy-makers, and setting the agenda on defence, security, and foreign policy issues for the mainstream media. The military & security sphere in particular is one where the number of organisations working on it as a major subject is fairly limited, so that the same ones will repeatedly be turned to for comment and analysis. Yet, these think tanks often derive a significant share of their funding from the arms industry, and moreover their senior staff and non-resident fellows⁶¹ often include ex-military personnel, defence and foreign ministers, and sometimes former senior industry officials. Thus, these think tanks and their representatives and research output are often cited by the media as the key expert voices on the subject of defence and security, often without informing their audience of their funding and affiliation. Senior members can frequently be heard calling for higher military spending by the UK and Europe.

In the UK, there are four think tanks with a strong international reputation in the foreign policy, defence, and security spheres: Chatham House, RUSI, IISS, and LSE IDEAS.⁶² RUSI and IISS in particular are listed by the UPenn report on “Top Global

60 Jodi Vittori, *A Mutual Extortion Racket*, December 2019, <https://www.transparency.org.uk/publications/usa-defence-arms-industry-corruption-risk-exports-saudi-uae-middle-east>; Transparency International, “Defence Industry Influence on European Policy Agendas: Findings from Germany and Italy,” 6 May 2021, <https://ti-defence.org/publications/defence-industry-influence-europe-germany-italy/>

61 Those who are affiliated with the organisation and produce reports, articles, and other materials for them, but are not employed by them.

62 Based on rankings in the most recent (2020) University of Pennsylvania report on “Go-To Global Think Tanks,” looking at overall rankings, and specifically in the field of defence and national security and foreign affairs. The European Council on Foreign Relations, which is listed as based in the UK, but which has centres in various European capitals and whose focus is, naturally, Europe-wide, also ranks highly, but is not considered a UK-focused think tank for this purpose.

Go-to Think Tanks” for 2020 as the second and fourth top think tanks worldwide in the field of defence and national security.

Chatham House, formally the Royal Institute for International Affairs,⁶³ covers a wide range of topics relating to international relations and affairs, including defence and security, economics and trade, environment, health, institutions, major powers, politics and law, society, and technology. They are widely reputed for both their reports and their events programmes, which frequently draw top-level ministers and other key figures from around the world.⁶⁴ Their Co-Presidents are Dame Eliza Manningham-Buller, former head of MI5, and Helen Clarke, former Prime Minister of New Zealand, with ex-PM John Major as President Emeritus. Their Council and Senior Advisors include numerous former ministers, ambassadors, a former Bank of England governor, and many other such high-powered individuals.

Chatham House has a fairly diverse set of funders. Of their annual income of £18.2 million in 2021–22, 13% came from UK government departments, 17% from other governments and international organisations, and 24% came from corporations (through membership fees, donations, event sponsorship, grant funding, etc.).⁶⁵ In relation to arms companies and military or national security entities, their 2021–22 funders included:⁶⁶

Table 5.1 Arms industry and military funders of Chatham House, 2021-2022

£50,000 – £99,000	£25,000 – £49,000	£10,000 – £24,999	£3,000 – £9,999
<ul style="list-style-type: none"> • DXC Technology Center • Leonardo • Mitsubishi Corporation • The British Army 	<ul style="list-style-type: none"> • UK MOD • Rolls-Royce 	<ul style="list-style-type: none"> • BAE Systems • Bechtel • Boeing • Lockheed Martin • NATO • Wärtsillä Finland 	<ul style="list-style-type: none"> • Agility Logistics • SAAB UK • UK Defence Solutions Centre • US Africa Command

Source: <https://www.chathamhouse.org/about-us/our-funding/donors-chatham-house>. Table: Sam Perlo-Freeman, 2024.

While not a major share of their overall funding, this may be more significant in relation specifically to their defence & national security programme, which is only one part of their output.

The Royal United Services Institute (RUSI) was founded in 1831 by the Duke of Wellington.⁶⁷ It is closely linked to the UK defence establishment, but operates independently. Unlike Chatham House, it is specifically focused on defence and security issues from a UK perspective.

63 Chatham House website, accessed 31 July 2024, <https://www.chathamhouse.org/>

64 They are perhaps best known for the “Chatham House Rule” for events, under which “...participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed.”

65 Chatham House Annual Review 2021-22, date not given, <https://www.chathamhouse.org/sites/default/files/2022-07/2022-07-19-annual-report-CHHJ9381.pdf>

66 Chatham House website, “Donors to Chatham House,” accessed 31 July 2024, <https://www.chathamhouse.org/about-us/our-funding/donors-chatham-house>

67 Royal United Services Institute website, accessed 31 July 2024, <https://www.rusi.org/>

RUSI had income of £16.8 million in 2022/23.⁶⁸ Its largest funders, given just as “over £1 million” were the European Commission, the US Department of State, the Drake Foundation, and the Foreign, Commonwealth & Development Office (FCDO). in the £500,000–£999,999 range. The British Army provided funding in the £200,000–£499,999 range.⁶⁹

Other major funders included the following arms companies or military entities:

Table 5.2 Major arms industry and military funders of RUSI, 2022–2023

£100,000–£199,999	£50,000–£99,999	£25,000–£49,999	£10,000–£24,999
<ul style="list-style-type: none"> • Alion Science & Technology Corporation • BAE Systems • Lockheed Martin UK • Tetra Tech International Development Limited 	<ul style="list-style-type: none"> • UK Ministry of Defence • Palantir Technologies 	<ul style="list-style-type: none"> • Defence Science and Technology Laboratory (Dstl) ASTRID • NATO • The UK MOD • The Royal Navy 	<ul style="list-style-type: none"> • Airbus • Allied Rapid Reaction Corps • Babcock • L3Harris TRL Technology • Landmarc Support Services Ltd. • Leonardo UK • The Latvian MOD • Northrop Grumman • SubSea Craft Ltd. • Thales UK • UK Joint Forces HQ

Source: <https://www.rusi.org/about/our-work/funding>. Table: Sam Perlo-Freeman, 2024.

This means that the arms industry and military establishments provide a significant minority of RUSI’s funding, while other funders such as the US Department of State and the FCDO (as well as smaller donors such as the Israeli Embassy in the UK) are very much part of Western security establishments.

The International Institute for Strategic Studies (IISS) describes itself as “a world-leading authority on global security, political risk and military conflict.”⁷⁰ Its annual publication “The Military Balance” is an authoritative resource on international military holdings, and also provides information on military expenditure and the arms trade worldwide. A 2022 IISS dossier on Iraq’s alleged Weapons of Mass Destruction programme (later proved entirely wrong) played a significant role, coming from an independent think tank, in the propaganda campaign in favour of the Iraq war.⁷¹ IISS

68 Charity Commission for England and Wales, “THE ROYAL UNITED SERVICES INSTITUTE FOR DEFENCE AND SECURITY STUDIES,” accessed 31 July 2024, <https://register-of-charities.charitycommission.gov.uk/charity-search/-/charity-details/210639>

69 Royal United Services Institute website, accessed 31 July 2024, <https://www.rusi.org/about/our-work/funding>

70 International Institute for Strategic Studies (IISS) website, accessed 31 July 2024, <https://www.iiss.org/>

71 Nicholas Lawrence Adams, “Why Did ‘Intelligence’ Fail Britain and America in Iraq?,” E-International Relations, 25 July 2012, <https://www.e-ir.info/2012/07/25/why-was-british-and-american-intelligence-about-iraqs-wmd-programmes-wrong-before-the-2003-war/>

also has a Middle East centre based in the Gulf dictatorship of Bahrain, where it regularly holds international security conferences.

IISS received income of £18.4 million in 2020/21, the latest year for which information on funders is available at the time of writing.⁷² It is much less transparent than Chatham House or RUSI in how it reports its funders for the year:

Table 5.3 Major funders of IISS 2020-2021

Over £100,000	£25,000 - £99,999
<p>Arms industry</p> <ul style="list-style-type: none"> • Airbus • BAE Systems • Boeing • General Atomics • Lockheed Martin • Raytheon • Rolls-Royce <p>Other</p> <ul style="list-style-type: none"> • Taylor & Francis (IISS's publisher) • individual membership subscriptions. 	<p>Arms industry</p> <ul style="list-style-type: none"> • ADS Group (UK aerospace & defence industry association) • DRS Technologies (part of Leonardo) • Hensoldt Holding • Northrop Grumman Corporation • Northrop Grumman Aerospace Systems (listed separately) • ST Engineering • The Wallenberg Foundations, a major Swedish investment company which owns Saab, Sweden's largest arms company. <p>Military bodies</p> <ul style="list-style-type: none"> • The British Army • The Singapore MOD • The Qatar Armed Forces Strategic Studies Centre) <p>Other</p> <p>BGR Group; BHP; BP International; Chevron; Emergent Biosolutions; Henkel AG & Co. KGaA; Japan Bank for International Cooperation; Shell International BV; Shell International Ltd.; Temasek International Pte Ltd.; The Asahi Shimbun</p>

Table: Sam Perlo-Freeman, 2024. Source: <https://www.iiss.org/governance/funding---membership-and-royalties/>, IISS Annual Report and Accounts 2021/22

Thus, apart from the main publisher of its outputs, Taylor & Francis, and individual subscriptions, all its top funders were arms companies, and in the second highest band, nearly half the funders had military or arms industry links; a substantial proportion of the others are from the oil industry. £10,000–£24,999 range. Thus, IISS's top funders are dominated by the arms industry.

72 IISS website, "Membership, Sponsorship and Royalties," accessed 31 July 2024, <https://www.iiss.org/governance/funding---membership-and-royalties/>; and Charities Commission, "The International Institute for Strategic Studies Annual Report and Financial Statements for the year ending 30 September 2022," <https://register-of-charities.charitycommission.gov.uk/charity-search/-/charity-details/206504/accounts-and-annual-returns>

LSE IDEAS, a foreign policy think tank that is part of the London School of Economics and Political Sciences (LSE), was the only one listed by UPenn as a top foreign policy, defence, or security think tank that did not receive significant arms industry or defence establishment funding, although the UK Foreign, Commonwealth and Defence Office (FCDO) is a major funder.⁷³

⁷³ World Peace Foundation, co-publisher of this report, have received funding from the FCDO for a programme operating under IDEAS.

People

6.1 The revolving door

As discussed in Chapter 3, the revolving door is a widespread phenomenon in arms industry-state relations in many countries (and is not unique to the arms industry, although it may be more common). In the UK, the most common department to see revolvers is the MOD, but the department concerned with international trade (currently the Department for Business and Trade, DBT) is also an issue, and occasionally the Foreign, Commonwealth and Development Office (FCDO), the Cabinet Office, or other national security agencies.

When senior arms industry figures take government roles, the main concern is that they will bring their former employer's interests and mindset with them, distorting policy. When senior government officials and military officers join the arms industry, the more common direction of travel, there are several potential concerns:

- That the revolver will use their contacts and inside knowledge to provide their new employer with an unfair advantage in its dealings with the government.
- That the revolver will be able to lobby their former colleagues on the company's behalf, leveraging their rank, prestige, and relationships.
- That a current official or officer will corruptly act to benefit an arms company in return for an offer of employment when leaving government/the military.
- Even when there is no direct corruption, an official may act favourably towards one or more companies in anticipation of a potential job offer upon retirement from government.
- Less specifically – when a move to the arms industry is a very common career move for military officers and MOD officials, that people in these positions will have a general incentive to keeping in the good books of the large companies, or at least be strongly dis-incentivized from taking too hard a line with companies in negotiations, raising problems with potential procurements, or criticising their performance of contracts.
- When the prevalence of the revolving door brings government and industry personnel close together, it may promote a culture of "groupthink," where established patterns of thinking and behaviour go unchallenged.

Official regulations for top government personnel (discussed below under ACOBA) theoretically preclude the first two—a very common condition on taking private sector employment is that officials do not use their privileged knowledge in their new employer’s service, or lobby those they previously worked with, or on issues they worked on in government. However, as discussed in section 4.2 (the “Generals for Hire” scandal), such proscriptions can often be circumvented by carrying out lobbying indirectly, and under other names, such as “consulting.” Rather than lobby former colleagues directly, for example, a revolver may give others in the company advice on the right people to approach and buttons to push.

The third case of outright corruption, is very hard to prove, and there are no recent examples of which I am aware of in the UK.

The systemic tendency for officials and officers to act in the interests of the arms industry as a result of a common expectation of progression from a military or MOD career to that industry, however, is more plausible. Arguably, individual revolvers advance their careers through the existence of the revolving door and the synergy of interests this creates. There may be no *quid pro quo* in any specific decision they take, but the institutional set-up encourages them to approach decisions from the point of view of the industry and the state as a single community of interest, rather than (when in the public sector) looking at the wider public interest. Too strong a defence of the public interest would harm their reputation as a potential recruit for the private companies they are negotiating with.

How common, and how serious a problem is the revolving door in the UK, in relation to the arms industry? CAAT’s Political Influence browser, covering the period 1990–2021, has records of 197 individuals who have moved between relevant government roles and the military or security industries, a large majority making a single move from government to industry.⁷⁴ In addition, research conducted for this project has found a number of other revolvers, either after 2021, or moving to companies that are not currently in CAAT’s arms company database, and are thus not currently recorded as revolvers.

These well over 200 revolvers include:

- Five Secretaries of State for Defence, as well as one other (Philip Hammond) who took a role as an advisor to Gulf governments, major customers for the UK arms industry;
- Six junior Defence Ministers (e.g. Minister for the Armed Forces, Minister of Defence Procurement, etc.);
- Four Chiefs of the Defence Staff, the highest military officer in the UK (and one who established an independent consultancy working on defence issues);
- Thirteen services chiefs, i.e. the heads of the Army, Navy, Air Force, or Joint Forces Command;
- Five Chiefs of Materiel for one of the services, i.e. the lead officer responsible for acquiring and sustaining military equipment;
- Two MOD Permanent Secretaries, the highest ranked civil servant in the department;

⁷⁴ CAAT Political Influence database, revolvers, accessed 31 July 2024, <https://caat.org.uk/data/influence/revolvers>

- Three Heads of Defence Equipment and Support or its predecessors, the MOD procurement agency (and one who became an independent consultant);
- Five other MOD departmental heads; and
- Two National Security Advisers, who sit within the Cabinet Office and advise the Prime Minister and Cabinet on national security.

This indicates that, for senior figures in the MOD and defence establishment, a move to the arms industry is a common occurrence.

Moreover, there seems to be a higher turnover of MOD senior officials to the private sector than most other departments. Between 2013 and 2020, based on ACOBA annual reports, around 14% of all applications for private sector employment (including independent consultancies) considered by ACOBA were from ministers and civil servants in the MOD, highest equal with the Cabinet Office.⁷⁵ Of course, not all of these are “revolving door cases” of moves from a department to the industry most closely connected to that department. However, shedding some light on the matter is a report by Transparency International UK in 2023.⁷⁶ This report analysed 604 applications to ACOBA for private sector and non-profit sector roles made between January 2017 and June 2022 by 217 departing ministers and top civil servants. The analysis found that, overall, 177 out of the 604 roles analysed involved a subject overlap between the individual’s new role and their former government role. However, for those taking roles in the defence sector, this figure rose to 39 out of 48, or 81%, including 30 out of 35 defence/arms industry roles, or 86%.⁷⁷ **Consequently, the arms industry was more than three times as likely to recruit top government officials with a subject overlap than non-defence sectors.**

Of course, these numbers do not tell us what *proportion* of senior officials go through the revolving door? To address this question, I looked at the periodically published records (typically twice yearly) of MOD senior staff, between 2010 and 2022.⁷⁸

I identified those individuals who had left the MOD between 2010 and 2021, tracing their subsequent careers through ACOBA records, LinkedIn, and general internet searches. This led to a pool of 110 leavers. In the great majority of cases (all but 9), I was able to find information on their subsequent activities, be that other employment, voluntary roles, or otherwise. The results are summarised in Table 6.1, broken down by military/civil, and by roles/departments within the MOD (which include both military and civilian personnel)

75 ACOBA transparency and information releases, accessed 31 July 2024, <https://www.gov.uk/search/transparency-and-freedom-of-information-releases>. The most recent annual report covers two years, 2018-19 and 2019-20, and is far less detailed than previous reports. Only a poorly-labelled bar chart of applications per department, with no actual numbers, is given, from which I have estimated the figures for the MOD and other departments based on the length of the relevant bars.

76 Transparency International UK, “Managing Revolving Door Risks in Westminster”, March 2023, <https://www.transparency.org.uk/revolving-door-public-private-westminster-corruption-risk>

77 Non-profit roles in the defence sector include think tanks and veterans’ charities among others.

78 UK Government website, “MOD organisation charts”, accessed 31 July 2024, <https://www.gov.uk/government/collections/mod-organisation-charts>. The lists of senior staff include Senior Civil Service of ranks SCS1 (typically Deputy Director of units within a ministry) to SCS4 (Permanent Secretary or some department heads), and military officers of rank OF-6 to OF-9 (1-4 star officers, considered to be of equivalent level to SCS1-4). I restricted attention to SCS3 and 4, and OF-8 and 9, which are the levels at which individuals are requested to seek approval from ACOBA for moves to the private sector. At lower levels, only internal departmental approval is required, and the moves are not made public.

Table 6.1 Subsequent career destinations of senior MOD personnel leaving between 2010-2021, by category (military or civilian) and departmental grouping

Group	Arms/security industry	Other private/voluntary roles/retired	Other government	Borderline cases*
All leavers	41	47	11	2
Category of personnel				
Military officers	33	28	1	1
Civil servants	8	19	10	1
Departmental grouping				
Forces commands	22	17	0	1
Head office**	7	25	6	1
Defence Equipment & Support	10	3	4	0
Other	3	2	1	0

Notes:

*Cases where the subsequent employment was in companies whose status as part of the arms/security industry is borderline

** Known at different times as Head Office & Corporate Services or Central Top-Level Budget

Source: MOD organisation charts, <https://www.gov.uk/government/collections/mod-organisation-charts>, and author’s research. Table: Sam Perlo-Freeman, 2024.

Thus, 41% of these senior personnel were “revolvers,” a significant proportion. These include 52% of military officers, and 59% of personnel from Defence Equipment and Support (DES), the MOD’s procurement agency, which therefore has a particularly close relationship with industry. It was within DES, and the Defence Infrastructure Organisation (DIO), which also works closely with industry, where almost all the civil service revolvers were found. In contrast, revolvers were least common (18%) in MOD head office roles, and these were almost all military personnel (including Chiefs of Defence Staff).

This data analysis relates to those officers and civil servants covered by ACOBA, the very highest levels—for military officers, lieutenant-generals, vice admirals, and air marshals and above, and for civil servants, the equivalent of director generals or chief executives of units within the MOD. Even among the ranks of Senior Civil Servants (SCS grades 1–4), and “flag officers” (Brigadier, Commodore, Air Commodore or above), this is only a small proportion. According to the MOD Senior Personnel lists for June 2022, 45 out of 866 of the senior personnel were of the top grades covered by ACOBA, or 5.2%.

As moves to the private sector of levels below SCS3/OF-8 are not made public, the number of revolving door cases at lower levels is not generally known. However, responses to FOI requests reported by the Guardian in 2012 found that, between 1996 and 2011/12, 3500 senior officers and MOD civil servants had taken jobs with arms companies—a rate of about 219 a year.⁷⁹

This analysis shows that not only are there a substantial number of revolvers from the MOD to the arms industry, but that the arms and security industries represent a substantial proportion of the subsequent careers of top MOD personnel. This is especially true of military officers, and even more so of those personnel (civilian and military) whose role in the MOD involves working most closely with the arms industry.

6.2 Case studies of “revolvers”

Generals for hire

In 2012, *Sunday Times* journalists carried out “sting” operations on four retired top military leaders, posing as representatives of arms companies.⁸⁰ The resulting *Sunday Times* article asserts that many of them claimed to be able to use their contacts with former MOD colleagues and ministers to help the fictitious companies advance their business. Some of them, according to the article, also declared to have done so in the past.⁸¹ Some of the officers involved were:

- Lieutenant General (ret.) Sir John Kiszey, President of the Royal British Legion was approached by journalists posing as representatives of a South Korean arms company. He was caught on video admitting having lobbied for companies for MOD procurement deals in the past, despite being within the two-year “purdah” period where such lobbying is not permitted. He claimed that his role as RBL President gave him good access to ministers, and that he knew all ten currently serving generals responsible for arms procurement. He resigned his role as President following the scandal.⁸² Aside from this scandal, Kiszey also took up a position as an adviser to Babcock in 2010.⁸³
- Lieutenant General Sir Richard Applegate, formerly head of procurement for the Army, claimed to have been lobbying for the previous 18 months for an Israeli arms company, and to have successfully lobbied the MOD regarding a £500m helicopter safety programme. If true, this would also constitute a violation of lobbying rules.⁸⁴ He later denied lobbying or agreeing to lobby.
- Admiral Sir Trevor Soar, who left his role as Commander in Chief Fleet of the Royal Navy, was captured on video saying that he “had to be slightly careful of lobbying

79 Nick Hopkins, Rob Evans, and Richard Norton-Taylor, “MoD staff and thousands of military officers join arms firms,” <https://www.theguardian.com/uk/2012/oct/15/mod-military-arms-firms>

80 The Times, no author given, “Arms firms call up ‘generals for hire,’” 14 October 2012, <https://www.thetimes.co.uk/article/arms-firms-call-up-generals-for-hire-k5mzcpqth3>

81 Ibid.

82 BBC News, “MoD to investigate military lobbying claim,” 14 October 2012, <https://www.bbc.co.uk/news/uk-politics-19940473>; The Guardian, “MoD lobbying claims: the key figures,” 14 October 2012, <https://www.theguardian.com/uk/2012/oct/14/mod-lobbying-claims-key-figures>; and Nick Hopkins, “Royal British Legion president quits in wake of lobbying claims,” 15 October 2012, <https://www.theguardian.com/uk/2012/oct/15/royal-british-legion-president-quits>

83 CAAT Political Influence browser, <https://caat.org.uk/data/influence>

84 The Guardian, “MOD lobbying claims: the key figures”

ministers," but that "theoretically we are banned from lobbying ministers ... we call it something different," and that the way round the rule was "basically [to] ignore it."⁸⁵ He denied breaking any rules.

- General Lord Richard Dannatt, former head of the Army, had offered to speak to then Defence Equipment & Support CEO Bernard Gray on behalf of a South Korean arms company that the journalists claimed to represent, to help sell the MOD a mini-UAV. The paper also claimed that Dannatt told the journalists he had previously lobbied the MOD over contracts for another company. Dannatt denied the claims, saying that the journalists had misunderstood the conversation.⁸⁶

In the wake of the affair, Sir Richard Mottram, former Permanent Secretary of the MOD from 1995–1998,⁸⁷ admitted that there were close relationships between serving personnel involved in procurement and their retired colleagues, that lobbying influence over procurement had been a problem during his time at the MOD, and that he could not be certain that retired personnel had influence on procurement decisions.⁸⁸ What this case definitely shows is that at least some top retired military officers are willing to engage in lobbying, formal or informal, and that the rules designed to prevent this offer little meaningful obstacle.

Geoff Hoon

Geoff Hoon MP was Secretary of State for Defence under Tony Blair from 1999–2005, a period which included the illegal US-UK invasion of Iraq, and the campaign of deception by both governments leading up to it. Hoon subsequently held several other ministerial positions, leaving Parliament in 2010.

Hoon was one of the MPs and former ministers caught in an earlier sting operation in 2010, by the *Sunday Times* and Channel 4's *Dispatches* programme. In this case, journalists posed as representatives of a fictitious lobbying firm.⁸⁹ Hoon was recorded as saying that he would use his contacts to find employment in the private sector and that "One of the challenges I think I am really looking forward to is sort of translating my knowledge and contacts about the international scene into something that, bluntly, makes money." Hoon offered his services for £3,000 a day.⁹⁰

Hoon, along with other MPs, was suspended from the Parliamentary Labour party, and after he left Parliament, had his Parliamentary pass suspended for 5 years by the Parliamentary Standards and Privileges Committee.⁹¹

85 BBC News: "MoD to investigate military lobbying claims"; and The Guardian, "MOD lobbying claims: the key figures"

86 The Guardian, "MOD lobbying claims: the key figures"

87 Civil Service World, "Interview: Sir Richard Mottram", 2 June 2010, <https://www.civilserviceworld.com/in-depth/article/interview-sir-richard-mottram>

88 BBC News: "MoD to investigate military lobbying claims"

89 The Guardian, "Stephen Byers and Geoff Hoon speak on Dispatches lobbying programme," 24 March 2010, <https://www.theguardian.com/politics/video/2010/mar/24/politicians-for-hire-dispatches>

90 UK Parliament website, "Standards and Privileges Committee - Written Evidence: Sir John Butterfill, Mr Stephen Byers, Ms Patricia Hewitt, Mr Geoff Hoon, Mr Richard Caborn and Mr Adam Ingram - Standards and Privileges Committee," 7 December 2010, <https://publications.parliament.uk/p/m201011/cmselect/cmstnprv/654/654we08.htm>

91 The others involved, were former transport minister Stephen Byers, former Sports minister Richard Caborn, and Patricia Hewitt, who had held several ministerial posts. Byers and Hewitt were both suspended from the Parliamentary Labour Party. Byers had his Parliamentary pass revoked for 2 years, and Caborn for 6 months. Hewitt was found not to have violated the ministerial code, though the Parliamentary committee investigating said she has been "unwise." Miranda Richardson, "Three former MPs face parliamentary ban," 9 December 2010, available at <https://web.archive.org/web/20101217015435/http://news.sky.com/skynews/Home/Politics/Geoff-Hoon-Stephen-Byers-And-Geoff-Hoon-Could-All-Be-Banned-From-Houses-Of-Parliament/Article/201012215850598>

Hoon took up a position in 2011 as Managing Director, International, based in the UK, for helicopter maker AgustaWestland, a subsidiary of Finmeccanica (now Leonardo, see chapter 2), an Italian arms giant with substantial UK business, including the former Westland Helicopters. He remained in this role until 2016.⁹²

During this period, he was involved in the £227m sale in 2013 by AgustaWestland of 8 AW-159 Wildcat helicopters to South Korea, that became the subject of a major corruption scandal, in which it was alleged that evaluation reports for the helicopters were falsified to allow it to win the deal.⁹³ In particular, he managed the activities of a South Korean intermediary, former Minister for Patriots and Veterans Affairs Yang Kim, who was convicted by a Korean court for engaging in illegal lobbying of ministers and officials on behalf of AgustaWestland to help them win the contract. Court documents showed that Kim was acting under direct instructions from Hoon and another senior Finmeccanica executive, and that indeed Hoon actively berated Kim for being insufficiently active in his lobbying efforts. Thus, while Hoon did not commit any offence under UK law in this affair, he did encourage his South Korean agent—himself a “revolver” from the defence establishment—to break South Korean law.

The MOD helicopter search and rescue privatisation

In 2005, the MOD established a project to replace the Search and Rescue (SAR) capabilities then provided separately by the Navy, the RAF, and the Maritime and Coastguard Agency, with a single entity operated as a Private Finance Initiative.⁹⁴ A competition was started for this contract, worth potentially £6 billion, that would give the winning bidder a near monopoly on UK search-and-rescue operations.

Several bidders, as well as the government, had invested millions in preparing for the contract.⁹⁵ Hours before announcing the preferred bidder, then transport secretary Phillip Hammond was forced to make a statement to Parliament: the entire deal would be scrapped.⁹⁶ The reason was that one of the companies in the winning consortium had gained access to classified information about the competition, from a former member of the MOD project team that helped to set the competition criteria, who then left the MOD to join a company bidding for the contract.⁹⁷

This leak of confidential information both cost the taxpayer significant sums of money and threatened the continuation of UK SAR capabilities. The MoD was forced to put in place emergency measures to provide a continuation of the service. Two years later, the MoD dropped the criminal investigation. While the former employee had clearly

92 Shadow World Investigations, “The Anglo-Italian Job: Leonardo, AgustaWestland and Corruption Around the World,” June 2018, <https://shadowworldinvestigations.org/projects-and-publications/challenging-the-arms-trade-and-the-militarism-that-supports-it/the-anglo-italian-job-leonardo-agustawestland-and-corruption-around-the-world/>

93 Ibid.

94 Claire Taylor, “Privatisation of RAF/Royal Navy Search and Rescue,” House of Commons Library, 16 Dec. 2011, <https://researchbriefings.files.parliament.uk/documents/SN05861/SN05861.pdf>

95 BBC News, “Search and rescue helicopter bid process is halted,” 8 February 2011, <https://www.bbc.co.uk/news/uk-12389512>

96 UK Government website, Philip Hammond MP, “Search and Rescue helicopter procurement: update,” Statement to Parliament, 16 December 2010, <https://www.gov.uk/government/speeches/search-and-rescue-helicopters-procurement>. The privatization competition was re-run and a new winner announced on the 26th March 2013.

97 The Bureau of Investigative Journalism, “Search and rescue helicopter contracts awarded despite police probe,” 8 June 2012, <https://www.thebureauinvestigates.com/stories/2012-06-08/search-and-rescue-helicopter-contracts-awarded-despite-police-probe/>; and Claire Taylor, “Privatisation of RAF/Royal Navy Search and Rescue”

broken lobbying rules, the legal framework for the revolving door was—and remains—insufficiently robust to actually impose any clear consequences on those who violate it.

Some recent high-profile revolving door cases

The above cases are rare examples of where clear abuse of the revolving door is exposed. However, as the data discussed above shows, there are many more cases of senior politicians, officials, and military officers taking roles in the arms industry. In most cases, there is no information currently in the public domain that would suggest that these individuals have improperly used their connections or inside knowledge to benefit their new employer. But these examples highlight the risk of such abuse, and the limited consequences for doing so—aside from the way that the sheer volume of traffic between the government and the arms industry blurs the lines between them, and reinforce a particular set of assumptions and priorities in both government and industry.

Some of the most high-level revolving door cases in recent years include:

- Mark Sedwill⁹⁸ was Cabinet Secretary, the most senior civil servant in the UK, from 2018-20, and National Security Advisor, the lead adviser on national security issues to the Prime Minister and the Cabinet, from 2017-2020. In November 2022, he became a Non-Executive Director of BAE Systems.⁹⁹ He is also a Trustee and member of the advisory council of IISS – thus having a foot in both industry and the security think tank world, as well as his recent position at the heart of the UK government.¹⁰⁰
- General Sir Mark Carleton-Smith was Chief of the General Staff (head of the Army) until June 2022. In December 2023, it was announced that he would be taking up a role as an adviser with CT Group, an Anglo-Australian lobbying firm run by Sir Lynton Crosby, an influential political consultant who ran major election campaigns for the centre-right Australian Liberal Party, and for the UK Conservative Party among others.¹⁰¹ Carleton-Smith's role will be to help CT Group clients take advantage of opportunities arising from the AUKUS nuclear submarine deal between the US, UK, and Australia – presumably, helping companies win sub-contracts. He also became a member of the IISS Advisory Council.¹⁰²
- General Sir Nick Carter was Chief of the Defence Staff – the most senior military role in the UK – until July 2022.¹⁰³ Among several private sector roles he took up, he joined the advisory council of Helsing AI,¹⁰⁴ a German-based military AI software company that also operates in the UK and France. Last August, Helsing was part of a consortium commissioned to develop the AI development infrastructure for

98 UK Government website, "Sir Mark Sedwill GCMG," accessed 31 July 2024, <https://www.gov.uk/government/people/mark-sedwill>

99 BAE Systems website, "Lord Sedwill," accessed 31 July 2024, <https://www.baesystems.com/en/our-company/our-people/board-of-directors/lord-sedwill>

100 IISS website, "Mark Sedwill," accessed 31 July 2024, <https://www.iiss.org/governance/the-advisory-council/mark-sedwill-baron-sedwill-of-sherborne/>

101 Harry Davies, "Former British army chief joins Lynton Crosby's lobbying firm," *The Guardian*, 6 December 2023, <https://www.theguardian.com/politics/2023/dec/06/former-british-army-chief-mark-carleton-smith-joins-lynton-crosby-lobbying-firm>

102 IISS website, "General Sir Mark Carleton-Smith, GCB, CBE," accessed 31 July 2024, <https://www.iiss.org/en/governance/the-advisory-council/general-sir-mark-carleton-smith-gcb-cbe/>

103 UK Government website, "Carter, Nick - Chief of the Defence Staff at the Ministry of Defence - ACOPA advice," 19 October 2022, <https://www.gov.uk/government/publications/carter-nick-chief-of-the-defence-staff-at-the-ministry-of-defence-ministry-of-defence-acoba-advice>

104 Helsing website, accessed 31 July 2024, <https://helsing.ai/>

the Future Combat Air Systems (FCAS), a Franco-German next-generation combat aircraft project.¹⁰⁵ He also joined the Advisory Board of Saildrone, a US company that produces military and civil unmanned surface and subsurface vessels.¹⁰⁶ He also became a Trustee of RUSI, again straddling the industry and think tank worlds.

- General Sir Gordon Messenger was Vice Chief of the Defence Staff until October 2019.¹⁰⁷ In October 2020, he became a Non-Executive Director of Babcock.¹⁰⁸
- Air Marshal Stuart Atha was Deputy Commander Ops - Air Command until October 2019. He took up a full-time role as Vice President Military Operations with BAE Systems in May 2020.
- Admiral Sir Philip Jones was First Sea Lord and Chief of the Naval Staff until June 2019.¹⁰⁹ In September 2021, he became a Senior Military Adviser for BAE Systems, for their Global Combat Ship programme.¹¹⁰ As this is one of the biggest surface-ship programmes for the Royal Navy, and thus one with which he would have had significant involvement as head of the Navy, ACOBA recommended a 1-year delay in his taking up the role with BAE.¹¹¹
- Lt. General Sir Mark Poffley was Deputy Chief of the General Staff until December 2018, leaving Crown service in April 2019.¹¹² He then started his own independent defence consultancy, MPP Advisory Ltd., taking commissions with major US arms company Northrop Grumman, advising on international markets outside the UK; Military logistics company KBR; defence consultancy Universal Defence & Security Solutions, of which he is also a director;¹¹³ and Boston Consulting Group, a management consultancy with significant defence business, including with the MOD.¹¹⁴ He also became a Director of Elbit Systems UK Ltd. in 2022.¹¹⁵

6.3 ACOBA and the regulatory framework

As discussed, ministers and senior military officers and civil servants are expected to seek advice from the ACOBA when taking up roles in the private (and voluntary) sector, within two years of leaving government service. ACOBA's role is to implement various ministerial and civil service rules and codes of conduct. It considers the suitability of private sector appointments taken by ex-public servants, given these

105 Helsing website, "Helsing commissioned for AI backbone in FCAS," 30 August 2023, <https://helsing.ai/newsroom/helsing-commissioned-for-ai-backbone-in-fcas>

106 Saildrone website, accessed 31 July 2024, <https://www.saildrone.com/>

107 UK Government website, "General Sir Gordon Messenger KCB DSO* OBE ADC," accessed 31 July 2024, <https://www.gov.uk/government/people/gordon-messenger>

108 CAAT political influence browser, "Gordon Messenger," <https://caat.org.uk/data/influence/person/3966/meetings>.

109 UK Government website, "Admiral Sir Philip Jones KCB ADC," accessed 31 July 2024, <https://www.gov.uk/government/people/sir-philip-jones>

110 CAAT political influence browser, "Philip Jones," <https://caat.org.uk/data/influence/person/1954/meetings>

111 UK Government website, "Jones, Philip - Chief of Staff, NATO, MOD - ACOBA recommendation," 18 July 2017, <https://www.gov.uk/government/publications/jones-philip-chief-of-staff-nato-mod-acoba-recommendation>

112 UK Government website, "Lieutenant General Sir Mark Poffley KCB OBE," accessed 31 July 2024, <https://www.gov.uk/government/people/mark-poffley>

113 Companies House, "Mark William POFFLEY," accessed 31 July 2024, <https://find-and-update.company-information.service.gov.uk/officers/bVPgZ4Yg1yXxuJCdJD-9PRQVxB4/appointments>

114 Office of the Advisory Committee on Business Appointments, "Business appointment application: Lieutenant General Sir Mark Poffley KCB OBE," February 2020, https://assets.publishing.service.gov.uk/media/5f02eeb9e90e075c52d05ae1/MP_Consultancy_letter.pdf. I was not able to find any information on the name of the consultancy

115 Companies House, "Elbit Systems UK Limited," accessed 31 July 2024, <https://find-and-update.company-information.service.gov.uk/company/05241591/officers>

rules and potential conflict of interest risks, and gives advice, based on the rules, for these individuals to mitigate any such risks. It very rarely advises against taking up a role entirely.

ACOBA, and the system it implements, is ineffective and full of loopholes. Detailed analyses of the system have been presented in reports by Transparency International UK in March 2023,¹¹⁶ and the House of Commons Public Administration and Constitutional Affairs Committee (PACAC) in April 2017,¹¹⁷ among others. Some of the key shortfalls pointed out by these reports include:

- ACOBA has no statutory basis, that is, there is no law that says that it must exist. This potentially compromises its independence.
- ACOBA has no enforcement powers, or even the power to monitor compliance with its recommendations, or investigate breaches of the rules. In some cases, public officials have taken up high profile roles outside government without informing ACOBA, without facing consequences. A recent such case was when former Prime Minister Boris Johnson signed a contract as a columnist with the *Daily Mail* within months of leaving office, without consulting ACOBA.¹¹⁸ In what ACOBA chair Lord Pickles described as “a clear and unambiguous breach of the government’s rules and requirements of the Ministerial Code,” Johnson informed ACOBA 30 minutes before the *Daily Mail* made his appointment public, and the day before his first column was published. As with so much else, Johnson faced no consequences for this breach.
- The ministerial and civil service rules administered by ACOBA have no statutory basis, and thus breaking them comes with no legal sanctions. While Parliament itself can impose sanctions on MPs (as with Geoff Hoon, above), ultimately ACOBA can only give advice and recommendations, not legally binding directives.
- Even following the letter of the rules, ACOBA’s definition of “lobbying” applied is too narrow. Public servants are notionally “banned” from “lobbying” the government for 2 years. But this only covers direct lobbying. The 2023 TI UK report found that, in the previous five years, 19 ministers had taken up roles with consultant lobbying firms. In many cases, roles taken by former officials are described as “advisory.”¹¹⁹ The suspicion is that, even if they are not directly engaged in lobbying former colleagues, they may be advising others on doing so, and helping them find ways in. A suspicion that chimes with the candid admissions made by various ex-officials to undercover journalists, as noted above.
- The two-year ban on lobbying is also too short – in many cases, depending on the individual’s government role, their influence, contacts, and inside information may continue to be of significant value long after that. In Canada, for example, the lobbying ban extends for 5 years.

116 Transparency International UK, “Managing Revolving Door Risks in Westminster,” March 2023, <https://www.transparency.org.uk/revolving-door-public-private-westminster-corruption-risk>

117 House of Commons Public Administration Committee, “Managing Ministers’ and officials’ conflicts of interest: time for clearer values, principles and action,” 21 April 2017, <https://publications.parliament.uk/p%2fm201617/cmselect/cmpubadm/252/25202.htm>

118 Sam Francis, “Watchdog calls for reform after Boris Johnson breaches code over new Mail job,” BBC News, 27 June 2023, <https://www.bbc.co.uk/news/uk-politics-66028657>

119 TI UK, Managing Revolving Door Risks in Westminster, p14

- ACOBA only considers potential conflicts of interest in a narrow way, namely whether the official, during their time in government, met with their new employer or were involved in awarding them a contract. But, as the TI report states, citing the Committee on Standards in Public Life (CSPL), "...this framing is too narrow; there are many instances where former decision makers enter an industry that their public sector role had significant purview of. Whilst in office, a minister, civil servant or special adviser may initiate a policy or regulation that is favourable not just to one specific company but sympathetic to an industry as a whole."¹²⁰
- As noted above, 95% of MOD senior personnel – flag officers and senior civil servants – fall below the grade where they are expected to apply to ACOBA before taking employment. One and two star flag officers,¹²¹ and their civil service equivalents, SCS1 and SCS2, must only seek internal departmental approval, although many people in these positions will nonetheless have significant roles in policy and commercial decisions relevant to their potential future employers.

The TI UK report makes 10 recommendations for reform, which between them seek to put the rules governing public officials' subsequent employment, and the body overseeing them, on a statutory basis, with proper enforcement powers, and an expanded scope.

This analysis and work by other groups, has found that:

- The revolving door is indeed a common phenomenon, accounting for over 40% of senior officials and officers who left the MOD between 2010-21, and a majority both of military officers and of those military and civilian personnel in units working closely with MOD contractors.
- The revolving door appears to be clearly more prevalent in the defence sphere than in other areas of government and industry.
- The regulatory framework is full of loopholes and in any case has no statutory basis or legal sanctions, and is totally inadequate to the task of monitoring and mitigating revolving door risks.
- Overall, it is highly likely that the revolving door represents an important channel of influence for the arms industry on government. Moreover, the sheer volume of traffic between the two blurs the boundaries between the government and industry, representing a serious risk of "groupthink," where the interests of the two are treated as identical.

6.4 Secondments

Another way in which personnel from the arms industry and government intermingle is through secondments, the temporary placement from industry to government departments. This is particularly prevalent with the MOD. A response to an FOI submitted by Open Democracy journalist Lucas Amin in June 2022 revealed that,

¹²⁰ Ibid., p11

¹²¹ 1* officers: Brigadier & equivalent; 2*: Major General & eq.; 3*: Lt. General & eq.; 4*: General & eq

as of 21 June 2022, 53 individuals were on inward secondments from industry to the MOD civil service, ranging from administrative roles to senior civil service. The secondments commenced between 2018–2022, with the largest number starting in 2020, followed by 2019. The companies from which these individuals were seconded were mostly not disclosed or were not known; but those that were listed included at least nine from BAE Systems, five from QinetiQ, two each from Babcock and Rolls-Royce, and one from MBDA. No other companies were named. In addition, at least three inward secondments had concluded since 1 January 2022, of which at least 2 two were from QinetiQ.¹²²

The arms industry was also significantly represented in secondments to the Department for International Trade (DIT) (now part of the Department for Business and Trade [DBT]). The DIT/DBT is responsible for processing and deciding on export licence applications, and hosts UK Defence & Security Exports (UKDSE), the government's arms and security export promotion agency.

A 2017 FOI by Friends of the Earth, reported in October 2017,¹²³ revealed that the DIT had taken 30 secondees since its formation in July 2016, of which half, 15, were linked to the arms industry. This included three each from BAE Systems and Rolls-Royce, two from MBDA, and one each from Babcock, Leonardo, Lockheed Martin and Raytheon.

A 2020 FOI by the Guardian also found numerous arms industry employees seconded to important DIT civil service roles, many in roles that appear to relate to export promotion.¹²⁴ A further FOI request in 2022 by Lucas Amin (made alongside the MOD one above) revealed that six arms companies: Airbus Defence & Space Ltd, Babcock (represented by two corporate entities), BAE Systems, Leonardo, MBDA, and Thales UK, had employees seconded to the DIT, apparently mostly to UK Defence & Security Exports (UKDSE).¹²⁵

Many secondees will likely return to their original employers after concluding their secondment, having deepened their knowledge of the MOD and DIT, its systems and people. This can only deepen the entrenchment of arms industry interests and voice within government.

In the past, the Head of the DIT (or its forerunners) Defence and Security Organisation (now UKDSE) has been a secondment from the arms industry, and has frequently returned to the industry after their term of office. The most recent head to follow this path was Richard Paniguan, who became head of DSO in 2008, having previously been on the Middle East advisory committee of Atkins, an engineering and design consultancy with significant military business. He left DSO in 2015, to become a Non-Executive Director of Raytheon UK, and subsequently Chairman, before his death in 2017.¹²⁶ Paniguan's predecessor, Alan Garwood, likewise came from MBDA in 2002,

122 Lucas Amin, "Exclusive: Weapons firms install 50 staff inside the Ministry of Defence," Open Democracy, 27 September 2022, <https://www.opendemocracy.net/en/dark-money-investigations/arms-companies-install-staff-inside-ministry-of-defence/>; and FOI response to Lucas Amin, available on request

123 Rob Evans, "UK trade department draws half its secondees from arms industry," The Guardian, 8 October 2017, <https://www.theguardian.com/world/2017/oct/08/uk-trade-department-draws-half-its-secondees-from-arms-industry>

124 Ben Quinn, "Arms industry staff seconded into key roles at UK Department for Trade," The Guardian, 18 March 2020, <https://www.theguardian.com/world/2020/mar/18/arms-industry-staff-seconded-into-key-roles-at-uk-department-for-trade>

125 Lucas Amin, "Exclusive: Weapons firms install 50 staff inside the Ministry of Defence"

126 CAAT political influence browser, "Richard Paniguan," accessed 31 July 2024, <https://caat.org.uk/data/influence/person/8/meetings>

running DSO until 2007, when he became Group Business Development Director for BAE Systems, a role in which he continued to meet regularly with the government.¹²⁷

6.5 Concluding remarks

There is a constant interchange of personnel, in both directions, between the government—especially the MOD, but also the Department of Business and Trade (formerly the Department for International Trade), and the arms industry. Not only can this create individual conflicts of interest, and present opportunities for inappropriate use of inside information and contacts, but it creates or reinforces the idea of government and arms industry as being part of a single community of interest. It is not just a matter of one party influencing another, but of the boundaries between the two blurring and dissolving, to become public and private branches of the same national security establishment. The next chapter, focusing on the institutional embedding of the arms industry in government, will add even further weight to this picture. Perhaps a better metaphor for this traffic of personnel between government and industry is not so much a “revolving door,” as an “open-plan office.”

¹²⁷ CAAT political influence browser, “Alan Garwood,” accessed 31 July 2024, <https://caat.org.uk/data/influence/person/157/meetings>

Institutions

7.1 Regular meetings between government and industry

Meetings between government officials and companies supplying them with goods and services can be entirely normal, appropriate and indeed necessary for the smooth running of programmes. However, meetings between the arms industry and government have become such a constant and regular drumbeat, including at the very highest levels of government, as to suggest that the industry has been granted a powerful policy voice, far more so than any other industry. Combined with the revolving door and the frequency of secondments discussed above, this is further evidence of a deep institutional embedding of the industry—and most especially BAE Systems—within the workings of government, blurring the lines between the two.

Since 2011, CAAT has maintained an online database¹²⁸ of meetings between arms company representatives and ministers, senior MOD civil servants, and senior civil servants in the UK Defence and Security Exports (formerly the Defence and Security Organisation), a government agency, currently within the Department for Business and Trade, with the sole purpose of promoting arms and security exports by UK companies. The data on meetings is taken from published departmental meetings data for ministers, Parliamentary under-secretaries, and Permanent Secretaries in the MOD and other relevant ministries; minutes of certain official advisory bodies where arms companies are represented, such as the Defence Suppliers Forum; and Freedom of Information requests for meetings involving those civil servants not covered by the officially published meetings data. Unfortunately, in recent years the database has lost coverage, partly due to departmental reorganisation, and partly due to an increasing tendency of relevant departments to refuse FOI requests on the grounds of undue burden.¹²⁹

Nonetheless, the data, especially up to 2019, reveals a clear picture of an industry that enjoys an extraordinary level of access to government. The meetings include occasions such as meetings of the Defence Suppliers Forum, where a large number of companies are represented, and meetings at arms fairs or factory visits, as well

128 CAAT Political Influence browser, <https://caat.org.uk/data/influence>

129 One problem is that since the beginning of the Covid pandemic in 2020, a large proportion of meetings have been online; this in turn led, according to the refusal letter, to there being a lot more meetings or diary entries, as each meeting only required a video call rather than a trip across London.

as meetings between officials and just one or a few companies. Some meetings are related to specific issues, such as a particular arms procurement programme with which the company is involved, while others are of a more general character.

Over the 10-year period November 2009–October 2019, when the database has fullest coverage, 6,006 meetings between government and the arms industry are recorded in the database, about 1.64 per day. The top ten companies by number of meetings were:

**Table 7.1 Meetings between government and industry
November 2009 – October 2019**

1.	BAE Systems	1,238
2.	Rolls-Royce	321
3.	Leonardo	313
4.	Lockheed Martin	283
5.	Thales	262
6.	Babcock	256
7.	Airbus	247
8.	MBDA	218
9.	Serco	195
10.	QinetiQ	164

Source: CAAT political influence browser, <https://caat.org.uk/data/influence/>. Table: Sam Perlo-Freeman 2024.

Additionally, the Aerospace, Defence, Security and Space industry association (ADS), had 170 meetings during this same period.

BAE Systems is far and away the most prolific in their meetings with the government, at a rate of about one meeting every three days. Essentially, the company is in constant contact with senior members of the government.

Lobbying meetings

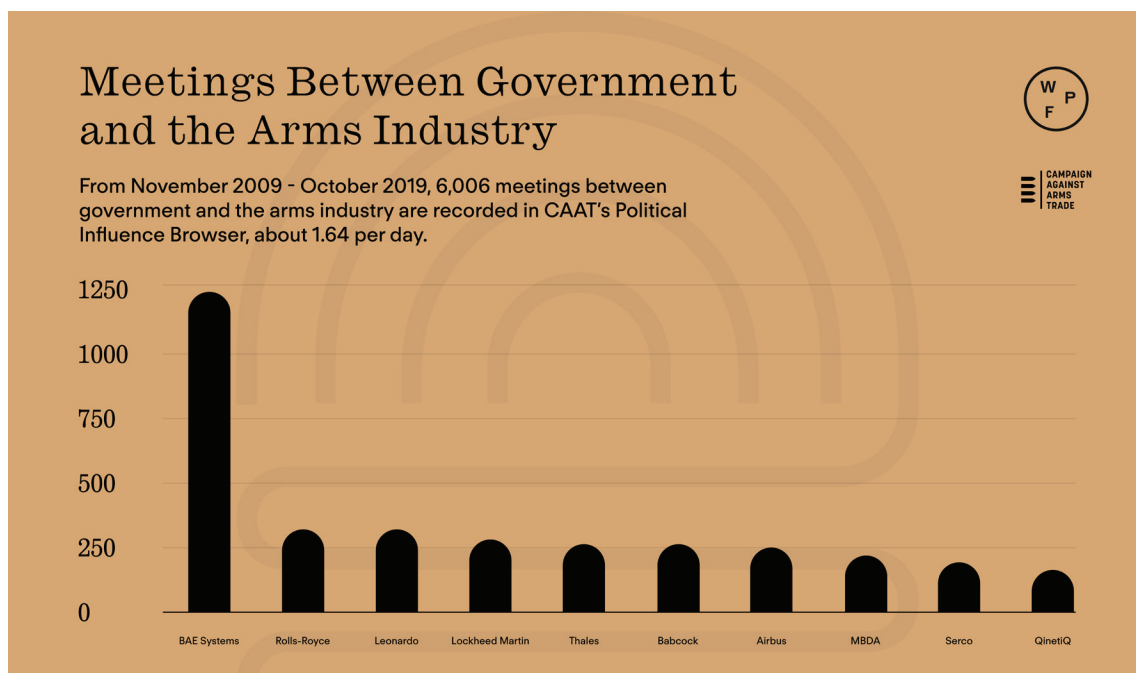
Many MOD-industry meetings involve people in roles, on both sides, relating to the management of ongoing programmes, and thus may be considered necessary for the running of them. However, many other meetings appear to present much more of a potential opportunity for general lobbying of top officials and ministers by companies. We¹³⁰ looked for meetings involving some of the top UK arms companies that had the following characteristics:

- They involved only one company.
- They involved very senior company representatives, i.e. Chairperson or Chief Executive, and/or Government Relations officers or directors, or similar roles whose purpose is primarily lobbying.

¹³⁰ Thanks again to B. Arneson for invaluable research support for this section.

- The stated purpose of the meeting was vague, not relating to any specific weapons programme or other limited and specific purpose.

Examples of the latter include “Call on CEO,” “Routine meeting/telecon,” “Meeting,” “Introductory meeting,” “Office call,” “BAE general catch up,” or “To discuss defence industry issues.”



Source: CAAT political influence browser, [https://caat.org.uk/data/influence/..](https://caat.org.uk/data/influence/) Graphic: playedapixel, 2024

Such meetings arguably present the best opportunity for top arms company officials to take advantage of one-on-one time with ministers or senior government officials, and to influence their thinking in favour of their interests—i.e. to engage in lobbying.

Between 2012 and 2019, **BAE Systems had 219 such potential lobbying meetings, that is, more than one every two weeks.** This massively exceeded any other company: next were Rolls-Royce with 24, Thales with 23, and Babcock with 21, i.e. 2–3 a year. Nonetheless, it is arguably more solo contact than most companies get.

Comparison with other industries and interests

How does this compare with other industries or interest groups? Similar data for other industries is not available; however, information specifically on ministerial meetings (as opposed to civil servants) is available. This goes from the Prime Minister down to junior ministers and MPs and Peers in the Whips’ office, for example, as well as Parliamentary Under-Secretaries.

Transparency International UK has compiled an online database of such meetings between 2012 and 2023.¹³¹ While this only covers political officials, i.e. MPs and

¹³¹ Transparency International UK, “Open Access UK: monitor lobbying meetings with Government,” accessed 31 July 2024, <https://openaccess.transparency.org.uk/>

Peers in ministerial positions, they cover all meetings, and thus allow one to compare different industries, agencies, and interest groups, as well as individuals.

The data is somewhat difficult to parse, as many organisations are recorded under numerous different names in the data, and as many meetings involve more than one—sometimes large numbers—of organisations meeting with the government people.¹³² However, once these issues are accounted for, some very striking results emerge.

Counting all meetings with ministers where only one company/organisation/individual is in the meeting on the non-government side, arms companies are 3rd (BAE Systems), 4th (Airbus), and 6th (Rolls-Royce) on the list, with 273, 219 and 212 meetings respectively. Moreover, they are the *top 3 private companies on the list*. The full top 10 is:

Table 7.2 Top private companies with the most one-on-one meetings with government ministers 2012-2023

1.	Confederation of British Industry	322
2.	Local Government Association	291
3.	BAE Systems	273
4.	Airbus	219
5.	National Farmers Union	214
6.	Rolls-Royce	212
7.	BT	182
8.	Federation of Small Businesses	181
9.	Network Rail	172
10.	The Bar Council	168

Source: <https://openaccess.transparency.org.uk/> Table: Sam Perlo-Freeman 2024.

It is noteworthy that the MOD, with which the arms industry naturally has the most meetings, is only 16th in the list of all government departments who met with arms industry companies.

When counting all meetings with ministers, where multiple organisations are represented, BAE Systems were once again the highest among individual private companies, with 621 meetings—an average of just under one per week. They were 9th in the overall list, with the top 8 being mostly general industry or sectoral bodies, as well as the BBC. The top 10 private companies were:¹³³

¹³² For example, companies may be recorded with or without the “Group,” “PLC,” “Ltd,” etc. after their name, with each having a separate entry in the count for each company; likewise company names may be abbreviated, sometimes subsidiaries will be listed as the organisation in the meeting, and even a stray space in the name can lead to it being treated as a separate company in the data. In particular, the graphics showing the top 10 Lobbyists (organisations or individuals meeting with government figures), either in total, or with a particular department or individual, cannot be taken at face value. First, they only show the meetings where the entity in question is the only person/organisation meeting the government, and second, they do not take account of the multiple name variations. For example, while “BAE Systems” is listed as having 234 meetings in total with the government, this only refers to solo meetings, and does not include cases where the company is listed as “BAE,” “BAE Systems Plc,” etc.

¹³³ In compiling this list, every effort has been made to identify all versions of a company’s name, including common abbreviations. The top 25 companies in terms of the number of meetings under their most commonly used name were checked. It is extremely unlikely that any other company would be in the top 10 when all names are counted. (NB: treating The Times and The Sunday Times as a single entity would place it in 10th position in place of AstraZeneca, but again, as a media organisation, most of these meetings are likely for journalistic purposes rather than business lobbying).

Table 7.3 Top private companies with the most group meetings with government ministers 2012-2023

1.	BAE Systems	621
2.	BT	617
3.	HSBC	616
4.	Barclays	593
5.	Rolls-Royce	560
6.	Airbus	524
7.	Shell	509
8.	GlaxoSmithKline	509
9.	BP	465
10.	AstraZeneca	414

Source: <https://openaccess.transparency.org.uk/>. Table: Sam Perlo-Freeman 2024.

The MOD’s meetings were dominated by the arms industry, which accounted for 59% of total meetings. Other actors that met with MOD ministers included media, regulatory agencies, military and veterans’ charities, and, sadly all too often, families of soldiers and veterans who died by suicide. The top 10 organisations to meet with the MOD were arms companies, with the exception of ADS, the aerospace, defence, security, and space industry group. The top 10 were:

Table 7.4 Top private companies meeting with MOD ministers 2012-2023

1.	BAE Systems	234
2.	Rolls-Royce	97
3.	MBDA	82
4.	Babcock	81
5.	Thales	78
6.	Leonardo (includes under former name of Finmeccanica)	77
7.	Airbus (includes under former name of EADS)	68
8.	Lockheed Martin	55
9.	ADS Group	51
10.	Boeing	41

Source: <https://openaccess.transparency.org.uk/>. Table: Sam Perlo-Freeman 2024.

However, far from all the arms industry’s meetings were with the MOD. They also met with ministers from the Departments for International Trade, Business and Trade, Business, Energy and Industrial Strategy, and all the way up to the Prime Minister.

Indeed, the record of meetings with the various Prime Ministers of the period covered (Cameron, May, Johnson, Truss, and Sunak), is particularly striking. Excluding media organisations (with which Prime Ministers might meet for interviews, rather than for the company to represent their interests), **BAE Systems had more meetings with the Prime Minister than any other private company**, although the company is only listed 15th on the FTSE index by market capitalization.¹³⁴ The top private companies for Prime Ministerial meetings were:

Table 7.5 Top private companies granted group meetings with prime ministers 2012-2023

1.	BAE Systems	43
2.	BT	35
3.	BlackRock	33
4.	BP	32
5.	GlaxoSmithKline	31
6.	Rolls-Royce	25
7.	Airbus	24

Source: <https://openaccess.transparency.org.uk/>. Table: Sam Perlo-Freeman 2024.

These relate to all meetings with Prime Ministers, including those with multiple participants. For meetings with the Prime Minister as the *only* external party, BAE was only second. The top companies were:

Table 7.6 Top private companies granted one-on-one meetings with prime ministers 2012-2023

1.	Siemens	8
2.	BAE Systems	7
3.	Tata	7
4.	Airbus	6
5.	Royal Dutch Shell	5
6.	Vodafone	5
7.	AliBaba	4
8.	Nissan	4

Source: <https://openaccess.transparency.org.uk/>. Table: Sam Perlo-Freeman 2024.

The overall picture is that **the arms industry, and especially BAE Systems, enjoys unparalleled access to the government, including at the highest level**, far in excess of the relative importance of the industry in the UK economy as a whole. While again

¹³⁴ London Stock Exchange, accessed 31 July 2024, <https://www.londonstockexchange.com/indices/ftse-100/constituents/table>. The rankings may change over time as share prices rise and fall.

it is hard, if not impossible, to demonstrate a causal relationship between this and policy outcomes, it is likewise very hard to imagine that such constant, privileged access does not afford the industry a very significant degree of influence in the corridors of power.

7.2 Dedicated government-industry forums

A further channel of arms industry influence within government exists through a network of advisory bodies, steering groups, teams, partnerships etc. Executives of arms companies enjoy privileged access to senior decision-makers, a level of access that seems to surpass that of any other sector.

Two bodies operate at the highest level: the Defence Suppliers Forum¹³⁵ and Defence Growth Partnership.¹³⁶ These groups bring together ministers and the chief executives of arms companies to formulate policy on various issues, ranging from domestic investment in the industry to selling weapons overseas. The current website of the DGP has “Powering Export Led Growth” as a large banner headline on its front page, giving a fairly clear indication of its agenda.

Additionally, there is a web of further bodies focused on specific sectors or equipment, which also provides arms company executives with privileged access to senior decision-makers. Minutes reveal that several of these groups concentrate on exporting specific types of weaponry. Information is available about groups focusing on exportation of warships and aircraft, as well as cyber technology. Even these mid-level groups are tasked with representing arms industry interests at a ministerial level, and even to the Treasury.¹³⁷

There is little information about the mid-level groups in the public domain. Almost all the information has been obtained through Freedom of Information (Fol) requests.

The Defence Suppliers Forum

The Defence Suppliers Forum (DSF),¹³⁸ the major conduit for MoD-industry relationships, consists of the Chief Executives of major international arms companies, government ministers, and senior civil servants. It is chaired by the Defence Secretary and includes two other Ministers.¹³⁹

The DSF operates at a number of tiers of seniority and has various subgroups. The main DSF is generally attended by the most senior arms company executives like CEOs. On the government side, it is attended by the Secretary of State for Defence, the Minister of State for Defence Procurement and about ten civil servants.

¹³⁵ UK Government website, “Defence Suppliers Forum,” accessed 31 July 2024, <https://www.gov.uk/government/groups/defence-suppliers-forum>

¹³⁶ UK Defence Solutions Centre website, accessed 31 July 2024, <https://www.ukdsc.org/>

¹³⁷ For more information on this, see CAAT website, “The inside job,” last updated 8 September 2022, <https://caat.org.uk/challenges/government-support/political-influence/inside-job/>

¹³⁸ Ibid.

¹³⁹ Minutes of the DSF are available online on the UK Government website, “Defence Suppliers Forum,” accessed 31 July 2024, <https://www.gov.uk/government/groups/defence-suppliers-foru>

The mid-tier DSF is attended by slightly less senior (but still important) arms company representatives, alongside a few CEOs. The arms companies attending are different from those at the main DSF. Although no ministers attend, the head of the Defence and Security Organisation is sometimes present, along with a few other civil servants, including the Director-General Commercial of Defence Equipment and Support. At the DSF for small and medium sized businesses only a few representatives of smaller companies attend, alongside two representatives from the Aerospace, Defence Security and Space (ADS) Association. The Minister of State for Defence Procurement, alongside a few other civil servants, also attends.

The Defence Growth Partnership

Officially launched at the DSEI arms fair in September 2013, the Defence Growth Partnership (DGP)¹⁴⁰ is another top-level partnership giving arms company executives access to Ministers. It is co-chaired by a business minister and a top arms company leader. A junior MOD minister also attends the meetings.

The launch report of the Defence Growth Partnership outlined a strategic vision for the UK's arms industry, aiming to maximize opportunities for British businesses.¹⁴¹ Currently, 11 major arms companies are full members, most of which are large multinationals, with half headquartered overseas. These companies are Airbus, Babcock, BAE Systems, General Dynamics, Leonardo, MBDA, QinetiQ, Raytheon UK, Rolls-Royce, and Thales UK. Several companies and five universities are associate members.¹⁴²

At DGP ministerial meetings, approximately 20 senior arms company officials (mostly CEOs) convene with MOD, business and trade ministers, and civil servants. Additionally, the DGP Steering Committee meets every two months. The attendees are less high-profile than ministerial meetings—no ministers attend and around half of the civil servants are considered by the MOD to be junior enough for their names and roles to be redacted. Nonetheless, FOI requests have revealed attendees as including arms company top management and the head of DSO/UKDSE, among others.

UK Defence & Security Exports

Perhaps the most blatant way in which the arms industry has a direct foothold in government is the existence of a dedicated arms exports promotion unit – UK Defence and Security Exports (UKDSE)—previously known as the Defence and Security Organisation (DSO), within the DBT.¹⁴³ It is at the heart of the government's support for the arms trade, and again represents a blurring of lines between industry and government—not least due to the regular exchange of personnel, including frequently the UKDSE head.

140 See CAAT, *ibid.*

141 Defence Growth Partnership launch report, p.1

142 Defence Growth Partnership, "Membership Model," accessed 31 July 2024, <https://ukdsc.wenginepowered.com/wp-content/uploads/2024/01/DGP-Membership-Model-Jan-2024.pdf>

143 CAAT website, "Government arms promotion unit," last updated 7 October 2020, <https://caat.org.uk/challenges/government-support/government-arms-promotion-unit/>

It exists to help arms companies sell weapons to other countries, promoting weapons sales to repressive regimes and countries in conflict, with little or no regard for the impact of the sales.

Its role is neatly summed up by its meetings, as documented in CAAT's online database.¹⁴⁴ There are significant numbers involved with the major arms and security companies, as well as across the relevant government departments—from the Ministry of Defence to the Prime Minister's Office. Effectively functioning as a trade association within government, it coordinates government efforts in supporting arms sales for international companies.

It also actively lobbies government figures, including the Prime Minister's office, ministers and ambassadors, to persuade them to help promote arms exports, and facilitate their promotional activities.

UKD&SE co-organises UK arms fairs, serving as a platform through which the arms trade exerts its political influence, and provides support to UK companies exhibiting at arms fairs in the UK and overseas.¹⁴⁵ UKD&SE officials also accompany politicians on tours of arms company stands at arms fairs, thereby facilitating political influence. Additionally, UKD&SE engages in lobbying efforts to secure invitations for countries to attend arms fairs, sometimes despite Foreign and Commonwealth Office concerns regarding internal repression.

7.3 Concluding remarks

The UK arms industry enjoys an extraordinary level of access to the government at the highest levels through regular meetings with ministers and top civil servants, as well as through dedicated advisory bodies and an export promotion agency, which formalise the industry's integration within the government. In the last chapter, I suggested that the pace of traffic through the revolving door blurs the lines between government and the arms industry. The information discussed in this chapter invites us to go further: it raises the question of whether the arms industry should be seen as separate from government at all, or rather essentially as a privately-owned branch of the state itself. Of course, in one key respect, the arms industry is not part of the government: arms companies in the UK have a primary legal responsibility to maximise returns to their shareholders. In this respect, their interests are by no means the same as the public interest, which the government is supposed to represent. The danger of such a closely entrenched relationship is that the government comes to see the interests of industry as identical with its own, to the detriment of the taxpayer, good public policy (especially on arms exports), and even the UK's military capabilities themselves.

¹⁴⁴ CAAT Political Influence Browser, "Defence and Security Organisation," accessed 31 July 2024, <https://caat.org.uk/data/influence/org/7/meetings>

¹⁴⁵ UK Government website, "UK Defence and Security Exports event and exhibition support," last updated 31 July 2024, <https://www.gov.uk/government/publications/defence-and-security-exporting-event-and-exhibition-support>

Development of UK Policy Towards the Defence Industry

This chapter discusses three questions: How has government policy towards the arms industry developed over recent decades? How have developments affected the government-industry relationship? How have changes increased the political sway of the arms industry? As can be seen from a series of policy documents relating to defence and defence industrial policy since the turn of the millennium, successive UK governments have come to see their relationship with the arms industry not so much as one of customer and supplier, but as a “partnership.” Most recently, government has described the relationship even as a “new alliance,” explicitly endorsing the idea that the two form part of a common endeavour and share a commonality of interests. As subsequent chapters will show, the consequences of this, for both the efficient use of public funds and arms export policy, are highly detrimental.

This view of a government-industry partnership is reflected in an approach to military procurement that has increasingly moved away from open competition as the predominant means of acquiring equipment, towards one of close long-term partnerships with industry, combined with sole-source procurement of major systems with a fairly small number of chosen companies.

Three key trends have contributed to this: first, the consolidation of the arms industry over the 1990s and 2000s; second, the neoliberal approach to public policy and services, which seeks to bring the private sector into ever-expanding areas of government provision, including defence; and third, the influence of the arms industry on government thinking, which itself has grown as a result of this approach, creating a self-reinforcing trend.

8.1 The Growth of BAE Systems

One company, BAE Systems, is central to the consolidation of the UK arms industry. This started in the 1990s, and accelerated with the 1999 merger of British Aerospace with industrial giant GEC’s military business, Marconi Electronic Systems, creating

BAE Systems.¹⁴⁶ The new company retained British Aerospace's fixed-wing aircraft business, and acquired MES's military electronics business, as well as its submarine-building business at Barrow-in-Furness,¹⁴⁷ and the Yarrow shipyard at Scotstoun, on the Clyde.¹⁴⁸ BAE also separately acquired the Govan shipyard later in 1999.¹⁴⁹

In 2004, BAE Systems acquired the armoured vehicle business of Alvis-Vickers, making it the sole UK company in this sector. Alvis-Vickers was itself the result of Alvis acquiring Vickers Defence Systems from Rolls Royce in 2002, having previously acquired GKN's armoured vehicle business in 1998.¹⁵⁰

In 2008, BAE and shipbuilder VT Group (formerly Vosper Thornycroft) merged their surface shipbuilding activities into BVT Surface Fleet, in which BAE held 55% of the shares and VT Group 45%.¹⁵¹ This was a move strongly encouraged by the UK government, which promised 15 years of work for the combined company. Just one year later, VT Group sold their stake in the joint venture to BAE Systems, giving BAE a near-monopoly in military surface shipbuilding as well.¹⁵²

However, the MOD later broke BAE's monopoly in the surface ship and armoured vehicle sectors. In 2010, General Dynamics UK won the competition to provide a new family of armoured vehicles for the Army, the Ajax programme,¹⁵³ based on a Spanish design from Santa Barbara Sistemas, acquired by General Dynamics in 2001.¹⁵⁴ The MOD awarded the contract for the Type 31 frigate in 2019 to a consortium including Babcock International, marine engineering consultancy BMT Group, Thales, and Danish shipbuilder Odense Maritime Technology (OMT), the latter providing the hull design¹⁵⁵. Nonetheless, BAE remains a major player in both markets, and retains a UK monopoly on fixed wing aircraft and submarines.

This process of consolidation naturally gave BAE a central role in UK arms procurement, and thus in the government's counsels.

146 Michael Harrison, "BAe and Marconi merge to form pounds 15bn defence giant," 19 January 1999, <https://www.independent.co.uk/news/business/bae-and-marconi-merge-to-form-pounds-15bn-defence-giant-1074901.html>

147 BAE Systems website, "Vickers Shipbuilding," accessed 31 July 2024, <https://www.baesystems.com/en/heritage/vickers-shipbuilding>

148 BAE Systems website, "Scotstoun," accessed 31 July 2024, <https://www.baesystems.com/en/heritage/scotstoun--clydebank->

149 Defence-aerospace.com, "Govan Complements BAE SYSTEMS Naval Ship-Building Capacity," 17 December 1999, <https://www.defense-aerospace.com/bae-systems-buys-govan-shipyard-dec-17/>

150 4Nil, "Shares in arms-maker Alvis rise after BAE purchase," 4 June 2004, <https://www.4ni.co.uk/uk-national-news/29879/shares-in-arms-maker-alvis-rise-after-bae-purchase>

151 Defence-aerospace.com, "BAE Systems and VT Group Create Naval Joint Venture," 12 June 2008, <https://www.defense-aerospace.com/bae-vt-merge-shipbuilding-fleet-support-businesses/>

152 Philip Stafford, "BAE buys out VT stake in shipbuilding business," Financial Times, 24 September 2009, <https://www.ft.com/content/fee57e34-a8da-11de-b8bd-00144feabdc0>

153 As discussed in Chapter 9, this has been one of the most problematic recent contracts.

154 Defence Today, "Ajax: The British Army's future armoured vehicle," 22 March 2023, <https://www.defencetoday.com/industry/military-equipment/ajax-the-british-armys-future-armoured-vehicle/>

155 Stuart Nathan, "Babcock wins £1.25bn Type 31 frigate contract," The Engineer, 12 September 2019, <https://www.theengineer.co.uk/content/news/babcock-wins-125bn-type-31-frigate-contract>

8.2 Privatisation of military services, and the Private Finance Initiative (PFI)

Privatisation of formerly military or MOD-run aspects of the arms industry also led to closer ties between government and private industry, through long-term Private Finance Initiative projects, and through the companies running newly-privatised facilities. In the latter category, the privatisation of naval shipyards began as early as 1987, with the award of the management contract for Devonport naval base to Devonport Management Limited.¹⁵⁶ This was bought by Babcock in 2007.¹⁵⁷ Babcock had previously bought the Rosyth dockyard in 1997, having first been awarded the management contract for the yard in 1987.¹⁵⁸ Babcock also provides engineering and maintenance services at the Clyde naval base at Faslane, where the UK's Trident nuclear submarines are based.¹⁵⁹ These contracts have entrenched Babcock as another major player at the heart of the MOD.

In 2001, the government privatised most of the Defence Evaluation and Research Agency (DERA), as a new company, QinetiQ.¹⁶⁰ The top managers who received shares in QinetiQ saw an almost instant large profit, as the laboratories were severely undervalued.¹⁶¹ This created a completely new private company with deep links to the MOD of which it was formerly a part, and an almost guaranteed role in the MOD's cutting edge R&D programmes.

Private Finance Initiatives (PFIs), whereby private companies contract for long-term provision of services to the government, rather than these being provided directly by the government, and in contrast to contracts where a company produces equipment or builds infrastructure that is then owned by the government, have also expanded the private sector role in defence. Examples of this include Ascent Flight Training, a joint venture of Lockheed Martin UK and Babcock, which trains pilots and aircrew for the UK armed forces;¹⁶² and AirTanker Services Ltd, a joint venture of Airbus, Rolls-Royce, Cobham, Babcock, and Thales, which owns and operates a fleet of Airbus transport/tanker aircraft, which it provides to the MOD and is paid on a usage basis, while also operating the planes for civil customers when not needed by the military.¹⁶³ Ascent was awarded a 25 year contract by the MOD, and Air Tanker a 27-year contract, both in 2008.

156 UK Parliament website, Hansard, "Devonport Dockyard," 24 February 1987, <https://api.parliament.uk/historic-hansard/commons/1987/feb/24/devonport-dockyard>

157 Office of Fair Trading, "Completed acquisition by Babcock International Group plc of Devonport Management Limited," 3 September 2007, <https://assets.publishing.service.gov.uk/media/555de3c840f0b669c40000d1/Babcock.pdf>

158 The Herald, "Babcock clinches Rosyth takeover," 13 December 1996, <https://www.heraldscotland.com/news/12025605.babcock-clinches-rosyth-takeover>

159 Wikipedia, "HMNB Clyde," accessed 31 July 2024, https://en.wikipedia.org/wiki/HMNB_Clyde

160 Bill Kincaid, "The privatisation of QinetiQ," RUSI, 28 November 2007, <https://www.rusi.org/publication/privatization-qinetiq>

161 Miya Knights, "Qinetiq deal cost taxpayers £100 million," IT Pro, 10 June 2008, <https://www.itpro.com/603537/qinetiq-deal-cost-taxpayers-100-million>

162 Ascent Flight Training website, accessed 31 July 2024, <https://ascentflighttraining.com/>

163 Babcock, Cobham and Rolls-Royce later sold their stakes. George Allison, "How much does the UK pay AirTanker for Voyager aircraft?," UK Defence Journal, 6 September 2021, <https://ukdefencejournal.org.uk/how-much-does-the-uk-pay-airtanker-for-voyager-aircraft/>; Companies House, "Ascent Flight Training," <https://find-and-update.company-information.service.gov.uk/company/06279646/filing-history>; Mark Kleinman, "Babcock and Rolls-Royce plot sale of stakes in RAF Voyager contractor AirTanker," Sky News, 20 July 2021, <https://news.sky.com/story/babcock-and-rolls-royce-plot-sale-of-stakes-in-raf-voyager-contractor-airtanker-12359730>

Aside from the dubious financial benefits of PFIs, a mode of operation that has lost favour in the civil sector due to the far higher long-term costs, such extremely long-term contracts again tend to create a deeply-entrenched, insider relationship between the companies involved, working directly alongside the armed forces, and the government. It also results in companies like BAE, due to its sheer size and monopoly status, coming to be seen as essential elements of the UK military system, whose departure from the scene is unthinkable—“too big to fail.” But as so often, “too big to fail” also means too big to be held accountable. Such situations have led to disastrous outcomes and massive costs being incurred by the taxpayer in numerous sectors, civil as well as military.

Other companies that have gained important roles in military service provision (see chapter 2) include Serco, who previously mostly provided facilities management at military bases, but have now started providing more technical military services; Capita, who have a range of contracts managing the MOD estates, including the provision of military housing, and also have a contract to run the British Army’s recruitment programme—both areas in which they have been accused of failing miserably;¹⁶⁴ and Leidos Europe, who have a 13-year contract to provide logistical supply services to the MOD.¹⁶⁵

Capita won a two-year extension to their Army recruitment contract in 2022, despite their failure to perform in the previous contract.¹⁶⁶ Military recruitment is another example of an area of work previously conducted by the military itself, indeed seen as something of a core function. It has now in some cases been outsourced, creating close, long-run relationships with the outsourcing companies.

While such service contracts are generally the result of competitive tendering, they are likely to be dominated by the same handful of companies that have established close relationships with the MOD, and whose core competency is winning government contracts.

8.3 Defence industrial policy and strategy - from customer and supplier to long-term partners

The New Labour government first published a Defence Industrial Policy paper in 2002.¹⁶⁷ This did not appear to lead to any major changes in practice, and indeed the paper is no longer available online. It did herald one new and consistent policy approach: regarding overseas-headquartered companies that invest in the UK arms industry and establish production, technology, and employment in the UK as being essentially UK companies, part of the UK Defence Industrial Base. A House

164 House of Commons Public Accounts Committee, “Capita’s contracts with the MOD,” 1 March 2019, <https://publications.parliament.uk/p/m201719/cmselect/cmpubacc/1736/173602.htm>

165 Ministry of Defence, “MOD announces contract to run military logistics,” 24 March 2015, <https://www.gov.uk/government/news/mod-announces-contract-to-run-military-logistics>

166 Gareth Corfield, “What’s the price of failure? For Capita, it’s a £140m extension to its MoD recruiting contract,” The Register, 14 December 2020, https://www.theregister.com/2020/12/14/capita_recruiting_partnership_project_140m_extension/

167 The 2002 DIP no longer seems to be extant on the internet. It is discussed quite extensively in a 2004 House of Commons Defence Committee report, 14 July 2004, <https://publications.parliament.uk/p/m200304/cmselect/cmdfence/572/57207.htm>

of Commons Defence Committee report from 2004 suggests it also led to closer relations between the MOD and industry, with improved dialogue between the two.¹⁶⁸

Much more significant was the 2005 Defence Industrial Strategy.¹⁶⁹ One of the most important aspects of this was its proposals for **long-term partnering arrangements with key suppliers** in certain areas of procurement, as an alternative to open competition. Among such partnering arrangements, it declared an intention to immediately start work on negotiating such an arrangement for submarines with the main submarine companies—i.e. BAE Systems and Rolls-Royce (for the production of the submarines' nuclear reactors). Another partnering arrangement to be agreed with BAE was for maintenance and support of the Army's land vehicles, 95% of which were by then produced by companies taken over by BAE Systems. BAE also got a partnering arrangement to produce 80% of the Army's general munitions supplies, while AgustaWestland, by then a subsidiary of Finmeccanica, was to have a partnering agreement negotiated by 2006.¹⁷⁰

Defence Economist Keith Hartley, in a 2007 paper on the DIS,¹⁷¹ expressed concerns about the partnering approach and the dominant role of BAE Systems. He warned that a lack of competitive pressure might lead to monopoly behaviour by the companies benefiting from this approach, leading to lack of cost control, and complacency in terms of performance. Arguably, such fears have been extensively borne out.

Another major aspect of the DIS was to set out, based on a range of strategic criteria such as security of supply, control of key sensitive technologies, and operational independence, which areas of arms production must be maintained fully in the UK. Additionally, it delineated sectors where the UK must retain a strong capability, but could also buy on the international market. Finally, it identified sectors where the UK need not retain a full production capability, but should ensure continued capabilities for maintenance, upgrade, and integration of systems, and the ability to act as an "intelligent customer." Nuclear weapons and submarines (nuclear powered, including those that carry the nuclear missiles, and attack submarines that support them) were examples of the first category, complex weapons (such as missiles) and shipbuilding was in the second, while armoured vehicles were in the third.

This was generally interpreted, as seen in Hartley (2007), to mean that certain areas of the UK Defense Industrial Base (DIB), considered less critical to UK strategic goals, would be allowed to disappear. This would result in a smaller DIB focusing on key technologies, while others would tend to be imported. However, this aspect of the DIS did not really play out, based on subsequent procurement decisions, as well as SIPRI data on UK imports of major conventional weapons since 2005. Indeed, while the DIS stated that not every Royal Navy warship need be built in the UK, all since then have been. Going further, a 2017 National Shipbuilding Strategy stated, "We will

¹⁶⁸ Ibid.

¹⁶⁹ Ministry of Defence, "Defence industrial strategy: Defence White paper," December 2005, <https://assets.publishing.service.gov.uk/media/5a7cd8eae5274a2ae6eeb239/6697.pdf>

¹⁷⁰ The extent to which the Strategy enshrined BAE dominance in several sectors led to The Economist running an article on it with the headline "The Turner Prize" – in reference to BAE's then CEO, Mike Turner. The Turner prize (economist.com).

¹⁷¹ Hartley, K., The Economics of the UK Defence Industrial Strategy, *Security Challenges*, Vol. 3 no. 2, June 2007, pp19-30, <https://www.jstor.org/stable/26458856>

continue to build Royal Navy warships only in the UK, while encouraging international collaboration...."¹⁷²

The DIS still emphasised competition as a key means of procurement, and the relationship between government industry was still described frequently as one of customer and supplier, as well as, in other contexts, as long-term partners. However, this new strategy, alongside the other factors discussed above, does seem to have strongly promoted the tendency for a closer relationship between government and industry. This close relationship dominated ideas of being more open to international competition in sectors not seen as strategically critical.

Move back towards competition?

A 2012 White Paper, "National Security Through Technology,"¹⁷³ heralded something of a move back towards competitive contracting. The paper, which emphasised investment in new military technologies, also expressed concern at the high proportion of MOD spending made through non-competitive contracts, and enshrined global competition as the default option for procurement, except where national security considerations required otherwise. The 2017 Defence Industrial Policy "refresh" likewise stated open competition as the primary means of procurement.¹⁷⁴ However, it also emphasised working closely with industry, supporting the UK-based supply chain, especially among SMEs, and strong support for arms exports, including through the Defence Growth Partnership. It stressed the "economic value" of the arms industry as something to be taken into consideration in procurement choices. The paper also stressed exceptions to the competition norm to preserve the UK's "operational advantage and freedom of action," including in relation to collaborative programmes with partner nations.

In a commentary on the 2017 paper,¹⁷⁵ Professor Trevor Taylor of RUSI described it as in many ways representing a continuation of existing practices, and summarised:

Overall, the document provides no significant constraints on government decisions: collaboration with the US and with Europeans will be pursued; there is to be competition tendering, but also close working with industry; and the government wants national freedom of action, but also wants to be open to external suppliers.

This revised approach did seem to be associated with some increase in competitive procurement, as shown in figure 8.1.

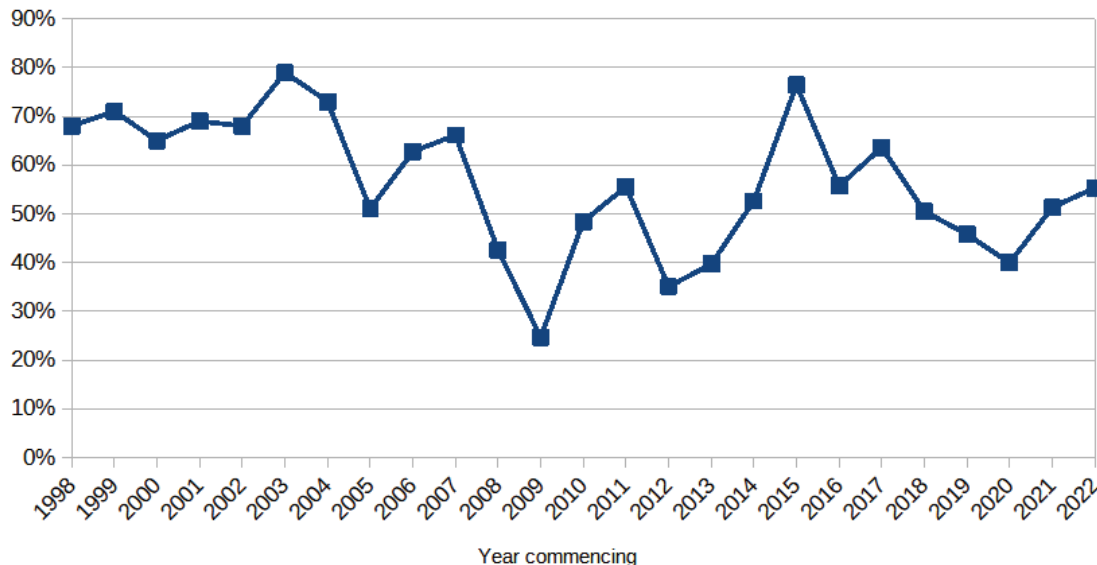
172 Ministry of Defence, "National Shipbuilding Strategy: The Future of Naval Shipbuilding in the UK." 2017, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/643873/NationalShipbuildingStrategy_lowres.pdf

173 Ministry of Defence, "National security through technology: technology, equipment and support for UK defence and security," 1 February 2012, <https://www.gov.uk/government/publications/national-security-through-technology-technology-equipment-and-support-for-uk-defence-and-security-cm-8278--2>

174 Ministry of Defence, "Industry for Defence and a Prosperous Britain: Refreshing Defence Industrial Policy," 2017, https://assets.publishing.service.gov.uk/media/5a820e19ed915d74e34017b9/DefenceIndustrialPolicy_Web.pdf

175 Trevor Taylor, "The UK Defence Industrial Policy Document: Few Real Constraints or Direction for Future Choices," 10 January 2018, <https://www.rusi.org/explore-our-research/publications/commentary/uk-defence-industrial-policy-document-few-real-constraints-or-direction-future-choices>

Figure 8.1 Competitive share of new MOD contracts



Source: <https://www.gov.uk/government/collections/defence-trade-and-industry-index>. Graph: Sam Pero-Freeman.

Nonetheless, many of the top MOD suppliers saw their share of revenue from single-source contracts remain high or even increase. Despite these policy changes, BAE Systems’ non-competitive share, which had been 55–56% in the fiscal years 2005–2006 and 2006–2007, rose steadily to 86% in 2010–2011. It’s share has never fallen below that level, and in many years, including much of the period where “global competition” was the norm, exceeding 90%. A 2021 report by the House of Common Public Accounts Committee on MOD procurement noted that, of 20 major equipment projects monitored by the National Audit Office, 14 were awarded through non-competitive contracts, of which only four were due to clear national security reasons.¹⁷⁶

Insofar as competitive contracting increased, it seems to have operated at a level below these privileged prime contractors.

2021 Defence and Security Industrial Strategy

This—rather equivocal—move towards competition was unceremoniously scrapped with the publication of the 2021 Defence and Security Industrial Strategy (DSIS),¹⁷⁷ which followed the Integrated Review of Security, Defence, Development and Foreign Policy earlier that year.

The DSIS boldly stated that, henceforth, global competition would no longer be the default option for procurement. In fact, as we have seen, it never had been. However, the new strategy ditched even a rhetorical commitment to competition. Henceforth,

¹⁷⁶ House of Commons Committee of Public Accounts, “Improving the performance of major defence equipment contracts,” 21 October 2021, <https://committees.parliament.uk/publications/7706/documents/80491/default/>

¹⁷⁷ UK Government, “Defence and Security Industrial Strategy: A strategic approach to the UK’s defence and security industrial sectors,” March 2021, <https://www.gov.uk/government/publications/defence-and-security-industrial-strategy>

close partnering arrangements with industry were even more widely used, along with collaborative programmes with international partners. There was still to be a role for competition, but instead of being the default, it was only to be used where it could be shown to be preferable.

In the Foreword to the paper, the Secretary of State for Defence and Minister of Defence Procurement described the DSIS as, among other things, “A plan to treat this great industrial powerhouse as a strategic capability in its own right.”¹⁷⁸ This language not used in previous such policy documents. Essentially, the arms industry was now seen as almost a branch of the armed forces itself.

Close partnership with industry, a rejection of an “adversarial” approach of customer and supplier, and the view of government and industry as both being part of “Team UK” were constant themes throughout the report. If the 2005 DIS introduced the “partnership” model alongside the “customer” model, and the 2017 DIP tipped the scales somewhat in the other direction. As Prof. Taylor commented, the 2021 DSIS represented a whole-hearted embrace of the view of government and arms industry as partners.¹⁷⁹ Indeed, the word “customer” to describe the MOD’s role in relation to industry barely appeared in the paper, and then only in broad terms of the arms market as a whole.¹⁸⁰

The new relationship is concisely summarised thus:

Underpinning these changes needs to be a move towards a deeper, more sophisticated and strategic relationship between government and industry which is more direct, trusted and transparent.¹⁸¹

In its discussion of specific sectors, the DSIS is fairly clear that the great majority of new major equipment programmes will be either through partnership with industry, domestic competition (likely between a very small number of potential suppliers), or international collaboration (as with the Future Combat Air Systems or Tempest programme between the UK, Italy, and Japan, where BAE Systems, Rolls Royce, and MBDA form the core of the UK team).

The 2023 Defence Command Paper

This 2023 Defence Command paper¹⁸² formed part of the “refresh” of the 2021 Integrated Review, following Russia’s invasion of Ukraine in 2022. It updated the previous Defence Command Paper from 2021. This covered various aspects of

¹⁷⁸ Ibid., p7

¹⁷⁹ Trevor Taylor, “The Defence and Security Industrial Strategy: Moving Away from Adversarial Relationships in the UK Defence Industrial Space,” March 2021, <https://www.rusi.org/explore-our-research/publications/commentary/defence-and-security-industrial-strategy-moving-away-adversarial-relationships-uk-defence-industrial>

¹⁸⁰ There were three occasions where the MOD was described as a customer of the arms industry. In one, when introducing a package of legislative and policy moves, it said, “This package is particularly focused on MOD given its market-driving role as a customer, but it includes increasing transparency and improving communication with industry more broadly around the government’s defence and security priorities” (DSIS p11). The other two were contrasting the defence equipment market with that for security equipment and technology, noting that while the latter had a wide range of customers, in the former the MOD was often the main or only customer.

¹⁸¹ DSIS p83

¹⁸² Ministry of Defence, “Defence Command Paper 2023: Defence’s response to a more contested and volatile world,” 18 July 2023, <https://www.gov.uk/government/publications/defence-command-paper-2023-defences-response-to-a-more-contested-and-volatile-world>

military strategy and approach, with only a relatively short section on industry. But the tone of this section was striking, calling for a “New Alliance” between government and industry, and “integration” between the two. It stated:

We will move beyond the traditional customer-supplier relationship, developing long-term strategic alignment that not only delivers the capabilities we require now, but binds the MOD and industry into a joint endeavour that can sustain the nation in times of conflict.¹⁸³

It continued: “This new alliance will require senior Defence leaders to take the time to develop enduring relationships with key industry executives, deliberately and regularly sharing insights and information.”¹⁸⁴

While good relationships between those working together on a project might seem a sensible enough request, in the context of a government department spending tens of billions a year of taxpayer’s money on equipment, and the leaders of the main companies providing that equipment, it smacks of a relationship that is far too “cozy.” The changes gave these companies—whose ultimate purpose is profit—even more of a voice at the heart of government.

8.4 Concluding remarks

In chapters 6 and 7, I argued that practices such as the revolving door and the constant stream of meetings between government and the arms industry had blurred the lines between the two. **These most recent policy developments have not so much blurred the lines as erased them, as a matter of clearly stated policy.** Unique among private corporations, the leading UK arms companies have become an integral part of the state and the national security establishment. Yet they are not accountable to the public, or to Parliament, and while the government may treat them as partners and allies working together for the greater glory of the nation, their first and central purpose and obligation is to maximise value for their shareholders. This bodes ill for the wise and effective use of public funds. Perhaps more importantly, it enshrines the dominant paradigm of military security as the only game in town for how security is framed and practised, guaranteed by ever higher-tech, and more expensive, weaponry.

183 Defence Command Paper, p43

184 Ibid., p43

UK Arms Procurement: a broken system or designed to serve industry?

About 40–50% of the UK's more than £50 billion annual military spending is spent on equipment, including research and development, procurement, and equipment support. The MOD's Defence Equipment Plan for the 10-year period 2023–33 expects the cost of new equipment and equipment support to cost £305.5 billion. The great majority of this spending will go to the UK arms industry, although some will be spent overseas. This includes a range of expenditures, from mega-projects such as nuclear submarines and major combat aircraft, to basic ammunition and spare parts. In addition, UK industry provides a range of military services to the MOD, such as logistical support, facilities management, training, and even military recruitment. Most of this equipment spending is managed by Defence Equipment & Support (DES), part of the MOD, which works closely with industry (UK and overseas) and with the armed forces.

Spending on arms and other military equipment represents by far the largest share of the government's capital expenditure and is seen by governments of all parties as crucial to the UK's security and place in the world. But few would argue that these vast sums of money are well spent. Major equipment programmes are regularly delayed by years, exceed their budgets, and sometimes fail to perform as intended even upon delivery.

This chapter discusses the problems with the MOD's "broken" procurement system, focussing on some of the key issues raised by numerous reviews of procurement by Parliament, the National Audit Office, and independent reviews. It will then turn to the role of the suppliers, where a few major companies dominate MOD procurement, receiving a large proportion of their MOD revenues through non-competitive contracts. These companies have in general done very well out of a system that produces poor outcomes for just about everybody else. Arguably, this is not unrelated to the high degree of influence the top companies have gained with the government, as set out in the previous chapters.

9.1 A broken system?

The UK arms procurement system is universally described as “broken”, a situation that has persisted for decades, in spite of numerous efforts to analyse the problems and attempts at reform. A House of Commons Public Accounts Committee (PAC) report in April 2023, on the MOD’s Defence Equipment Plan for 2022–32, for example, stated:

The Committee examines the Equipment Plan every year and sees the same problems recurring with major, often multi-billion-pound, defence procurement programmes. Equipment arrives into service many years late and significantly over-budget, with depressing regularity. Neither taxpayers nor our Armed Forces are being served well. There needs to be meaningful change of this broken system.¹⁸⁵

A few months later, the House of Commons Defence Committee published a report into military procurement, which stated:

We have discovered a UK procurement system which is highly bureaucratic, overly stratified, far too ponderous, with an inconsistent approach to safety, very poor accountability and a culture which appears institutionally averse to individual responsibility... our procurement system is indeed “broken.”¹⁸⁶

The report followed with 22 specific recommendations for reform. Similar prognoses can be found in many previous reports by the Defence and PAC.

The problem is far from new, and was far from new when civil servant Bernard Gray published his Review of Acquisition for the Secretary of State for Defence in 2009,¹⁸⁷ with a detailed analysis of the problems in the system, and recommendations for change:

...the Ministry of Defence has a substantially overheated equipment programme, with too many types of equipment being ordered for too large a range of tasks at too high a specification. This programme is unaffordable on any likely projection of future budgets.

This overheating arises from a mixture of incentives within the Ministry of Defence. In particular, the Armed Forces, competing for scarce funding... have a systematic incentive to underestimate the likely cost of equipment.

...As the MoD almost never cancels an equipment order, the process of over-ordering and under-costing is not constrained by fear on the part of those ordering equipment that the programme will be lost. [...]

Across a large range of programmes, this study found that the average programme overruns by 80% or c.5 years from the time specified at initial approval through to in service dates. The average increase in cost of these programmes is 40% or c.£300m.¹⁸⁸

185 House of Commons Committee of Public Accounts, “MoD Equipment Plan 2022–2032,” 19 April 2023, <https://publications.parliament.uk/p/m5803/cmselect/cmpubacc/731/report.html>, p3

186 House of Commons Defence Committee, “It is broke — and it’s time to fix it: The UK’s defence procurement system – Report Summary,” 16 July 2023, <https://publications.parliament.uk/p/m5803/cmselect/cmdfence/1099/summary.html>, p5

187 Bernard Gray, “Review of Acquisition for the Secretary of State for Defence. An independent report by Bernard Gray,” October 2009, available at <https://www.nuclearinfo.org/library/2010/review-acquisition-secretary-state-defence>

188 Ibid., p8

Gray was subsequently appointed head of DES with a mandate to implement reform. After leaving government, he set up an independent defence consultancy, one of whose first contracts was with the MOD that he had just left, to assess the success of procurement reform, described by one commentator as “marking his own homework.”¹⁸⁹

A notable point is that some of the same points made by Gray are repeated in the Defence and PAC reports 14 years later. For example, both noted a tendency to “over specify” equipment (sometimes called “gold plating”), seeking all sorts of expensive high-tech capabilities, rather than looking for “80% solutions,” which can then be upgraded over time. The ability to diagnose problems has clearly not been matched by an ability to implement solutions.¹⁹⁰

Several common themes emerge from various reports, Parliamentary and independent, of the problem, and from interviews conducted for this project with defence economists who have worked with the MOD:

- A “conspiracy of optimism,” whereby it suits all parties – armed forces, MOD, and the arms industry -- to underestimate the costs and difficulties of a programme to ensure it is accepted, leading to greater problems down the line.
- A tendency for requirements for weapons systems to be “overspecified”: essentially, that they are over-complex, piling on too many additional features, setting the programme up for failure. A major recent example of this was the procurement of Ajax armoured vehicles from General Dynamics UK, based on the Scout AV produced by GD’s Spanish subsidiary. While the Scout itself might have provided a more than adequate solution for the Army, the MOD added a large number of additional features to their requirements. The Ajax programme is over seven years behind schedule, and in 2021 testing of the vehicles had to be halted due to noise and vibration problems that were seriously affecting soldiers’ health.¹⁹¹
- A problem of “lock-in”: once programmes are started, there is an extreme unwillingness on the part of the MOD to cancel them, even when they are clearly failing. Moreover, rather than hold industry to original prices, contracts are renegotiated rather than allowing the company to incur severe losses, threatening their viability.
- Short-term postings of senior military officers to procurement roles: often an officer will only be in such a position for two years, far shorter than the length of the programme. Such roles are seen as low status, and not conducive to future promotion.
- The MOD’s procurement system is frequently described as excessively “bureaucratic” and over-complex.
- When a programme overruns its planned costs, it is often slowed down so as to remain within annual budget limits, pushing the costs to later years. As well as

189 Andrew Chuter, “UK Asks Ex-Procurement Chief To Review Reform Progress,” Defense News, 19 April 2016, <https://www.defensenews.com/global/europe/2016/04/19/uk-asks-ex-procurement-chief-to-review-reform-progress/>

190 A recent arms procurement policy statement by the defence minister at the time of writing (now ex-defence minister) addresses some of the same issues, and assures that, this time, they really are going to do things differently. We shall see.

191 See e.g. Committee of Public Accounts, “Armoured Vehicles: the Ajax programme – Report Summary,” 3 June 2022, <https://publications.parliament.uk/p%3Am5803/cmselect/cmpubacc/259/summary.html>

delaying the programme, this incurs further “frictional costs,” such as the cost of maintaining the capabilities and employment of people working on the programme, making the cost overruns even worse.

- A failure to learn from experience and past mistakes, as evidenced by the fact that, as the Public Accounts Committee noted in 2021, there had been 13 major procurement reform initiatives over the previous 35 years without any clear solution emerging to the fundamental problems.

While both the Parliamentary Defence and Public Accounts Committees regularly excoriate the failings in the procurement system, the PAC seems far more willing than the Defence Committee to attribute these failings to the arms industry, as well as to the MOD itself. Indeed, a PAC report in October 2021 lambasted the MOD’s failure to “control its suppliers”¹⁹² or hold them to account. It commented that witnesses from the MOD itself showed a “reluctance to attribute problems with the Crowsnest and Ajax programmes to providers’ poor performance or project management, even though in both cases it is a matter of public record.”¹⁹³ One might say that this is perhaps not surprising given the close relationship between government and industry. The suppliers in question are MOD personnel’s close associates, and may be their potential employers.

The PAC report further argued that the industry took on too little of the financial risk or consequences of programme failures, which were therefore ultimately borne by the taxpayer. It commented on the easy ride the companies tended to enjoy:

Of the 20 programmes examined by the NAO, 14 are being wholly or partly procured non-competitively, mainly through choice, rather than reasons of national security. Suppliers understand that poor performance on one contract will not stop them winning the next.¹⁹⁴

This was exacerbated by a failure to consider alternatives, such as off-the-shelf procurement—i.e. buying established systems from overseas, most often the US, to the disadvantage of the UK arms industry.

While the “brokenness” of the procurement system is widely discussed, and how it fails to deliver either for the military or for the taxpayer, Parliamentary and other reports rarely point out that for the arms industry and its shareholders, the system is actually working just fine.¹⁹⁵

In general, the largest UK arms companies have enjoyed robust profits over the years, seemingly regardless of the poor outcomes for which they at least share responsibility. They are rarely held accountable for failures, and consistently win new contracts, regardless of their past performance. This is often because there aren’t any other UK suppliers available, and governments are usually determined to buy from UK industry to preserve jobs and, more importantly from the defence policy standpoint, to maintain capabilities onshore.

192 House of Commons Public Accounts Committee, “MoD defence equipment systems “broken and repeatedly wasting billions of taxpayers’ money,” 3 November 2021, <https://committees.parliament.uk/committee/127/public-accounts-committee/news/158463/mod-defence-equipment-systems-broken-and-repeatedly-wasting-billions-of-taxpayers-money/>. p7

193 Ibid., p7

194 Ibid., p8

195 The aphorism “The purpose of a system is what it does” (POSIWID) comes to mind.

The profit that these favoured companies enjoy, especially BAE Systems, the company that sits at the very heart of government, thus comes virtually risk-free. It might well be considered a very cushy deal for the companies' shareholders and top managers, while the taxpayer foots the bill and the armed forces put up with equipment delivered years late and often not performing as advertised.

9.2 Competitive vs non-competitive procurement¹⁹⁶

UK arms procurement is dominated by a small number of key suppliers, which receive a high share of their revenue through non-competitive contracts, in line with the "partnership" model described in the previous chapter. The top 10 MOD contractors received 37.3% of total MOD external spending in 2022/23, a share that has remained fairly steady over the past decade, with BAE receiving 13.5%. However, the top 10 share increases to around 50% when spending with other UK government departments and when the civil industry is discounted.

Moreover, the virtual monopoly status in certain domains enjoyed by companies such as BAE Systems, Rolls-Royce, Leonardo, and Babcock, combined with the strong inclination of the UK government to maintain the key capabilities these companies possess onshore, means that a very high proportion of the MOD contracts they receive are awarded without competition.

There are numerous downsides to this type of arrangement. These include a lack of incentive for the companies concerned to reduce costs and perform to the highest standards, a tendency to recommend "gold plated" systems to maximise profit potential, and the potential for these companies to use their close relationship with government to influence the requirements process to ensure that they are the only company that can deliver. Generally, the rent-seeking potential for companies enjoying such monopoly status, at the expense of the taxpayer and the public good, is substantial.

The overall share of non-competitive spending by the MOD in general is fairly high. Over the period 2018/19 to 2022/23, 41% of MOD procurement spending was through contracts awarded competitively, 36% non-competitively, and 23% "other" contracts.¹⁹⁷

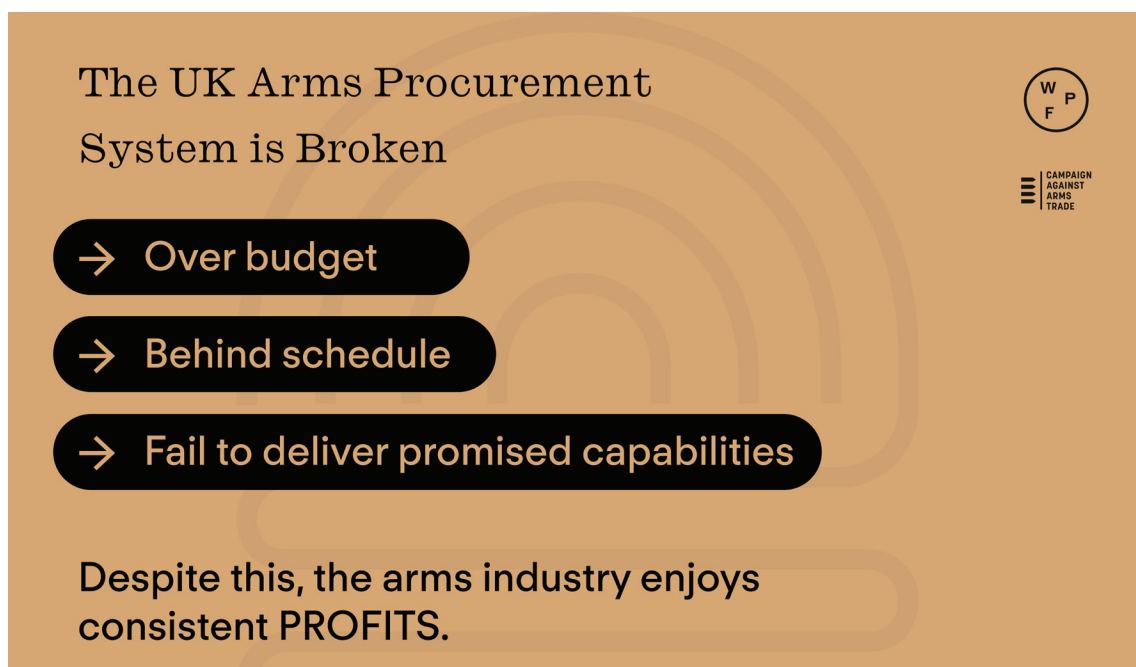
However, much of this procurement spending is on essentially civilian goods and services, with companies that are not really considered part of the arms or defence industry. For example, British Telecom, construction companies (building e.g. armed forces housing), energy companies, fuel companies, and financial services. For the two most recent years (2021–22 and 2022–23), and for comparison with 2015–16 and 2016–17,¹⁹⁸ we analysed data from the MOD's Trade, Industry and Contracts data, which includes spending with all companies and entities of £5 million or more.¹⁹⁹

¹⁹⁶ Thanks to B. Arneson for invaluable research support for this section.

¹⁹⁷ This "other" category includes spending with other UK government departments, payments to foreign governments (e.g. the US via Foreign Military Sales import contracts), and payments to management organisations for collaborative projects, such as NETMA, the NATO Eurofighter and Tornado Management Agency, and OCCAR, NATO's joint procurement agency; much of this spending is in practice non-competitive, but also payments, for example, to the Cabinet Office should not perhaps be considered as part of regular procurement spending. Thus, of spending based on commercial contracts, nearly half was non-competitive.

¹⁹⁸ Similar data was not available for earlier years.

¹⁹⁹ This used the data broken down into the specific companies or entities with which the contracts were signed, separating out different subsidiaries of the same parent company. This allowed for the most detailed and comprehensive breakdown, as the separate data on spending by parent company only included companies receiving £50m or over. More importantly, these parent companies would in some cases aggregate spending with both the UK-based subsidiary and the foreign parent.



Graphic: playedpixel, 2024

This accounted for around 95% of all MOD spending with outside entities. We separated the entities paid into the following categories: UK “arms” companies, civilian companies (UK or otherwise), international entities (including foreign arms companies and governments, and international agencies e.g. NATO), and UK government departments and agencies.²⁰⁰

The result was that, while the overall non-competitive share in 2021–22 and 2022–23 was 37.5% and 39% respectively, the share for companies that were part of the UK arms industry was 59.1% and 59%. By contrast, spending with civilian companies was 80.4% and 77.2% competitive, while the great majority of spending with foreign entities and UK government departments and agencies was classified as “other.” These figures had not greatly changed since the earlier years, where the non-competitive share for the UK arms industry was 56.4% in 2015–16 and 54.2% in 2016–17.

Thus, a clear majority of MOD spending with the UK arms industry is based on non-competitively awarded contracts. This share has increased slightly in recent years. Within this broadly defined arms industry, contracts for military services were awarded competitively, while an even higher share of equipment contracts were non-competitive. It should also be borne in mind that many of these competitive service contracts might only have a very small number of companies able to compete, and contracts are often for a long time period, which means the MOD becomes closely tied to the winning company in any case.

²⁰⁰ I included UK-based subsidiaries of foreign-headquartered companies as UK companies. I applied a fairly broad definition of “arms” companies, including almost all IT services companies, and companies providing military services (e.g. Capita PLC, Serco, Leidos), where I judged these to be of a military-specific nature. Excluding some of these more borderline cases would have increased the non-competitive share for arms companies.

For some of the most important UK arms companies, the non-competitive shares are higher still, though not in all cases. Over the period 2018/19–2022/23, the total MOD spend and non-competitive share for the most consistently top-ranked companies were:

Table 9.1 Top arms companies, share of MOD spend and non-competitive share 2018-2019 – 2022-2023

Company ²⁰¹	Total MOD spend (£m)	Non-competitive share
BAE Systems	19,431	91.5%
Babcock	11,053	48.4%
Airbus	4,721	39.2%
Rolls-Royce	4,373	88.8%
QinetiQ	3,708	55.1%
Leonardo	3,482	84.9%
Boeing	2,911	77.3%
MBDA UK ²⁰²	2,567	91.4%
Thales	2,013	60.2%

Source: MOD Trade, Industry & Contracts, various years, <https://www.gov.uk/government/collections/defence-trade-and-industry-index>. Table: Sam Perlo-Freeman, 2024.

The dominant position of certain of these companies is thus very clear. Looking at data over time (see figure 9.1), for those suppliers who have been in the MOD’s top 10 suppliers list for most or all of the period, we see that three companies: BAE, Rolls Royce, and Leonardo, have been very consistently in the 80s and 90s percent for non-competitive share for a long time. In BAE’s case, this share increased rapidly between 2005/06–06/07, when it was only around 55%, up to the 2010s, since when it has never fallen below 86%. Babcock, Thales, and Airbus have fluctuated, while QinetiQ is the only company to see a substantial drop in its non-competitive share of revenue.

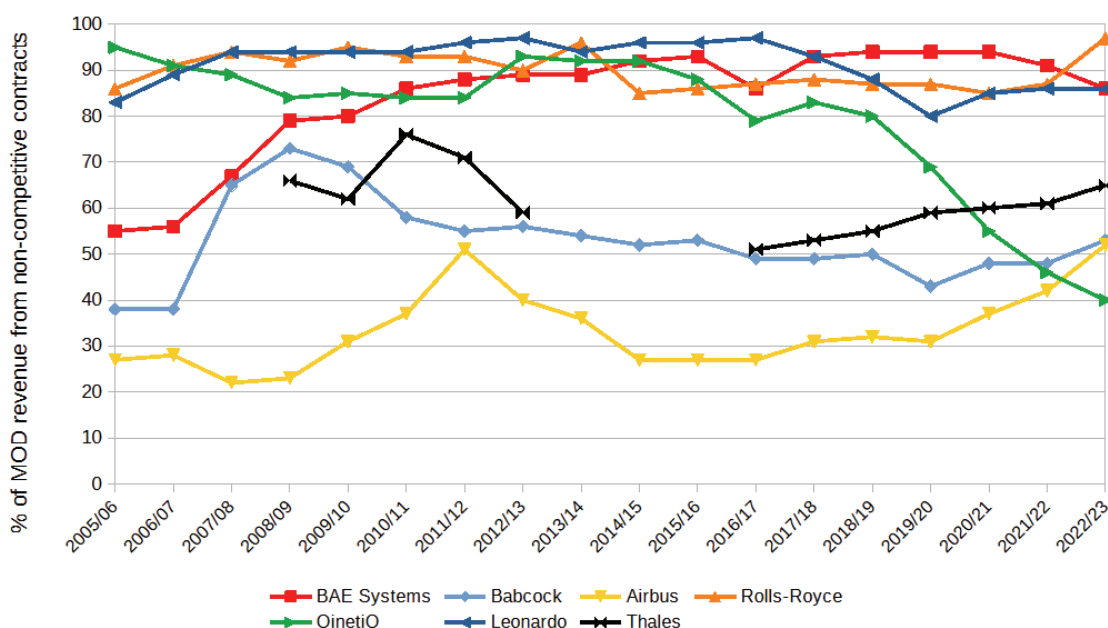
The competitive share of *new contracts* awarded by the MOD (by value), for which data is available over a longer period, has been quite variable, with substantial peaks and troughs; however, while the figure was consistently around 70% during the late 1990s and early 2000s, it fell sharply, if unevenly, from 2003/04, and only in one year, 2015/16, did it reach over 70%. Since 2005/06, up to the latest data for 2022/23, the competitive share has averaged around 51%, while from 1997/98–2004/05, it averaged 71%.²⁰³

²⁰¹ This data is for amounts paid to each holding (or parent) company, i.e. adding up payments to all subsidiaries of the same ultimate owner. so, in some cases both UK-based and foreign parts of the company are included, most notably with Boeing and Airbus. However, the great majority of spending with the various foreign-owned companies (Boeing, Airbus, Thales, Leonardo) is with their UK subsidiaries.

²⁰² MBDA is a joint venture of BAE Systems, Airbus, and Leonardo, so the figures for MBDA UK are also included in those for the three parents. Though not a parent company, MBDA UK is included in this table as it is such a significant player in the UK arms industry.

²⁰³ UK Defence Statistics, various years. The methodology for reporting these statistics changed from the 2010/11 edition of UKDS onwards, and while the new tables gave information on how the new categories related to the old, which has been used for this graph, there are discrepancies between the two datasets, so it is not entirely clear how compatible the two datasets are.

Figure 9.2 Non-Competitive shares of MOD revenue, major suppliers



Source: <https://www.gov.uk/government/collections/defence-trade-and-industry-index>. Graph: Sam Pero-Freeman.

9.3 Profiting from failure

While corporate profits naturally rise and fall, in general, the main UK arms companies have made consistently solid profits for many years. A 2023 report by Commonwealth found that major MOD suppliers earned a Return on Invested Capital (ROIC) averaging 12.5% over the period 2013–2020, compared with a FTSE100 average of 11.7%. This is a rather small difference, but is notable given the limited risk involved for many of these companies.²⁰⁴

The top 3 suppliers, BAE Systems, Babcock, and QinetiQ, saw average rates of ROIC of 13.8%, 12.3%, and 24.2%. BAE's ROIC was not only high on average, but very consistent, never falling below 9% between 2013 and 2022, while QinetiQ's never fell below 11.9%. Babcock's lowest figure was 5.2% in 2021, but was consistently over 10% from 2013–20. Neither BAE nor QinetiQ recorded an end of year loss between 2013 and 2022, while Babcock only did in 2020, partly affected by Covid, and partly due to having to write down the value of several contracts due to systematic overestimation in the past.

However, these overall figures for companies may hide differences between different segments, in particular between civil and military businesses, and between those based in the UK and those based overseas. I attempted to investigate these differences for some of the top companies. This is not always possible—Babcock and QinetiQ, for example, both have the majority of their work in the UK, and their divisional reporting does not clearly separate UK from overseas-based businesses,

²⁰⁴ Commonwealth, "The Asset Manager Arsenal: who owns the UK arms industry?," July 2023, <https://www.common-wealth.org/publications/the-asset-manager-arsenal-who-owns-the-uk-arms-industry>. This section also uses data kindly supplied by the report's author on companies' return on investment not included in the report.

nor civil for military. For some companies, however, one could make these distinctions.

BAE Systems' business is well over 90% military. They have a substantial proportion of their business overseas, especially in the United States, where they are one of numerous suppliers to the DOD, instead of being the sole UK-based supplier to the MOD in several areas. BAE does not report their revenues and profits according to national origin, but certain reporting segments are wholly or mostly UK-based, while others are wholly or mostly overseas-based. Between 2013–22, the operating margins (operating profit divided by revenue) of the UK-based sections were slightly higher. Moreover, these margins were also very consistent, rarely falling below 10% for either the whole company or the UK segments.²⁰⁵

Rolls-Royce has at first sight had rather weaker levels of profit, with a ROIC of 8.8% between 2013–20, and an average operating margin of just 4.7% between 2013–22.²⁰⁶ But this time, there is a clear difference between their military and civil business.²⁰⁷ While the Civil Aerospace business in particular had major variations in profits (and losses) over the years, with particularly bad Covid-related losses in 2020, the business areas that were wholly or mostly military were consistently profitable, with an average operating margin of 13.9% over the period—more than double that for the company as a whole, even excluding 2020. Like BAE, QinetiQ, and (mostly) Babcock, their profits have been essentially a sure bet.

Leonardo is an Italian-based company that achieved an average ROIC of 10% between 2013–20.²⁰⁸ However, as only a minority of Leonardo's business is in the UK, this may be misleading. Using Leonardo UK's annual reports and accounts submitted to Companies House,²⁰⁹ I compared the operating margins of the UK business with those of the parent. Leonardo UK saw consistent and healthy positive operating margins, averaging 9.3% between 2013–22, compared with 6.3% for Leonardo as a whole.

These companies are all top 6 MOD suppliers, and have a high proportion of their MOD revenues through non-competitive contracts. (The other company in the top 6, Airbus UK, has had a weaker record of profits, including for the Airbus Defence and Space UK subsidiary, although they have typically received a rather smaller—though growing—share of their MOD revenues without competition).

In general, therefore, those companies that have found their way into the inner circles of MOD suppliers, the recipients of long-term partnership agreements assuring non-competitive contract awards (see section 9.2) can expect an almost guaranteed profit stream from these contracts, despite frequent poor performance. As they say, it is nice work if you can get it.

205 BAE Systems Annual Reports for 2013-22, available at <https://investors.baesystems.com/results-centre>.

206 Rolls Royce Annual Reports 2013-22, available at <https://www.rolls-royce.com/investors/results-reports-and-presentations/financial-results.aspx>. Or 6.7% if 2020, when the Covid pandemic seriously affected their civil aerospace business, is excluded.

207 An exact separation between the two is not reported. From 2017-22, the Civil Aerospace division (the largest) is entirely civil, and the Defence division entirely military. However, a proportion (less than 20% in each case) of the Power Systems and ITP Aero divisions is also military-related. From 2013-16, Defence Aerospace is entirely military, and Nuclear is about 80% military, while there is about 25% military business in the Marine division. For the military business areas, I thus included the Defence division from 2017-22, and for Defence Aerospace + Nuclear from 2013-16, as the best approximation.

208 Data from Commonwealth.

209 Commonwealth, "The Asset Manager Arsenal: who owns the UK arms industry?" This section also uses data supplied by the report's author on companies' return on investment not included in the report.

9.4 How does the government-industry relationship affect procurement problems?

The UK has an arms procurement system that is broken for the taxpayer and the armed forces, but which works very well for the arms industry.

It would be overly simplistic to claim that this situation is entirely the fault of the arms industry and the result of their excessive influence. Procurement of new major weapons systems is an extremely complex business, often at the cutting edge of military technology, and therefore naturally subject to considerable uncertainty. Similar issues with delays, cost overruns, and poor performance of equipment are far from unique to the UK, nor to military procurement. Major civil construction and infrastructure projects in the UK, such as HS2, often face similar disastrous failings. One might say that rewarding large private sector government contractors for failure has become something of a national pastime.

There are some ways in which these outcomes may simply come about from an alignment of interests without any exertion of influence necessary. For example, the “conspiracy of optimism” is good for the arms industry in terms of getting them huge, and generally very profitable, contracts that might never see the light of day if more honest projections were made at the outset. But it also suits the interests of each armed service to see their own favourite projects included in the contract. Moreover, as some of my interviewees pointed out, procurement of major, cutting-edge military equipment is an incredibly complex business. Designing effective contracts for them is likewise extremely difficult, and many different approaches to contractual arrangements have run into their own particular difficulties.²¹⁰

Nonetheless, the failings of the UK system are real and severe, and are not diminished by the fact that similar failings exist in other industries and countries. And the idea that large corporations wield excessive influence over government, with pernicious consequences for public spending and services, is certainly not confined to the arms industry. The fact that, in an admittedly broken system that has defied successive efforts at reform, the industry still comes away with comfortable and consistent profits, is at least strongly suggestive of a lack of will among ministers, officers, and civil servants, to hold the MOD’s suppliers to account, and an ability of the companies to make the system work for them, though it works for no one else.

As the PAC report pointed out, “The Department points to complexity in programmes after they have gone wrong to excuse the fact that it, and its suppliers, failed to produce more realistic costings and schedules.”²¹¹

Moreover, there are many ways in which the overly-close relationship between government and industry, and the powerful channels of influence enjoyed by the latter, could worsen the problems with procurement.

210 The issues and difficulties with military procurement in general are discussed in a succinct and relatively accessible manner in Ron P. Smith, *Defence Acquisition and Procurement: How (not) to Buy Weapons*, Cambridge Elements in Defence Economics, Cambridge: Cambridge University Press, 2022, available online at defence-acquisition-and-procurement.pdf (bbk.ac.uk).

211 House of Commons Committee of Public Accounts, “Improving the performance of major defence equipment contracts”, 21 October 2021, <https://committees.parliament.uk/publications/7706/documents/80491/default/>, p7

First of all, industry influence may affect policies regarding the awarding of contracts. The government's tendency to priority industry interests and support local production as opposed to buying "off the shelf" (as per the PAC report), even when not for pressing reasons of national security, means that industry often does not face a "credible threat" of the MOD looking elsewhere, and so is placed in a powerful bargaining position.

The favouring of major UK companies may even begin at the stage of requirements setting for new equipment. Former MOD Chief Economist Neil Davies considered that requirements for new systems "tweaked" to align with the capabilities of key companies, especially BAE, due to the perceived need to ensure a steady flow of orders.²¹² Another UK defence economist interviewed also agreed that industry could be quite influential in encouraging the MOD to start programmes when there was a looming gap in orders. Thus, government procurement decisions may be overly-influenced by the best interests of industry profitability, rather than the best equipment for the best value.

A second major area relates to the performance of contracts by arms companies once they are signed. Here, the monopoly position created by companies' close relationship with government, combined with a reluctance to hold companies to account, may disincentivise efforts for efficient performance. Contracts based on companies being paid admissible costs plus an agreed profit margin ("cost plus") may even incentivise inefficiency.²¹³ Neil Davies confirmed in an interview that this was an issue, and spoke of visits he made to various projects where he observed severe inefficiencies with people, equipment, and space all left inactive. Both Davies and another defence economist who has worked closely with the MOD told me that major defence contractors rarely if ever took losses on major equipment programmes, even when they went badly wrong.²¹⁴

A third area is what happens when programmes go wrong. Here, an overly-close relationship between government and industry, combined with an expectation that industry partners may also be likely future employers for top decision-makers, may make the latter reluctant to hold industry to account for failures, drive strong bargains in the public interest, or generally be willing to "be the bad guy" in pointing out where things have gone wrong or where costs and schedules are unrealistic. Similarly, the noted reluctance of the MOD to cancel programmes that are going badly wrong—or to allow contracts to be drafted that make cancellation unviable, as with the aircraft carriers—could be partly a result of industry enjoying excessive influence in decision-making.

212 Author's interview with Neil Davies, former MOD Chief Economist, 15 May 2022.

213 Profit rates for non-competitive contracts in the MOD are regulated by the Sole-Source Regulation Office (SSRO), which sets a rate that seeks to mimic what would occur in a competitive market. It also can assess companies' costings to eliminate inappropriate costs. However, the SSRO has very limited power compared to other regulatory bodies; it does not get to cover all contracts, with in particular contracts entered into before the current rules came into place being exempt unless the contractor agrees. Others can be exempted without reason by the Secretary of State. Most of the time, the SSRO's cost rulings are non-binding, and while it may be able to exclude certain "egregious" costs (for example, its head told a Parliamentary committee of cases where companies had included charitable donations and hospitality spending as costs to be reimbursed with added profit), a more general failure to use resources efficiently is unlikely to be something they could capture. Evidence to HoC Defence Committee, insert reference

214 Author's Interviews with Neil Davies, 15 May 2022, and Keith Hartley, April 2022. In evidence to HoC Defence Committee enquiries, MOD officials have referred to cases where companies have taken charges on account of cost overruns, delays, and performance failures, but it is not clear if this actually led to companies failing to make a profit overall on the contracts. Where this has happened, it seems to have been only in cases of the very worst performing contracts.

Finally, industry may even benefit politically from failure. Large-scale inefficient spending leads to the MOD lacking capabilities that politicians consider necessary, which may place upward pressure on the defence budget, to the advantage of the industry. This is especially true given today's heightened geopolitical tension. For example, recent the MOD, followed by a National Audit Office report, has projected a massive increase in the cost of the UK's nuclear weapons programme, while the programme to develop nuclear reactors for the new Vanguard-class submarines which will carry the UK's nuclear missiles, has been rated as "unachievable." The huge costs will eat heavily into the MOD's budget for conventional weapons, which will add strength to claims that the UK is ill-prepared for possible war with Russia, and thus to demands for higher military spending.

9.5 Concluding remarks

Even where systemic failures are partly the result of internal MOD dynamics—such as the tendency for over-specification, and the so-called "conspiracy of optimism"—it is *very much in the arms industry's interests to encourage and maintain such dynamics*. MPs, the MOD, and the armed forces may well want to see a substantially reformed system; but from the point of view of a shareholder of BAE, Rolls-Royce or Babcock, enjoying a regular stream of strong dividends and seeing their companies continue to receive new contracts, the attitude might well be "If it ain't broke, don't fix it!" Meanwhile, MPs, ministers, generals and civil servants, through the various processes and structures discussed in chapters 4–8, to see the industry in a positive light, and/or to not wish to rock the boat too much with their "partners" and possible future employers.

Thus, while the arms industry's excessive influence cannot be blamed for all the failures of the UK arms procurement system, the fact that such a broken system nonetheless allows such strong industry profits largely speaks for itself. **What is abundantly clear is that the industry is frequently able, whether deliberately or by default, to steer decisions to their own benefit, very often at the expense of the public.**

I would not be so bold as to claim that I have a solution to the MOD's long-standing and complex procurement woes. What I would suggest is that any reforms that fail to address the deeply entrenched interests and influence of the industry, or to challenge the notion that these multinational private corporations, with the government and armed forces, are all part of a single "Team Britain" working together for the good of the UK, are doomed to failure.

Arms exports – getting away with murder (and grand corruption)

The UK is one of the world's largest arms exporters. Over the period 2013–22, UK companies signed arms export contracts worth £90.5 billion, a record level, even accounting for inflation.²¹⁵ This places the UK around equal third, well behind the US, a little behind Russia, and roughly equal with France.²¹⁶

Since the advent of the 1997 Labour government, the UK's role as a major arms exporter has been combined with strong rhetoric on strengthening arms export controls. It has also expended significant diplomatic effort to push for stronger international controls at the EU level, via the EU Code of Conduct (which later became a binding Common Position), and globally, being the first major exporter to push for the adoption of the Arms Trade Treaty (ATT), and maintaining strong efforts to advance the negotiations till its signing in 2013. The UK government regularly responds to criticisms of arms exports by insisting that the UK has one of the most "rigorous" and "robust" export control regimes in the world.

However, this rhetorical commitment to strong export controls, and diplomatic efforts to extend them internationally, have not stopped the UK from repeatedly exporting arms to countries engaged in armed conflict, and to extremely repressive regimes. Outside of the UK's NATO allies, the Gulf states, and in particular Saudi Arabia, are by far the UK's major arms customers, and their only customers in recent decades for advanced combat aircraft.

A report by the present author, *Business as Usual: how major weapons exporters arm the world's conflicts* (CAAT and World Peace Foundation, 2021), found that the UK (in common with all other major arms exporters) was no less likely to export arms

215 UK Government website, "UK Defence Exports Statistics 2022," 17 November 2023, <https://www.gov.uk/government/statistics/uk-defence-export-statistics-2022>

216 Government of France, "Rapport au Parlement sur les exportations d'armement de la France 2023", July 2023, <https://www.defense.gouv.fr/rapport-au-parlement-2023-exportations-darmement-france>; the value of orders from 2013–22 was €114 billion which, based on annual exchange rates, comes to \$130 billion, compared to \$125b for the UK. Given the uncertainties in data, these may be considered roughly similar. Data for Russia from SIPRI based on media reports. Total figure from 2013–21 is at least \$136 billion, with figures for 2022 not currently available. Note these figures are for the financial value of Russian arms exports. These are not to be confused with SIPRI's data on the volume of transfers of major conventional weapons, published annually, and based on a non-financial measure of the value of different weapons systems. By that measure, France is 3rd and the UK is only 7th.

to countries engaged in armed conflict over the period 1990–2018, other factors being equal, and was likewise no more or less likely to sell arms to democracies than autocracies.²¹⁷ The report also found that the UK supplied at least some major conventional weapons (based on the SIPRI definition) to participants in 13 of the 32 armed conflicts that reached the level of “War” (according to the Uppsala Conflict Data Project) between 2000 and 2018, and issued arms export licences to countries engaged in a further 8.

Anna Stavrianakis conducted an in-depth case study of UK policy and practice in arms exports, focusing on four key case studies, of UK arms exports to India and Pakistan, Sri Lanka, Israel, and Saudi Arabia, in particular in relation to the various armed conflicts these countries were involved in during the 21st century.²¹⁸ She found a consistent pattern where, despite export licensing criteria that on paper should have prevented such sales, these criteria were interpreted in ways which ensured that they could go ahead.

She argued that the export licensing criteria functioned primarily, in a *legitimising* role, whereby their very existence was used to proclaim the strength of the UK system, and thereby to defend controversial exports on the grounds that they had been approved under this system, while at the same time using the considerable leeway for interpretation the criteria afford to approve exports to countries in conflict, even in the face of clear evidence of abuses of human rights and violations of international humanitarian law (IHL).

One of the ways this was achieved was by adopting an approach that was essentially blind to the past and future—each outbreak of conflict was treated as an isolated occurrence. Abuses in past episodes were not used to establish a risk of violations in the present episode. Ceasefires were taken to mean that all was well again, and that arms could continue to flow, despite the lack of any resolution to the conflict, and the very real prospect of renewed fighting.

10.1 Arms to Saudi Arabia and the war in Yemen

There is one case where, due to documents released in court proceedings, we have much greater insight into the government’s decision process. This is the continuing export of UK arms to Saudi Arabia for use in its devastating bombing campaign in Yemen, beginning in March 2015, when a Saudi-led coalition of Arab states intervened in Yemen’s civil war.

Saudi Arabia has long been a major customer for UK arms, in particular through the Al Yamamah arms deals of the 1980s and 1990s, involving the sale of Tornado combat aircraft, Hawk trainer jets, and more, and the subsequent 2007 Al Salam deal for Eurofighter Typhoon combat aircraft, more Hawks, and accompanying bombs,

217 Sam Perlo-Freeman, “Business as Usual: How major weapons exporters arm the world’s conflicts,” 1 March 2021, <https://worldpeacefoundation.org/publication/business-as-usual-how-major-weapons-exporters-arm-the-worlds-conflicts/>

218 Anna Stavrianakis, “Missing in Action: UK arms export controls during war and armed conflict,” 1 March 2022, <https://worldpeacefoundation.org/publication/missing-in-action-uk-arms-export-controls-during-war-and-armed-conflict/>

missiles and more. The contracts also involve ongoing support for the Saudi air force, carried out by BAE Systems, which has 6,700 employees on the ground in Saudi Arabia for the purpose, working alongside a UK MOD team. Over the years, these contracts have been worth £88 billion in revenue to BAE.²¹⁹

The UK-supplied Tornados and Typhoons accounted for about half of the aircraft used by Saudi Arabia in the bombing campaign, with the other half coming from the US. The UK government acknowledged already in summer 2015 that UK Tornado and Typhoon aircraft were being used in Yemen, along with UK-supplied Storm Shadow and Brimstone air-to-surface missiles and Paveway IV guided bombs.²²⁰

As international concern grew over the high civilian toll from the Coalition bombing campaign, the destruction of hospitals, residential areas, and civilian infrastructure, and the worsening humanitarian situation and threat of famine caused by the war and the Saudi blockade of Houthi-controlled ports, the UK government—along with the US—stood fast in maintaining arms supplies to Saudi Arabia. The last Typhoons were delivered in 2017,²²¹ and the munitions used by them and the Tornados continued to be delivered throughout the war, along with the crucial support, maintenance, and spare parts provided by BAE in Saudi Arabia and from the UK.²²² This was despite repeated cases of attacks on civilian targets by the Coalition which were described as probable war crimes in reports by the UN Panel of Experts on Yemen, and by international and Yemeni human rights organisations, such as Amnesty International, Human Rights Watch, and Mwatana for Human Rights. According to the Yemen Data Project, nearly 9,000 civilians were killed between 2015 and 2022 in attacks on civilian targets (not counting “collateral damage” from attacks on military targets), and nearly one third of all Coalition air strikes were on civilian targets, with another third of the total uncertain.²²³

This clear evidence of the targeting of civilians and civilian objects, indiscriminate bombing, and disproportionate attacks, in violation of International Humanitarian Law (IHL), should have led to a cessation of arms sales under Criteria 2(c) of the UK’s export licencing criteria, which requires that the government shall not issue a licence for the export of military equipment “if there is a clear risk that the exported items might be used to commit serious violations of [IHL].”

In 2016, CAAT initiated a legal case for a Judicial Review of the government’s decision to continue to allow arms sales to Saudi Arabia for use in Yemen, followed by another in 2020 after the government found a way round the ruling from the first case. The history of the cases, and many of the key legal documents for them, are available on

219 Then-BAE Chair Mike Turner is quoted as saying in August 2006 that the Al Yamamah deal had been worth £43 billion to the company over the previous 20 years; BAE Annual Reports for 2007 to 2023 show the company receiving a further £45 billion in revenue from the Saudi Ministry of Defence and Aviation since then. Defense Industry Daily, “Grand Salaam! Eurofighter Flies Off With Saudi Contract,” entries from November 2004 to 9 July 2014, accessed 31 July 2024, <https://www.defenseindustrydaily.com/the-2006-saudi-shopping-spree-eurofighter-flying-off-with-10b-saudi-contract-updated-01669/>. Figures for employees in Saudi Arabia from BAE Systems Annual Report for 2023.

220 CAAT website, “Stop Arming Saudi Arabia,” last updated 12 April 2022, <https://caat.org.uk/homepage/stop-arming-saudi-arabia/>

221 SIPRI Arms Transfers Database, <https://armstransfers.sipri.org/ArmsTransfer/>

222 Info on export licences from <https://caat.org.uk/data/exports-uk/>

223 Yemen Data Project website, accessed 31 July 2024, <https://yemendataproject.org/>

CAAT's website.²²⁴ CAAT argued that the government's decisions were illegal under criterion 2(c).

CAAT's case was rejected by the High Court in 2017, but CAAT appealed, and in June 2019 the Court of Appeal ruled in favour of CAAT on one ground, declaring that the government's approach to assessing the risk of violations of IHL, and thus its decisions on export licences, was "irrational and therefore unlawful."²²⁵

The specific reason for this finding was that, as became clear through the court hearings, the government had concluded that there was not a "clear risk" on the basis of their assessment of Saudi Arabia's intention and capability to follow IHL, based on the close contacts between the UK and Saudi governments and militaries, and the training in IHL provided by the UK. While the MOD had tracked hundreds of cases where Coalition bombing had caused civilian harm, the government had not even attempted to assess if these incidents constituted violations of IHL. The Court of Appeal ruled, as common sense might indicate, that one could not properly assess the risk of future violations without at least attempting to assess the record of past violations.

By avoiding any engagement with the copious evidence of serious violations of IHL and even war crimes, some involving the deaths of dozens or even hundreds of civilians, the government was thus able to reach the conclusion it wanted, essentially based on choosing to trust Saudi promises of their good intentions to obey the laws of war; no amount of actual civilian deaths could therefore affect this decision.

As a result of the ruling, the government was forced to suspend the issuing of new licences to Saudi Arabia while they retook the decisions in line with the Court's ruling, involving an actual assessment of incidents of civilian harm. However, existing licences remained valid, in particular allowing the continuing maintenance and support of the Saudi Air Force, even as they continued their bombing campaign.

The ruling required the government to assess the hundreds of allegations of Coalition air strikes on civilian targets tracked by the MOD. After just over a year, in July 2020, the government announced the conclusion of this review, in which they had identified only a "small number" of "isolated incidents" that they considered "possible" violations of IHL.²²⁶ They thus reaffirmed their previous decisions on approving export licences and allowed the issuing of new licences to resume.

CAAT brought another Judicial Review challenge in response to this, arguing essentially that the government's conclusions flew in the face of the mountain

224 CAAT website, "CAAT's legal challenge", last updated 13 July 2023, <https://caat.org.uk/homepage/stop-arming-saudi-arabi%aats-legal-challenge/>. A Judicial Review is a process under Administrative Law whereby decisions by the government and other public bodies can be challenged in the High Court for violating legislation or regulations. Those bringing a Judicial Review must generally demonstrate that the government could not reasonably have taken the decisions it did on the basis of the law. It is not the place of the courts to decide if the decision was right or wrong, only if the government was legally entitled to take the decision it did. Typically, if the Court rules against the government, its decisions are quashed, and it is required to retake the decisions on a legal basis. Occasionally, however, the Court may impose a stronger remedy: for example, when the Supreme Court found in 2019 that the decision by Prime Minister Boris Johnson to prorogue Parliament to avoid an adverse vote on Brexit was illegal, it declared the prorogation null and void, and that thus Parliament remained in session.

225 Details of CAAT's legal challenges to arms sales to Saudi Arabia can be found at CAAT website, "Legal challenge details"; last updated 25 Augst 2023, <https://caat.org.uk/homepage/stop-arming-saudi-arabi%aats-legal-challenge/legal-challenge/>

226 UK Parliament website, "Statement made on 7 July 2020," 7 July 2020, <https://questions-statements.parliament.uk/written-statements/detail/2020-07-07/HCWS339>

of evidence of violations provided by NGOs and the UN. However, in June 2023 the Divisional Court ruled that the government was rationally entitled to take the approach it did and rejected CAAT's case.²²⁷ CAAT chose not to appeal.

While much of the government's reasoning and evidence was redacted, some aspects of the government's decision process were disclosed, and are revealing.²²⁸

The MOD certainly carried out a thorough process in assessing the over 500 incidents in their tracker. First, they assessed which incidents were "credible allegations," i.e. it was likely that the incidents actually took place, and that civilians or civilian objects were harmed. Then they assessed whether the incidents were the responsibility of Saudi Arabia or another coalition partner, or if this was uncertain. For the Saudi and uncertain cases, they then sought to assess whether the incident was a "possible" violation of IHL (which, for the purposes of the exercise, would be treated as an actual violation), was "not likely" to be a violation, or if there was insufficient information to determine whether it was a possible violation.

So far, so good. However, in this assessment, the MOD made several crucial methodological choices, which greatly reduced the number of "possible violations" identified. First, they relied heavily on investigations by the Saudi Coalition's Joint Incident Assessments Team (JIAT), a body set up to investigate allegations of attacks on civilians, even though it failed to investigate a large number of such incidents, and although its conclusions in many cases flatly contradicted evidence from organisations on the ground. The government nonetheless accepted JIAT's investigations as reliable.

The government admitted that, in the absence of a JIAT investigation, they rarely had any intelligence that could shed light on why a particular target was attacked. This led to the second crucial choice: where there was no JIAT investigation, the incident was placed in the "insufficient information" category. These were cases where the MOD had confirmed that an attack had harmed civilians, the Saudis had failed to provide any justification, and in some cases independent investigations on the ground had found no evidence of any military target in the vicinity. Yet they were treated as not even being "possible" violations of IHL.

Regrettably, the Court accepted the government's approach as one which it was rationally, and legally, entitled to take. While disagreeing with this conclusion, an important point to make is that these methodological choices were *choices*, and certainly not the *only* rationally justifiable approach to take. Indeed, these choices (and some others not discussed here) seem designed to minimise the number of possible violations, and to come, once again, to a particular conclusion, namely that no clear risk of future violations existed. Other choices, which would have been at least as rationally justifiable, might have identified a far higher number of possible violations, and come to a different conclusion.

227 The judgment can be found on the CAAT website at <https://caat.org.uk/app/uploads/2023/07/230606-final-OPEN-judgment-CAAT-v-SSIT-CO-3579-2000-1-002.pdf>

228 These documents are from the government's open evidence, which are in CAAT's possession, and which we have clarified are able to be made public, but which have not yet been uploaded to the CAAT website.

This rather extended discussion is intended to indicate the determination of the government to maintain arms sales to Saudi Arabia, and in particular the close military relationship between the two countries, with BAE Systems as the key instrument of UK foreign and defence policy.

10.2 The special treatment of BAE Systems

BAE Systems sits at the pinnacle of the UK arms industry and, as discussed in chapter 7, enjoys unparalleled access to the highest levels of government. While the bias of the government towards approving arms exports, in spite of human rights or conflict concerns, benefits the arms industry in general, there is a particular pattern of the government being willing to bend the rules, or even make them up as it goes along, when BAE's interests are at stake.

As noted in the introduction, the late Robin Cook, Tony Blair's first Foreign Secretary, noted in his memoirs that "I never knew No 10 to come up with any decision that would be incommensurate to BAE."²²⁹ This observation is borne out by the record of successive governments, before and after Cook's death in 2005. Three case studies are presented below, in addition to the Yemen case discussed above.

The Hawk Jets to Indonesia

Tony Blair's New Labour government came to power in 1997 with a promise to introduce an "ethical dimension" to foreign policy. This came in the wake of the "arms to Iraq" scandal of the 1990s, and the 1996 Scott report on it, which excoriated the government's behaviour.²³⁰ A pledge to tighten the rules surrounding arms exports was central to this promised "ethical dimension."

One of the first tests of this new policy was the imminent delivery of British Aerospace (as it was then) Hawk trainer/ground attack aircraft to Indonesia, then ruled by the brutal dictator Suharto, and engaged in an illegal and genocidal occupation of East Timor.²³¹ The Hawks were precisely the type of aircraft that Indonesia had used in suppressing rebellion in East Timor, and indeed there were reports that previously-supplied Hawks had been used in this capacity.²³² Along with the Hawks, the UK was also selling Alvis armoured vehicles to Indonesia.²³³

If the so-called "ethical foreign policy" (as it was frequently referred to) were to mean anything, this would have been the most urgent and egregious of UK arms sales to stop. Yet, just a couple of months later, the government announced that, as the contract had already been signed and export licences issued, the deliveries

229 Robin Cook, *Point of Departure*

230 BBC News. "1996: Arms-to-Iraq report published," 15 February 1996, http://news.bbc.co.uk/onthisday/hi/dates/stories/february/15/newsid_2544000/2544355.stm

231 Michael Harrison, Raymond Whitaker, "British jets 'may be used on Timor rebels': Controversy surrounds the sale by BAe of Hawk military aircraft to Indonesia," *The Independent*, 10 June 1993, <https://www.independent.co.uk/news/world/british-jets-may-be-used-on-timor-rebels-controversy-surrounds-the-sale-by-bae-of-hawk-military-aircraft-to-indonesia-1490891.html>

232 E.g. Hugh O'Shaughnessy, "Pounds 1.5m Hawk attack women freed," *The Independent*, <https://www.independent.co.uk/news/pounds-1-5m-hawk-attack-women-freed-1331285.html>; see also TAPC: The Indonesia Human Rights Campaign, TAPOL Bulletin no., 142, August 1997, <https://core.ac.uk/download/33475153.pdf>

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would be allowed to go ahead,²³⁴ even though it was clear that such a sale would not have passed the new export criteria being introduced. One argument made was that cancelling the licence would require the payment of compensation to the arms companies, although this was disputed.²³⁵ In a single moment, the phrase “ethical foreign policy” became an ironic byword for hypocrisy.

The Head-up Displays for Israel in 2002

In 2002, the Second Intifada in occupied Palestine was in full swing, along with the brutal Israeli response which killed hundreds of civilians and caused massive destruction in the Occupied Palestinian Territories (OPT). The UK government subsequently announced that they would no longer accept Israeli assurances regarding the use of UK-supplied military equipment, but would refuse export licences for equipment likely to be used in the OPT.²³⁶

In 2001, the US agreed a contract for the sale of 52 new F-16 combat aircraft to Israel,²³⁷ earlier models of which had certainly been used by Israel in air strikes in the OPT. This created a dilemma for the UK government. BAE Systems produced the Head-Up Displays (HUDs) for the F-16, part of a “long-standing arrangement.”²³⁸ To allow the sale of the HUDs to the US for inclusion in the F-16s for Israel would break the government’s arms export policy, but to refuse them would damage BAE’s relationship with the US. To get around this, the government introduced an entirely new additional set of “incorporation” criteria for the export of UK components to one country, for inclusion in complete systems for export to a third country. These allowed the government to take account of factors such as the importance of the defence relationship between the UK and the incorporating country, and potentially to override the normal export licensing criteria’s prohibition on exports of equipment that might be used to violate human rights or IHL.

On the basis of these new rules, that the government had essentially invented specifically for the occasion, they approved the export licence for the BAE HUDs.

2006: Cancelling the Serious Fraud Office investigation into BAE Systems

The Al Yamamah arms deal between the UK and Saudi Arabia, discussed earlier in the report, was one of the largest individual arms deals in history, worth £43 billion in revenue to British Aerospace/BAE Systems up to 2007.²³⁹ It was also one of the most corrupt, with police investigations estimating that as much as £6 billion was paid through a series of intermediaries and offshore accounts to Saudi decision makers, most notably Prince Bandar bin Sultan, the Saudi Defence Minister at the time the deal

234 Stephen Castle, “Hawk jets sold to Indonesia,” *The Independent*, 12 July 1997, <https://www.independent.co.uk/news/hawk-jets-sold-to-indonesia-1250415.html>

235 TAPOL Bulletin, *ibid.*

236 Stavrianakis, *Missing in Action*

237 SIPRI ATDB

238 Written Answer to Parliament by Foreign Secretary Jack Straw, 8 July 2002, <https://hansard.parliament.uk/Commons/2002-07-08/debates/1d00de9f-d8ae-45d1-b2dd-8d35f6d146b3/ExportLicences>

239 For details of this case, see *Corruption Tracker*, “Al Yamamah arms deal,” 3 September 2020, corruption-tracker.org/case/al-yamamah-arms-deals, and CAAT “Control BAE” website, accessed 31 July 2024, <https://controlbae.org.uk/>

was signed in 1988, who received at least £1 billion.²⁴⁰ Recently, it emerged that, even after BAE Systems had to stop payments due to the pressure from investigations, the MOD ensured that quarterly payments to Prince Bandar continued to be paid.²⁴¹

The Serious Fraud Office opened an investigation into Al Yamamah in 2004, following extensive leaks published in the *Guardian* from a whistleblower, revealing the scale and mechanisms of the corrupt payments. As the case progressed, this created consternation in the government and with BAE Systems, who were at the time seeking to negotiate a new major arms deal with Saudi Arabia.

In December 2006, Prime Minister Tony Blair ordered the SFO to shut down the investigation. The justification given was that Saudi Arabia had threatened to cut off counter-terrorism cooperation with the UK if the investigation proceeded, leading, as the government put it, to “blood on the streets” of the UK. However, the motive of protecting the UK’s—and BAE’s—arms trading relationship with Saudi Arabia was clearly high on the agenda. Indeed, the Al Salam deal for Eurofighters and Hawk trainers was duly signed in 2007. Since 2008, BAE Systems has received a further £43 billion in revenue from the Saudi Ministry of Defence under the Al Salam deal up to 2023, for continued maintenance of the Tornados and other work.²⁴²

The decision caused outrage among not just civil society, but among the UK’s allies, and even financial interests, as undermining the UK’s professed commitment to international anti-corruption efforts, and indeed as violating the OECD Convention on Corruption.

CAAT and anti-corruption NGO Cornerhouse UK brought a Judicial Review against the decision to close the investigation in 2007. The decision was ruled illegal by the High Court and the Court of Appeal, but this was overturned by a House of Lords judicial panel,²⁴³ in a 3–2 vote, which was nonetheless highly critical of the government’s decision-making process. One point made in the lower courts’ rulings was that, in response to the Saudi Government’s threat to withdraw security cooperation, the government had not considered any other response to what was in effect a threat of terrorism as a way to interfere in the UK’s judicial processes, than to cave to the Saudi demands. A cynic might even suspect that the government welcomed the Saudi threat, as providing a national security cover for their clear (and openly acknowledged) desire for the investigation to stop in any case.

10.3 Arms industry influence and arms exports

As with the woes of the MOD procurement system, it would be far too simplistic to attribute the UK’s permissive arms export policy entirely to arms industry influence. For a start, one would need to explain how and why the industry was allowed to gain

240 Corruption Tracker, *ibid.*

241 David Pegg and Rob Evans, “MoD paid millions into Saudi account amid BAE corruption scandal,” *The Guardian*, 8 March 2024, <https://www.theguardian.com/world/2024/mar/08/mod-paid-millions-into-saudi-account-amid-bae-corruption-scandal>

242 BAE Systems Annual Reports for 2008-23

243 The “Law Lords,” a panel of senior judges selected from among members of the House of Lords, was the UK’s highest court until the creation of the Supreme Court in 2010.

such influence in the first place. As with other major arms producers, UK governments of all colours perceive the arms industry as an important strategic asset, and arms exports as crucial to maintaining military industrial capabilities, and influence in international affairs.

This perception has reached the point where the boundaries between industry and government have been blurred or even erased. It is a symbiotic, self-reinforcing relationship, where the government's strategic priorities lead to it affording the industry a strong voice in policymaking, which in turn reinforces the ideology that military power and the arms industry are central to national security.

Further, the extraordinary access that the arms industry, and especially BAE Systems, has to the high-ranking government officials cannot be ignored as a factor in policy decisions. Access can certainly influence how governments weight competing priorities, including foreign policy, human rights, defence policy, and public opinion (often strongly against many of the most controversial arms sales).

The government department responsible for deciding on export licence applications is the Department for Business and Trade—which also houses UK Defence and Security Exports, whose sole remit is to promote these exports (see chapter 7). The Defence Growth Partnership, which brings together the arms industry, the MOD and the DBT, is devoted to “export-led growth,” making the industry “globally successful,” and premised on the notion that arms exports are a positive contribution to economic growth.²⁴⁴ While these are different individuals and agencies within DBT to the Export Control Joint Unit, ultimately decisions are taken by ministers, and if necessary the Prime Minister, so these influences have many ways to be felt.

The extent to which BAE Systems has the ear of government is clearly discernible in the way decisions have favoured its interests—and through BAE, the interests of much of the arms industry as a whole. BAE were even invited to discuss the UK government response to the murder of dissident Saudi journalist Jamal Khashoggi, at the orders of Crown Prince Mohammed bin Salman, in October 2018, in a meeting with Trade Secretary Liam Fox just weeks later.²⁴⁵

As is so often the case, causality is hard to demonstrate, and many decisions may well be “overdetermined,” i.e. there are many factors that could explain them, independently of the others. However, even if it is through the government's own choice that the arms industry is given such an influential place, the industry has the opportunity to exploit that position, voice, and access, to ensure that its interests are pushed even higher up the agenda, so that alternative arguments have little chance to be heard.

Efforts by civil society to oppose even the most egregious of arms exports—such as the continuing arming of Israel throughout the current Gaza genocide—will face extraordinarily difficult hurdles unless the arms industry's symbiotic relationship

244 UK Defence Solutions Centre website, “About Defence Growth Partnership,” accessed 31 July 2024, <https://www.ukdsc.org/about/>

245 Ian Cobain, “REVEALED: UK minister met with BAE Systems weeks after Khashoggi murder to discuss response,” Middle East Eye, 9 April 2019, <https://www.middleeasteye.net/news/revealed-uk-minister-met-bae-systems-weeks-after-khashoggi-murder-discuss-response>

with government can be at least partially disentangled. Clearly, this is no easy task. However, just as the arms industry is not alone in possessing undue influence in government, anti-arms trade campaigners are far from alone in civil society in seeing dangers in overly close relations between governments and private companies. Many of the measures often proposed for improving transparency in government-business dealings, and regulation of lobbying and the revolving door in general (discussed in the final chapter), would also have an impact on the arms industry-government relationship. Even so, tackling the exceptional status of the arms industry presents even greater challenges than for other industries.

Conclusions and Recommendations

This report has discussed and analysed the various ways in which the arms industry in the UK is able to exercise influence on government, and the consequences of this. It has also discussed the history of how the industry has gained influence as a result of government policies that have encouraged consolidation, outsourcing, and a model of 'partnership' as opposed to a customer-supplier relationship. The relationship between government and industry is highly symbiotic, rather than merely an external interest seeking to influence government policy like any other. The two share personnel and a common set of assumptions about priorities. Industry influence is maintained by an unrivalled access, and by a lack of meaningful oversight. This results in private profit, taxpayer losses, and compromised foreign policy. The relationship has grown so close that it blurs, if not erases, the boundaries between the two, making the arms industry in many ways a privately-owned facet of the state.

Political contributions by the arms industry and figures closely linked to it, are not a significant factor in the UK, with such donations being few and far between. However, arms companies do spend relatively small sums of money on what can be considered "soft influence," funding the All Party Parliamentary Group on the Armed Forces, and the Armed Forces Parliamentary Scheme. While not having the potential to directly influence government decision-making, such forum may positively predispose MPs towards these companies, and provide opportunities for informal lobbying. Funding of defence and security think tanks is another, relatively cheap, means whereby the industry can help ensure that ideas that support its interests dominate the conversation on these issues.

When it comes to lobbying, the arms industry, like other interests, makes some use of professional lobbying companies. The lack of transparency of such lobbying makes it hard to ascertain how much they spend on such activities, but available evidence suggests that this may be a less important form of lobbying than "insider" lobbying by top company executives and Government Relations officers, who regularly meet with ministers and top MOD civil servants.

BAE Systems, in particular, makes minimal use of professional lobbyists, yet (or because) it enjoys a unique level of access to the government. It meets with ministers and prime ministers more frequently than any other private company. Additionally, it

engages in regular meetings with ministers and top MOD officials where lobbying potential exists (such as when they are the only company involved, when a top executive or Government Relations representative is present, and when the meeting's purpose is broad rather than focused on a specific arms procurement program)

The high level of access to government enjoyed by the arms industry, and especially BAE, can certainly be a source of influence. However, it is also in part the *result* of a process whereby governments have chosen to pull the industry into an ever-closer relationship, thus granting them such a high level of access and opportunity for influence. In this sense, industry influence may be self-perpetuating. The closeness of the relationship enables the industry to reinforce the thinking that allowed them to gain such influence in the first place, with little opportunity for contrary voices.

The revolving door is a significant factor in the UK as in many other major arms producing countries. This is primarily a flow from the MOD to the arms industry, but also from the trade ministry, especially from UK Defence & Security Exports, the government's arms export promotion agency, and sometimes other parts of the national security apparatus, such as the recent move of former Cabinet Secretary and National Security Advisor Mark Sedwill to the board of BAE Systems. There is also traffic in the other direction, again, especially from the arms industry to UKD&SE, as well as substantial numbers of secondments from industry to the MOD and the trade ministry.

Over 40% of the most senior civil and military MOD personnel take roles, including private consultancies, in the defence and security industries after leaving government, with somewhat over half of the military personnel doing so. In particular, a clear majority of senior personnel leaving Defence Equipment & Support, the MOD procurement agency that works most closely with industry, take arms/security industry roles. The analysis in this report covers only the most senior personnel who are required to report to seek advice on private sector employment from the ACOBA, and there are plenty of cases of senior officers and civil servants below this level, but still with significant potential for influencing key decisions, moving to the arms industry.

The potential for the revolving door to distort decision-making is widely acknowledged. This can occur through explicit or implicit conflicts of interest. The latter includes the fact that senior procurement personnel might not want to take too firm a position in their dealings with companies that could be potential future employers. Additionally, the use of inside information and contacts is a concern. This issue is recognized in relation to many different industries and government departments, particularly in arms-producing countries, most notably the US. Across government, the regulatory framework for controlling the revolving door is extremely weak, with nothing enshrined in legislation. ACOBA only looks at the most senior personnel, has only advisory power, and lacks even a monitoring capacity after making its recommendations. Hence there are no serious consequences for violating conditions recommended by ACOBA, and huge loopholes for revolvers even while following their terms.

The revolving door almost certainly plays a significant role in strengthening the influence of the arms industry. This is especially true in relation to the MOD procurement system, which is broken for everyone except the arms industry. At the same time, with the increasingly close government-industry relationship, industry has become so deeply embedded in government that it is almost a part of the state itself. Given this closeness, one might view the revolving door from a different perspective. Rather than being an anomaly or a regulatory failure (though it is certainly the latter), from the inside point of view it might be seen as an entirely natural interchange between different branches of the national security establishment. Perhaps the appropriate metaphor for senior personnel moving between the MOD and other relevant parts of government and the arms industry is not so much a “revolving door” as an “open-plan office.”

This is not to say that this government-industry traffic is not problematic, rather that it should be understood as one aspect of the deep institutional intertwining of industry and government, along with the presence of UKD&SE, the various government-industry policy forums such as the Defence Growth Partnership, and the constant drumbeat of meetings between the two at the highest levels. This intertwining impacts how one might seek to mitigate the problem, suggesting that some of the standard (and very reasonable) recommendations, such as giving ACOBA more powers, are likely to be insufficient. To continue the metaphor, it is not simply a matter of closing or slowing down, the revolving door, as of completely redesigning the office.

This is not good news for those seeking either stronger restrictions on arms exports, or a less militaristic approach to security as a whole. The arms industry’s influence on policy is not only strong and deeply-rooted, but the close relationship they have with government, far from being seen as a problem by policy-makers, is seen as a natural and desirable state of things. Indeed successive governments have actively sought to further deepen this relationship.

Nonetheless, there is scope for those seeking to challenge the role of the arms industry to highlight the indisputable fact that the system as it is produces disastrous outcomes for MOD procurement, to the detriment of both taxpayer and armed forces, that the arms industry that supplied the MOD nonetheless does extremely well out of it, and that there are very cogent reasons to suspect that these two facts might well be related. Perhaps this is not the most natural terrain for anti-militarists, but it does present one way in which a wedge might be driven into the cosy relationship. Certainly, the idea of government and arms industry as a “partnership” needs to be challenged. BAE Systems is a private corporation, answerable not to the public or the public interest, but to its shareholders, chief among them global hedge funds such as Black Rock, who have no interest either in the human rights of victims of war worldwide, nor in the UK’s military capabilities or the sound stewardship of scarce public resources. The position that it, and to a lesser degree other major UK arms companies, wield at the heart of government is damaging for democracy, for peace and human rights, for an approach to security and “defence” that actually meets the UK’s real security needs, and for the country’s economic well-being.

Recommendations

The arms industry's influence is deeply rooted and entrenched, not only in the institutions of government, which have brought the industry into an ever-closer embrace with the highest levels of power, but also in the ideologies of militarism and geopolitical ambition that sustain its influence. These ideologies often go unchallenged in mainstream political discourse.

In this light, the type of recommendations often made for tackling the undue influence of powerful and wealthy interests, such as strengthening regulation of lobbying and revolving doors—recommendations which we nonetheless endorse—are sorely inadequate to meet the challenge on their own. They might even carry a note of bathos, an anticlimactic programme of bureaucratic tweaks that attempt to restrain a giant.

Disentangling the arms industry from its dominant position in the corridors of power would require, instead, fundamental political and ideological change, notably:

- **A fundamental reassessment of the nature of security—what it consists of, who it is for, how it is achieved, and the role of armed force within it.** This would mean questioning the assumption that security is primarily gained through the ability to project military power around the world. It would also challenge the notion that the UK must be a “great power” in the military sphere as an essential matter of both security and national pride.
- As a result, there should be **a reprioritisation of policy and resources away from military power and towards cooperative national and international efforts to tackle climate change, biodiversity loss, and other environmental crises that pose the greatest threats to humanity.** This shift should also prioritise the peaceful resolution of global conflicts, for most of which there is no military solution.
- Following from this, there should be **a reassessment of what military forces and weapons systems the UK actually needs** to guard against those threats that can actually be responded to with military defence. This would likely mean ending the constant quest for ever more advanced and exquisite weapons systems that the arms industry loves to produce, but which often do little to enhance even the military aspects of UK security.
- Such a fundamental rethinking would, in turn, allow governments to adopt **a much more sceptical view of the central and indispensable importance of the arms industry and its interests to UK security,** and thus, perhaps, make possible a meaningful disentanglement of industry and government.

These issues have been discussed elsewhere, and what such a radically different approach to security might involve, and how it might be achieved, would be the subject of another entire report.²⁴⁶

What might radical institutional changes, resulting from these equally radical political shifts, look like? One clear starting point would be to **abolish UK Defence & Security Exports, and the Defence Growth Partnership.** The arms industry does not need

²⁴⁶ Notably, by the excellent Rethinking Security group, website accessed 31 July 2024, rethinkingsecurity.org.uk

baked-in lobbying forums and extra help with exports far disproportionate to their economic value.

Nationalisation - a red herring?

One suggestion that is sometimes made in more radical circles is to nationalise all or part of the arms industry.²⁴⁷ The attractiveness of this is understandable. If a large part of the problem is the role of private capital and profit in pushing costly and unnecessary weapons systems and destructive arms exports, then nationalising the industry would remove this motive; instead, the arms industry would be ultimately under democratic political control, to respond to the actual needs of the MOD and the public interest.

That's all well in theory, but a casual look at the actual policies and records of countries where the arms industry is or has been wholly or partly publicly-owned is not encouraging. Russia and China, for example, are both just as intent on pursuing military dominance, and have been at least as enthusiastic as western countries with privatised industries in marketing their arms around the world without concern for peace or human rights. The French arms industry is another case in point, rather closer in political system to the UK. While much of the industry is in private hands, the French government has a significant stake at least in most of the major companies, and until fairly recently, their major shipbuilder Naval Group (formerly DCNS, formerly DCN) was wholly publicly owned.²⁴⁸ Under public ownership, the company was one of the most systematically corrupt, with large bribe payments made in relation to virtually every major export sale they made in the 1990s and 2000s.²⁴⁹ In general, France has been, if anything, an even more aggressive (and lately, more successful) arms exporter than the UK, although the French MOD does appear to do better than the UK in terms of its acquisition programmes.

While nationalisation may change the ownership of a company, it does not stop it from being an organisation with its own priorities and interests. While nationalisation removes the private profit motive, it does not remove the personal profit and career motives of the individuals concerned, nor the institutional interests of the organisation. Moreover, if the key problem identified by this report is the blurring of the boundaries between the arms industry and the state, then nationalisation takes things in exactly the wrong direction, making the industry a *de facto* as well as *de jure* part of the state, and deepening its institutional embedding even further.

247 E.g. Pete Moore, "A Not-So-Modest Proposal to Nationalize the Defense Industry," Merip magazine 294, Spring 2020, <https://merip.org/2020/06/a-not-so-modest-proposal-to-nationalize-the-defense-industry/>

248 Naval Group is still majority owned by a government-owned industry fund, but is run independently as a private company, largely managed by minority shareholder Thales.

249 See Jean Guisnel, *Armes de Corruption Massive: Secrets et combines des marchands de canons*, La Decouverte, 2011; Sam Perlo-Freeman, "Red Flags and Red Diamonds: the warning signs and political drivers of arms trade corruption," World Peace Foundation, 1 Sep. 2019, <https://worldpeacefoundation.org/publication/red-flags-and-red-diamonds-the-warning-signs-and-political-drivers-of-arms-trade-corruption/>; and Sam Perlo-Freeman, "Arms, corruption, and the state: Understanding the role of arms trade corruption in power politics," *Economics of Peace & Security Journal* Vol. 13 no. 2, 2018, <https://www.epsjournal.org.uk/index.php/EPSJ/article/view/309>

An alternative 'modest proposal'

Therefore, I am sceptical of the idea of nationalisation as a solution to the influence of the arms industry. That is not to say that it should be ruled out in all cases, but rather that it would not achieve the necessary disentanglement of the industry from government.

As an alternative, a good starting point would be to **break up BAE Systems into its constituent parts**. Having so many major capabilities under one corporate roof gives this company far too much influence and far too close a relationship with the MOD. This could involve, for example, separating its UK businesses into three separate companies, one focused on surface shipbuilding, one on submarines, and one on BAE's traditional domain of aerospace, and other remaining UK capabilities.

In such a scenario, BAE's US wing, BAE Systems Inc., should likewise be spun off as a separate US company, thereby ensuring that the residual BAE retains its UK focus.

How this might be achieved is another matter—but the UK government holds a "golden share" in BAE Systems, and when it comes to matters of "national security" can exercise quite wide-ranging powers when it wants to.

Reforms 'within the system'

While on their own insufficient, reforms to areas such as lobbying and the revolving door are desirable for many reasons. They might restrain some of the most egregious cases of top officials profiting from their position by selling their knowledge and contacts to the companies they used to work with. Additionally, they would have an impact in many other areas of government other than those concerning the arms industry, and they would set a new level of expectations to which politicians and officials can be subsequently held accountable.

The following recommendations, relating to lobbying, the revolving door, and MOD procurement, draw on CAAT's many years of research and advocacy on arms industry influence. They also build on recommendations made by other civil society actors, notably a 2023 report by Transparency International UK titled "Managing revolving door risks in Westminster,"²⁵⁰ which provides both an excellent analysis of the problems and many useful ideas for reform.

Lobbying

- Expand the lobbying register to include lobbying of senior civil servants as well as ministers.
- Likewise, expand the register to include 'in-house' corporate lobbyists.²⁵¹
- Require consultant lobbyists to declare the number of meetings held with each lobbying target on behalf of each client.

²⁵⁰ Transparency International UK, "Managing Revolving Door Risks In Westminster," March 2023, <https://www.transparency.org.uk/revolving-door-public-private-westminster-corruption-risk>

²⁵¹ TI UK *ibid.*

- Expand the government’s transparency data, which currently publishes broad details of ministers’ meetings, to include those of senior civil servants with outside individuals and organisations.
- Enhance the disclosure of ministerial and senior civil service meetings characterised by a ‘lobbying’ nature, such as those where policy matters of interest to lobbying organisations are discussed. This would involve providing additional details, including specific topics covered and a summary of key points raised, with redactions in line with FOI exemptions.
- Require former ministers, senior civil servants and senior special advisers who perform any lobbying activity to register as a consultant lobbyist.²⁵²

Partitioning the office

- Replace ACOBA with a statutory body empowered to impose binding conditions on public servants accepting private sector appointments. This body should have adequate funding, and monitoring, and enforcement capabilities, including the authority to impose criminal penalties for violations.
- Extend the scope of the Business Appointment Rules to encompass all senior civil servants (i.e. SCS1 and SCS2 as well as SCS3-4) and their military equivalents (i.e. all flag officers) where these roles involve significant policy discretion.
- Extend the ban on lobbying former colleagues from 2 to 5 years. This ban should also prohibit any work for lobbying firms within a specified time frame, including advising and providing information to other employees of the new employer to help with lobbying former colleagues.²⁵³
- Extend the scope of the Business Appointment Rules to prohibit appointments where the applicant has had significant and direct responsibility for policy, regulation, or the awarding of contracts relevant to the hiring company for two years.²⁵⁴
- Government departments should publish anonymised and aggregated data on the total number of applications considered under the Business Appointment Rules, detailing the number approved and rejected each year.²⁵⁵
- Ban employees of Defence Equipment & Support, the Defence Infrastructure Organisation, the Submarine Delivery Agency, and other MOD agencies with direct procurement responsibilities from working for or providing consulting to companies that receive more than a certain threshold of annual revenue from the MOD for five years.

²⁵² TI UK *ibid.*

²⁵³ TI UK *ibid.*

²⁵⁴ TI UK *ibid.*

²⁵⁵ TI UK *ibid.*

Procurement

- Empower the National Audit Office (NAO) to conduct advance scrutiny of major government procurement programmes above a certain threshold. The NAO should have the authority to request relevant cost and other information from potential contractors. A report from the NAO (with a public summary, allowing classified portions to the minimum degree possible), along with its recommendations, must be considered in the final contract decision-making process.
- Likewise, allow the Parliamentary Public Accounts and Defence Committees to scrutinise major programmes over a certain threshold in advance. This should include the authority to recommend a cancellation of the programme or a re-tendering.
- The MOD should revert to a model of open competition as the default approach to procurement, with a clear national security justification required to override this.
- The MOD should be more willing to consider 'off-the-shelf' purchases, including from other countries, and to cancel failing programmes, so as to create a 'credible threat' to UK arms companies that they cannot expect to automatically win and profit from contracts despite persistent poor performance.
- Increase the powers and scope of the MOD's Sole Source Regulation Office for cases where non-competitive procurement is considered unavoidable.

Most of the above ideas are not new, revolutionary nor rocket science. The problem is a lack of political will, itself due to the entrenched interests of the arms industry (and other powerful industries) which benefit from the system as it is. **Ultimately, implementing even such moderate reforms will be extremely difficult without the more fundamental political changes that are needed if the power of the arms industry is to be truly curbed.**

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