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CAMPAIGN AGAINST ARMS TRADE

# Arms and the state:

## How the arms industry influences government in western arms producing nations

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### About:

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The **World Peace Foundation**, an operating foundation affiliated solely with the Fletcher School at Tufts University, aims to provide intellectual leadership on issues of peace, justice and security. We believe that innovative research and teaching are critical to the challenges of making peace around the world and should go hand-in-hand with advocacy and practical engagement with the toughest issues. To respond to organised violence today, we not only need new instruments and tools—we need a new vision of peace. Our challenge is to reinvent peace.

**Campaign Against Arms Trade** works for a world without the arms trade and free from the systems of violence, oppression and corruption that it perpetuates.

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Section 1

# Introduction

The arms industry in many countries is seen by governments as a key strategic asset, and as such is granted a degree of access to government and influence on policy disproportionate to its size. The levers of influence include political donations, lobbying, the interchange of personnel between the defence establishment and the industry (the "revolving door") and generally through close institutional relations with the state.

This degree of influence is problematic for many reasons. First, it embeds a militaristic approach to security and foreign policy, where response to global problems is reduced to a single answer: securing or providing more advanced weapons. This is evident in nearly a decade's worth of annual increases in global military spending and arms transfers.[1] It is demonstrated in the actions of both western and non-western states, including Russia's invasion of Ukraine; Israel's genocide in Gaza and invasion of Lebanon, with the support of its Western allies; previously peace-oriented Japan's rising militarization; China's increasingly assertive behaviour; and the efforts of the European Union, originally founded as a peace project, to become a military power in its own right. Today's geopolitical winds are harsh; and they are further driven by the private interests of the arms industry that profits from ever greater militarism.

Another threat is that arms industry interests carry outsized weight in relation to decisions about arms exports, trumping concerns over human rights abuses and fuelling conflicts. As noted in a previous report, "Business as Usual: How major weapons exporters arm the world's conflicts," which analysed the top eleven global arms suppliers over the period 1990-2018: "There is very little evidence that war or armed conflict leads to restraint in arms transfers by major exporters, regardless of whether their stated policies suggest they should."[2]

Excessive arms industry influence over policy also enables public procurement processes that do not serve the public interest, however construed. This results in overcomplicated, expensive systems that are acquired not because they respond to national militaries' priorities, but because they suit the interests of the arms industry. The top companies, with their close relationship to the state, steer the direction

1 SIPRI, "Global military spending surges amid war, rising tensions and insecurity," (22 April 2024), https://www.sipri.org/media/press-release/2024/global-military-spending-surges-amid-war-rising-tensions-and-insecurity

2 Sam Perlo-Freeman, "Business as Usual: How major weapons exporters arm the world's conflicts," World Peace Foundation and Campaign Against Arms Trade (March 2021), https://worldpeacefoundation.org/publication/business-as-usual-how-major-weapons-exporters-arm-the-worlds-conflicts/

of procurement, and frequently deliver programmes that are over-budget, behind-schedule, and/or which underperform.[3]

The web of influence of the arms industry on government, sometimes referred to as the "military industrial complex" (MIC), is perhaps most developed and certainly most widely discussed in the US, which has by far the world's largest arms industry. However, similar patterns of industry influence and embedding in government can be seen in many other major arms-producing countries. CAAT and World Peace Foundation's recent report, "From revolving door to open plan office: the ever-closer union between the arms industry and government in the UK," discusses how this operates in the UK. One finding of this report was that arms industry influence in the UK operates in a rather different way than in the US. Political donations by arms companies are almost totally absent, and major spending on professional lobbying also appears to be a relatively minor factor, whereas in the US, these are areas where the arms industry spends hundreds of millions. The revolving door is a major issue in both countries, but in the UK another factor emerges as perhaps the single most important: a deep institutionalised embedding of the arms industry in government, to the extent that the lines between government and the arms industry have been so blurred as to be virtually erased, making the industry effectively a privately-owned branch of the national security state. The report contends that the so-called "revolving door" has evolved into something more akin to an "open-plan office." Rather than being perceived solely as an anomaly or a regulatory failure—though it undoubtedly constitutes the latter—it is viewed from within as a seamless and natural exchange between different sectors of the national security apparatus.

This report, drawing on the UK report and on research from various authors and organizations across multiple countries, offers a comparative analysis of the influence exerted by the arms industry in three major western arms-producing nations: the US, UK and France, as well as one emerging producer, Australia. It also analyses the increasing militarization of the European Union, and the growing influence of European arms companies on EU institutions that has accompanied this.

The US, UK and France are chosen as they are the largest western arms producers, and also as a follow-on to a 2021–2022 WPF/CAAT research project focused on the same countries. That project found that the arms trade is remarkably resistant to effective controls, with direct enabling consequences on conflict situations, largely because it is driven by security relationships that encompass foreign policy, national security/defence industrial concerns and major corporate interests.[4] The countries

3 This is discussed in the UK context in my previous report, "From revolving door to open-plan office: the ever-closer union between the UK government and the arms industry", World Peace Foundation and Campaign Against Arms Trade (18 September 2024). The similar failures of Pentagon procurement, to the benefit of the US arms industry, are widely discussed. One good source for regular updates on these issues is Mark Thompson's blog, *The Bunker,* Project on Government Oversight, https://www.pogo.org/newsletters/the-bunker. *Passim,* but see for example, "The Bunker: Hardware Hijinks," (9 October 2024), https://www.pogo.org/newsletters/the-bunker/the-bunker-hardware-hijinks, which describing the cost and schedule overruns afflicting the Department of Defense's procurement of new nuclear-armed submarines

4 For more on the previous WPF research program, see "Defense Industries, Foreign Policy and Armed Conflict," available at: https://worldpeacefoundation.org/project/defense-industries-foreign-policy-and-armed-conflict/. See also reports: Perlo-Freeman 2021; Emma Soubrier, "Weaponized storytelling à la française: Demystifying France's narratives around its arms export policies," World Peace Foundation (2022), https://worldpeacefoundation.org/publication/weaponized-storytelling-a-la-francaise-demystifying-frances-narratives-around-its-arms-export-policies/; Jennifer Ericksen, "On the Front Lines: Conflict zones and U.S. Arms Exports," World Peace Foundation (2022), https://worldpeacefoundation.org/publication/on-the-front-lines-conflict-zones-and-u-s-arms-exports/; and Anna Stavrianakis, "Missing in Action: UK arms export controls during war and armed conflict," World Peace Foundation (2022), https://worldpeacefoundation.org/publication/missing-in-action-uk-arms-export-controls-during-war-and-armed-conflict/.

also provide useful contrasts – the Presidential system of government in the US as against the UK's Parliamentary/Prime Ministerial system, and Frances hybrid system; and the Anglophone privately owned industries against the French mixed-ownership arms industry, with French *dirigiste* traditions.[5]

Australia presents a contrasting case to these three major producers, as a country that has only recently emerged as a significant arms producer (and still a fairly minor one), but where arms industry influence has grown rapidly in conjunction with this emergence. Likewise, until relatively recently, the European Union was not a military actor in its own right. It has no army and in the past was prohibited from using its common budget for military purposes. However, the EU is now taking an increasingly active role in military R&D and defense industrial policy. The key collective institutions of the EU—the European Council, the Commission, and the Parliament—have become highly receptive targets of arms industry lobbying.

The report examines the different channels through which this influence is exercised, highlighting the variations in their operation and significance across the countries studied. Additionally, the report explores the key factors driving these differences. Looking across the cases, we can see the ways in which arms industry influence flows from a convergence of interests and ideologies between the industry and key government actors. Efforts to tame industry influence must address these underlying structural and ideological factors, rather than just seeking to improve and reform oversight mechanisms, essential as this may be.

The distinct channels of arms industry influence may vary considerably in different contexts depending on factors such as the different political systems (e.g. Presidential versus Parliamentary), the size and structure of the arms industry, regulation (or lack thereof) of things like campaign finance, lobbying, and the revolving door; and historical and political cultural factors that have influenced the development of the relationship between the government and the arms industry. Understanding these variations and the causes of them may help civil society and others to better address and combat the excessive influence of the arms industry.

Section Two presents the case studies of the four countries and the EU, exploring how the different channels of influence operate in each. Section Three presents analysis of the differences and similarities between these cases, concluding with implications for the prospects of challenging and changing these dynamics.

5 Other countries where this issue has been analysed in recent years include Germany and Italy, the subject each of a report by Transparency International Defence and Security, as well as a synthesis report comparing the two. While these also present many features of interest, although some findings from these studies are referred to briefly, a discussion of these countries is omitted from this report due to length. They are: "Defence industry influence in Germany: Analysing defence industry influence on the German Policy Agenda" (21 October 2020), https://ti-defence.org/publications/defence-industry-influence-germany/; "Defence industry influence in Italy: Analysing defence industry influence on the Italian policy agenda" (28 April 2021), https://ti-defence.org/publications/defence-industry-influence-italy/; and "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/. All published by Transparency International Defence & Security, with no individual authors named.

Section 2

# Arms industry influence in western arms producers

## The United States

The country with the largest arms industry and which has received the greatest attention by researchers concerned with industry influence over government policy is the United States. The concept of a "Military Industrial Complex" (MIC) was first coined by the US by President Eisenhower in 1961, in his farewell speech as President.[6] He saw the existence of a permanent, peacetime industry devoted to the manufacture of arms as a potential threat to democracy and good governance, due to the way it created a nexus of interacting vested interests in the industry, military, Pentagon, and Congress, to the detriment of the public good, and even of effective military preparedness. Since Eisenhower's warning, the arms industry has only grown larger, more concentrated, and more powerful, and the MIC more deeply embedded.

The US arms industry is overwhelmingly privately owned. It is by far the world's largest, with US companies accounting for 51% of the military revenue of the SIPRI Top 100 arms producing companies worldwide in 2022, at $302b.[7] While the top 5 companies: Lockheed Martin, RTX (formerly Raytheon), Northrop Grumman, Boeing, and General Dynamics, enjoy a dominant position in US arms procurement, there is a far larger and more diverse ecosystem of companies than in most other countries. There is more competition as well, with for example three separate producers of major combat aircraft (Lockheed, Boeing, and Northrop), instead of just one as in most other countries that produce them.

Arms industry influence in the US operates through three main channels: political campaign contributions, lobbying, and the revolving door between government and industry. Other means of 'soft' influence such as funding of think tanks also plays a role, as does the interaction of lobbying by the arms industry and by its foreign government customers, especially in the Middle East (discussed below). In some cases, these means of influence can involve outright corruption, but in most instances, this isn't

6 President Dwight D. Eisenhower's Farewell Address (1961), National Archives, https://www.archives.gov/milestone-documents/president-dwight-d-eisenhowers-farewell-address

7 SIPRI Arms Industry Database, https://www.sipri.org/databases/armsindustry

necessary. Lax regulation of campaign finance, lobbying, and the revolving door provide ample opportunities for arms companies, along with the politicians and officials they work with, to achieve their goals without crossing legal lines.

## Campaign finance and lobbying

The best source of data on corporate spending on political contributions, lobbying, and the revolving door, is Open Secrets, a Washington DC think tank that monitors the influence of money in politics. The organization maintains a comprehensive database that includes a focus on the defense industry, that notes: "Although the defense sector contributes far less money to politicians than many other sectors, it is one of the most powerful in politics."[8] It reports that in the 2020 election cycle, arms companies and individuals linked to them donated $51.5 million to candidates and outside political funds, with slightly more ($26.62m) going to Republicans than Democrats ($20.3m). In 2022, the last year of full data, the industry spent $128.3 million on lobbying. The arms industry's election spending is dwarfed by, for example, the $2 billion spent by the (much bigger) finance, insurance, and real estate industries, or the $683 million spent by the health industry. However, the impact of arms industry contributions is enhanced by a high concentration on members of the powerful House and Senate Armed Services Committees, which exert considerable power over the size and details of the annual defense budget. These members often insert additional items not requested by the Administration (or DOD), or mandating that programs continue even when the military service involved prefers cancellation.

Lobbying and political contributions by interest groups, including the arms industry, are closely linked. Lobbyists gain access to politicians by offering donations, and moreover act as an organiser and compiler of donations from different sources, including so-called 'dark money' sources (where the identity of the original donors are undisclosed). Lobbyists help the interests behind the donations navigate the relevant rules relating to such donations, ensuring they don't fall the wrong side of the law, or require unwanted disclosure.[9]

Again, while the arms industry is not among the largest spenders either on campaign finance or lobbying, they are by far the largest interest engaged with defence issues, so their spending and lobbying helps ensure that their voice is heard above all others relating to their issues of concern, ensuring a consensus for high military spending, and a permissive regime for arms exports.

## The revolving door

While the arms industry may not dominate the campaign finance and lobbying spending tables, it excels in benefitting from the "revolving door." The U.S. Department of Defense (DOD) had by far the most employees of any federal government department or agency in 2022, with 772,000 civilian employees and over 2 million uniformed personnel. The Department of Veterans Affairs and the Department of

8 Open Secrets, "Defense Sector Summary," available at: https://www.opensecrets.org/industries/indus?ind=D

9 Jodi Vittori, "Mutual Extortion Racket: The military Industrial Complex and US Foreign Policy – the Cases of Saudi Arabia and UAE," Transparency International (December 20, 2019), https://ti-defence.org/publications/a-mutual-extortion-racket-the-military-industrial-complex-and-us-foreign-policy-the-cases-of-saudi-arabia-uae/

Homeland Security followed in size. The DOD also accounted for the lion's share of U.S. government procurement spending. Thus, the pool of former senior employees, civil and military, for the industry to recruit for their expertise, but more importantly their inside knowledge and contacts, far exceeds comparable opportunities (at Federal level) for other industries.

The revolving door is a critical issue not just for the inside information and contacts possessed by former public officials, but also because of the way it creates a confluence of interests between government and industry. Even if they are not already looking at a specific future employer, the fact that so many top military officers and DOD officials continue their careers in the arms industry may well influence how they make decisions and conduct negotiations affecting these companies. Moreover, it ensures that arms companies and the DOD form a kind of closed circle reinforcing a particular set of ideas and interests.

A 2023 report by the Quincy Institute found that[10] 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. An older report from 2018, by Project on Government Oversight (POGO),[11] found that arms companies and other significant DOD contractors had, in 2018 alone, hired former senior government officials, military officers, Members of Congress, and senior legislative staff as lobbyists, board members, or senior executives on 645 occasions.

Both reports found numerous occasions where officials and officers at the highest levels advocated for particular programmes or companies while in government employment, before being recruited by the companies that benefited upon retirement. This was possible due to weak ethics rules with many loopholes. For example, while key officials concerned with procurement could not directly lobby on issues they worked on in government, they could act as advisors or consultants to those in the company who did. The rules also did not cover some of the most senior people involved in aspects of procurement, for example, those who set the initial contract requirements.

The revolving door operates in the other direction as well. It is common for Secretaries of Defense and other senior political appointees in the DOD to be drawn from the ranks of the arms industry, often returning after their term of office. The current Defense Secretary in the Biden Administration, Gen. (ret.) Lloyd Austin, worked for Raytheon Technologies between his retirement from the military and his government appointment, for example.[12] Earlier, George W. Bush's Vice President, Dick Cheney, who had previously been George Bush Senior's Secretary of Defense, spent most of the intervening period, from 1995-2000, as Chairman of Halliburton, a major defense and infrastructure contractor.

10 William Hartung, "March of the Four–Stars: The Role of Retired Generals and Admirals in the Arms Industry", Quincy Institute for Responsible Statecraft (4 October 2023), https://quincyinst.org/research/march-of-the-four-stars-the-role-of-retired-generals-and-admirals-in-the-arms-industry/#

11 Mandy Smithberger, "Brass Parachutes: the problem of the Pentagon revolving door", Project on Government Oversight (5 November 2018), https://www.pogo.org/reports/brass-parachutes

12 E.g. Trevor Hunnicutt, "Biden's Defense nominee could get $1.7 million as he leaves Raytheon", Reuters (10 January 2021), https://www.reuters.com/article/world/us/bidens-defense-nominee-could-get-17-million-as-he-leaves-raytheon-idUSKBN29F0EN/

Such a well-trodden path between government and industry can create both the appearance and the reality of a conflict of interest for public servants. This may be direct, e.g. if an official is hoping for employment with a specific company after leaving government/military service, or more indirect, namely senior officers and officials will know that if they play hardball too much with their industry suppliers, or generally fail to act in the interests of major contractors, they may be shutting off one of the most common and lucrative avenues of future employment for people in their positions. In addition, companies hiring them may gain valuable contacts and inside knowledge, and direct or indirect influence over their new recruit's former colleagues and subordinates. This latter effect also applies to Congressional staffers (especially for Senators and House members on the Armed Services Committees), who will provide their new employers with considerable insights into their former bosses' ways. If and when they return to lobby their old employer, they may be dealing with more junior staffers they used to manage.[13]

### Arms exports: the role of Middle East governments

Given that from 2019–2023, 38% of US arms sales went to the countries in the Middle East, it is an area of particular concern when discussing the arms trade.[14] In "A Mutual Extortion Racket" (2019), Jodi Vittori examines the interrelationships among the arms industry, the DOD, the military, elected officials in Congress, and Middle Eastern governments. She explores how these entities collaborate to promote arms exports to the region, often without alignment with US interests, let alone concerns for upholding human rights and democracy. Middle East governments engage in heavy lobbying efforts, while offering the US the right to maintain military bases in their countries, in return for political and military support. Congress members are lobbied by both the Middle East governments and the arms industry, receiving substantial campaign contributions as encouragement to advocate for arms exports. However, Vittori describes the relationship between Congress and industry as "a mutual extortion racket," which she describes as the pattern in which "industry provides money and other support for presidential and congressional campaigns, and, later, lucrative jobs, and in return, defense companies secure their access to US taxpayer money via federal contracts and access to lucrative contracts with Middle East regimes."[15] While the industry seeks to buy support through campaign contributions, especially for members of the House and Senate Armed Services Committees, the latter essentially can demand these contributions from different companies for them to stay in the game in terms of receiving Congressional support for their particular programmes.

Overall, this pattern of arms industry influence results in inflated military budgets, the continuation of arms programs that, in some cases, are not even desired by the military services they are intended for, and a dysfunctional procurement system. In this system, companies reap substantial profits while weapons systems are delayed, overpriced, and sometimes fail entirely to deliver the promised capabilities. For arms exports, while a few legislators speak up regularly for stronger controls, the interests

13 A point made by Sarah Detzner, presentation not currently extant.

14 Pieter D. Wezeman, Katarina Djokic, Matthew George, Zain Hussain and Siemon T. Wezeman, "Trends in International Arms Transfers, 2023," SIPRI (March 2024), https://www.sipri.org/sites/default/files/2024-03/fs_2403_at_2023.pdf, pg. 3.

15 Vittori 2019, 40.

of both the Executive and Legislative branches of governments tend to be heavily biased towards export promotion.

## The UK

The UK has the largest arms industry in Europe, not counting Russia. BAE Systems plays a dominant role, being the sole producer of combat aircraft and nuclear submarines, one of only two producers of warships, and also being involved in armoured vehicles and defence electronics. Other major companies include Rolls-Royce (military aircraft and naval engines, including nuclear power plants for submarines), Babcock (warships and military services, especially base management), QinetiQ (R&D and technology services), and the UK arms of Leonardo (helicopters and defence electronics), Thales (defence electronics, radar systems, UAVs, missiles), Airbus, and MBDA (missiles). The industry is entirely privately owned.

The recent report by the same author, “From revolving door to open-plan office: the ever-closer union between the UK government and the arms industry,”[16] looked at the key channels of arms industry influence in the UK, and their impacts. It found that political contributions were not a significant factor, and there was limited evidence of traditional lobbying via professional lobbying agencies. The revolving door is a major issue, with over 40% of senior military and civilian personnel leaving the MOD taking up positions in the arms or security industries. Perhaps even more important are the extensive institutional links that grant the arms industry unparalleled access to the highest levels of government. BAE Systems, in particular, has more meetings with ministers and prime ministers than any other private company, while several government-industry forums directly institutionalize the arms industry’s role in policymaking. The report argues that the relationship between the government and the arms industry has become an “open office plan,” that is, so close as to blur or even erase the line between them, making the arms industry effectively a privately-owned branch of the national security state. The impetus for this has not just come from the industry, but from decades of government policy that have sought to move from a customer-supplier relationship with the industry to one of “partnership.”

One result is that the arms industry enjoys consistently strong profits, with several major arms companies, especially BAE, Rolls-Royce, Leonardo, Babcock, and QinetiQ, receiving a large proportion of their MOD business through non-competitive contracts. This guarantees that the flow of business remains unaffected by frequent performance failures, with major procurement programs habitually over budget, behind schedule, and/or failing to deliver the promised capabilities. The MOD’s procurement system is routinely described by MPs as broken, but it works out very well for the industry. On the export side, the arms industry enjoys a highly permissive export control regime, with arms supplies to major customers like Saudi Arabia unimpeded by their use in gross violations of the laws of war, as in Yemen.

16 Perlo-Freeman 2024.

## France

There are five French companies in the SIPRI Top 100 for 2022, with total revenues of $26b.[17] However, there are also three trans-European companies, Airbus, MBDA, and KNDS, with a large proportion of their activities in France. Taken together, these companies position France as the second largest arms producer in Europe, after the UK. The French defense industry, similar to those in many European countries, is dominated by a few large companies that hold near-monopolistic positions in their respective sectors. Dassault is the sole French producer of combat aircraft, Naval Group specializes in warships and submarines, trans-European Airbus leads in helicopters and transport aircraft, Safran in military aero engines, and Franco-German KNDS in tanks and armored vehicles. MBDA and Thales are key producers of missiles, while Thales and Airbus also dominate the markets for defense electronics, radars and sensors, UAVs, space systems, and more.

The French arms industry and defence establishment has in many ways very different characteristics to that of the UK and the US. First, the government has a substantial stake in several companies – a majority share of Naval Group, and substantial minority shares of Thales, Airbus, and Dassault, and smaller shares of most of the other significant companies. Secondly, engineers have a much stronger status and role within arms procurement. There is a specific profession of armaments engineers, 75% of whom must legally be trained at a specific college for the purpose, and who then go to work for both the arms industry and the French arms procurement agency, the Direction Generale de l'Armaments (DGA).[18]

In many ways, the industry is even more deeply intertwined with the state than in the UK, with the revolving door between government (specifically the DGA) and industry even more free-flowing and indeed expected as part of an armament engineer's career trajectory. Moreover, as in the UK, most major French arms procurement is non-competitive, awarded directly to the major companies in each domain. However, a 2019 report by Eva Renon of the Government Transparency Institute, "Does the defence industry capture the state in France?",[19] argues that this does not represent a case of "state capture" by the industry. It argues this on the basis of the large number of actors involved in decisions, the rigorous role of the Court des Comptes (the national audit institution), and Parliament in scrutinising arms procurement, and the fact that the government tends to obtain relatively low prices for weapons systems from arms companies, with most projects not experiencing major cost overruns – in exchange for strong and active support for arms exports.

A French defence economist[20] who has worked for both the DGA and the arms industry agrees that, despite the extent of the revolving door for armament engineers, there are careful constraints on which projects they can work on. The strong professional ethic or "esprit de corps" of the engineers means that those who have

17 "The SIPRI top 100 arms-producing and military services companies in the world, 2022," SIPRI. Available at: https://www.sipri.org/visualizations/2023/sipri-top-100-arms-producing-and-military-services-companies-world-2022

18 Eva Renon, "Does the defence industry capture the state in France?", Government Transparency Institute (14 June 2019), https://www.govtransparency.eu/does-the-defence-industry-capture-the-state-in-france/

19 Eva Renon, ibid.

20 Interview by the author with the individual, who wishes to remain anonymous.

moved to industry do not find their former colleagues in the DGA to be pushovers in negotiations. Moreover, the government always requires very detailed cost information from the companies, as part of ensuring reasonable prices.

Nonetheless, Renon notes that, while the MOD may exercise reasonably tight cost control over initial procurement contracts, the same is not the case for the servicing of equipment over the course of its lifetime, which represent the majority of a weapons system's lifecycle costs. The MOD is typically locked into using the original producer for this lifetime servicing, and the report finds that companies make up for lower project margins in procurement for much higher profits and cost-padding over the lifecycle. It calls for servicing contracts to be negotiated in conjunction with acquisition, and also calls for the arms industry to pay a share of the costs of training armaments engineers, the majority of whom it now employs, currently at the state's expense.

Renon's conclusions might be better interpreted as indicating a low risk of state capture in terms of illegal corruption within arms procurement, rather than suggesting a lack of industry influence through established, legal channels. The monopolistic positions of major companies in their respective sectors secure them a consistent flow of contracts. However, the French Ministry of Defense appears to be more effective than its U.S. and UK counterparts in managing key suppliers and exercising cost control, at least during the acquisition phase.

Even so, such an absence of outright corruption certainly does not apply to exports. The French government, as Renon notes, plays an active role in arms export promotion, perhaps even more so than in the UK. In his 2011 book, *Armes de Corruption Massive,* Jean Guisnel exposes routine corruption, in many cases directly facilitated or enacted by senior government figures and state agencies, in major arms exports, especially in the naval sector (where the main shipbuilder, Naval Group, is state-owned).[21] This is a case of mutual interest, as French politicians have frequently benefited from "retro-commissions" from corrupt arms export deals to finance their election campaigns, while also of course benefiting the companies. More recently, ex-President Nicolas Sarkozy has been charged with corruption for receiving millions of Euros from late Libyan President Gaddafi in 2007 to fund his election campaign, at least partly linked to French arms sales to Libya.[22] (It should be noted that such illegal means of campaign finance are completely unnecessary in the US and the UK, due to their much looser laws on legal campaign finance).

## Australia

Australia is not traditionally a major arms producer, and has typically imported most of its major equipment, overwhelmingly from the US, as well as some from various European producers. Recently, there have been some major orders from the UK. The Australian arms industry is dominated by subsidiaries of large foreign-owned corporations, including BAE Systems, Thales, Boeing, Lockheed Martin, Raytheon,

21 Jean Guisnel, Armes de Corruption Massive: Secrets et combines des marchands de canons, La Découverte, 2012.

22 "Ex-French leader Sarkozy faces 2025 trial over alleged Libya corruption, "Al Jazeera (25 August 2023), https://www.aljazeera.com/news/2023/8/25/ex-french-leader-sarkozy-faces-2025-trial-over-alleged-libya-corruption

Rheinmetall, and Northrop Grumman.[23] However, the industry has grown substantially over the past two decades, and has been accorded a position of far greater importance by the Australian government, with a 2016 Defence White Paper defining it as a "fundamental input to capability".[24] This has been bolstered by large increases in military spending, with procurement and investment spending of AU$270 billion (£140 billion) planned between 2020/21 and 2029/30.[25] The government has sought to spend an increasing proportion of this money on the domestic arms industry since 2016, which seems to have sparked a quantum leap in the industry's influence on government.

In *Confronting State Capture,* a report published by the Australian Democracy Network,[26] the fossil fuel and arms industries are discussed as examples of state capture, where "corporations, powerful families or religious sects accumulate a critical mass of control over democratic checks and balances, hollowing out public institutions for private benefit." (p10). State capture involves influence operating through a variety of pathways in conjunction, including creating a climate of elite opinion (via the media, think tanks, lobbying, etc.) where alternative viewpoints are pushed out. In particular, it requires the creation or development of a bipartisan consensus (in Australia's case, between the Labour Party and the right-wing Liberal/National coalition) on key issues of importance to the interest in question.
The most important channel of influence highlighted by the report is the revolving door, operating in both directions, and the powerful lobbying opportunities created when ex-Defence ministers sit on arms company boards, and when former top arms company executives take up senior positions in the Defence establishment.
The report highlights two contracts in particular: the acquisition of armoured vehicles from Thales Australia, and the AUS $45 billion (£23 billion) procurement of Hunter-class Type 45 frigates from BAE Systems, to be built in Australia by the local subsidiary, based on the UK design.[27] Both procurement processes have been heavily criticised as failing to provide value for money, with the frigate case in particular raising serious questions as to why BAE was even shortlisted, as its design was at a much less advanced stage, and with major cost overruns. This procurement has now been referred to Australia's anti-corruption commission.[28] Both also involved major potential conflicts of interest, with the Thales contract awarded not long after

23 Australia Defence Magazine produces an annual list of the Top 40 Australian defence contractors, but it is paywalled. https://www.australiandefence.com.au/industry/top-40/adm-s-top-40-defence-contractors-2023. Another article discussing some of the top Australian arms companies is Defence Connect, "Initial findings from Defence Connect's Australian Defence Industry Report revealed" (30 May 2023), https://www.defenceconnect.com.au/key-enablers/12057-initial-findings-from-defence-connect-s-australian-defence-industry-report-revealed. This lists companies in order of what proportion of defence industry professionals surveyed for the report had engaged with each company in the previous 5 years. The top 10, all foreign-owned, were BAE Systems Australia, Thales Australia, Boeing Defence Australia, Lockheed Martin Australia, Raytheon Technologies, Rheinmetall Defence Australia, Northrop Grumman Australia, and Babcock Australia.

24 Australia Department of Defence, Defence White Paper 2016 (24 February 2016), https://www.defence.gov.au/about/strategic-planning/defence-white-paper; p20.

25 Jade Macmillan and Andrew Greene, "Australia to spend $270b building larger military to prepare for 'poorer, more dangerous' world and rise of China" (30 June 2020), https://www.abc.net.au/news/2020-06-30/australia-unveils-10-year-defence-strategy/12408232

26 Australian Democracy Institute (credited contributors: Scott Ludlam, Michelle Fahy and Felicity Ruby), "Confronting state capture" (February 2022), https://raisely-images.imgix.net/ca877520-8363-11ee-bc9e-c317a5e9d690/uploads/state-capture-report-2022-online-pdf-d2cfd0.pdf

27 The problems, conflicts of interest, revolving door influence, and corruption risks associated with the Hunter-class programme are discussed extensively in a 2-part investigation by Michelle Fahy, "Sinking billions – undergunned and overpriced", Consortium News/Declassified Australia (6 July 2023), https://consortiumnews.com/2023/07/06/sinking-billions-undergunned-overpriced/, and "Sinking billions: revolving doors" (21 July 2023), https://consortiumnews.com/2023/07/06/sinking-billions-undergunned-overpriced/.

28 Andrew Tillett, "Bungled navy warship referred to anti-corruption watchdog" (5 September 2023), https://www.afr.com/politics/federal/bungled-navy-warship-referred-to-anti-corruption-watchdog-20230903-p5e1l9.

a former Defence Minister taking up an advisory position with the company, and the BAE one involving a selection committee where two of the five members were ex-senior BAE executives. Lockheed Martin Australia has also developed a particularly close relationship with the government, with several senior politicians taking up positions with the company in recent years.[29]

The revolving door is backed up by less formal influence channels, including funding of think tanks, especially the Australian Strategic Policy Institute, and sponsorship of the Australian War Memorial, which has led to it becoming a public relations platform for the arms industry.

From conversations with Michelle Fahy, the author of the arms industry section of *State Capture,*[30] it is clear that the growth of industry influence has not been something that has developed purely from the efforts of the industry. Rather it results from government efforts to develop closer ties with the industry, by granting access to the top levels of government. These efforts align with the greatly increased importance the Australian government has accorded to developing domestic military industrial capabilities.

## The European Union

The EU is the odd one out in this analysis, as it is not a country, and does not have its own armed forces, nor is there a specifically EU arms industry. Until recently, EU law forbade the EU budget from being spent on military activities or procurement. However, over the past couple of decades, it has increasingly become a military actor in its own right, a role that has accelerated since Russia's invasion of Ukraine in 2022. Since 2021, the EU has established its own substantial budget for military R&D, the European Defence Fund, worth €8 billion over 7 years, with discussions currently taking place on increasing it.[31] At the same time, the European Peace Facility (EPF) was created in 2021 as an extra-budgetary fund to which member states contribute, funding among other things arms exports. The EPF has been massively expanded to fund EU military aid to Ukraine.[32] The EU Commission now has a Directorate General for the Defence Industry (DG DEFIS), the only specific industry to have such a place in the Commission.[33]

29 Michelle Fahy, "Lockheed Martin, Australian Government: joined at the hip" Undue Influence (19 June 2024), https://undueinfluence.substack.com/p/lockheed-martin-australian-government

30 Private correspondence, 19 September 2022

31 European Defence Agency, "European Defence Fund (EDF)", available at: https://eda.europa.eu/what-we-do/EU-defence-initiatives/european-defence-fund-(edf); and Laëtitia Sédou, "Press Release: 'All you want to know about who benefits from EU military and security funding'", European Network Against Arms Trade (8 November 2022), https://enaat.org/2022/11/08/press-release-all-you-want-to-know-about-who-benefits-from-eu-military-and-security-funding.

32 See European External Action Service, "European Peace Facility (EPF)" (28 February 2024), https://www.eeas.europa.eu/eeas/european-peace-facility-epf_en; and Council of the European Union, "Ukraine Assistance Fund: Council allocates €5 billion under the European Peace Facility to support Ukraine militarily" (18 March 2024), https://www.consilium.europa.eu/en/press/press-releases/2024/03/18/ukraine-assistance-fund-council-allocates-5-billion-under-the-european-peace-facility-to-support-ukraine-militarily/.

33 European Commission, "Defence Industry and Space", accessed 14 October 2024, https://commission.europa.eu/about-european-commission/departments-and-executive-agencies/defence-industry-and-space_en.

This process has been advanced by, and in turn has led to, strong arms industry influence on the EU institutions, in particular the EU Commission and the European Parliament (as well as national lobbying in member states). According to a 2023 report, "From war lobby to war economy: how the arms industry shapes European policies,"[34] the industry has engaged in very active lobbying of these institutions, with the top 10 companies holding hundreds of meetings with both Commission and Parliament over the past 10 years, and in particular with the Parliament's Defence Committee. These efforts have succeeded in securing broad cross-political support for industry priorities in the Parliament, as well as with the Commission.

However, this influence did not arise out of a vacuum, but resulted in part from the active courting of the industry by the EU institutions and leading EU political figures. A "Group of Personalities" was formed in 2015 by the EU to advise on developing EU defence cooperation, and on the establishment of the European Defence Fund and other smaller precursor funds. Far from uninterested, the Group was dominated by figures from the leading European arms companies, and other interests closely linked to them. These same companies now receive the lion's share of funding from the EDF, which they helped shape.

The revolving door has also been a significant channel of arms industry influence in the EU. Some of the highest profile and egregious recent cases of revolving door include the Internal Market Commissioner, Thierry Breton, who heads up DG DEFIS, who before his appointment in 2019 was CEO of French IT services company Atos, which has significant military and security work. Breton had lobbied on some of the very issues he became responsible for as Commissioner. Another case was Jorge Domecq, who until 2020 was Chief Executive of the European Defence Agency, an EU agency established in 2004 to promote and facilitate intra-EU defence collaboration. He left this role to become Head of Public Affairs and Strategic Advisor for Airbus Defence and Space in Spain only 6 months later. Moreover, he failed to seek clearance from the EDA to take this role, only informing them two weeks before his start date; he nonetheless secured approval from the new EDA head, a move which the European Ombudsman later found should not have happened.

34 Mark Akkerman and Chloe Maulewaeter, "From war lobby to war economy: how the arms industry shapes European policies," European Network Against the Arms Trade (September 2023), available at: https://enaat.org/wp-content/uploads/2023/12/ENAAT-Report-WarLobby2WarEconomy_Sept2023-FINAL.pdf. The rest of this section is based on information contained in this report.

Section 3

# Analysis and Conclusion

Three key cross-cutting themes emerge across the cases that help explain similarities and differences between countries. These include political systems and governance, the size and structure of the arms industry, and the revolving door. Each is discussed below.

## Political systems and governance

One factor that seems to affect the way arms industry influence operates is the relative strength of the executive compared to the legislature in defence matters. This is not just a matter of Presidential vs Parliamentary systems, but of the nature of electoral systems and coalitions, and the relationship between the executive and the legislature. Laws and regulations surrounding campaign finance, lobbying, and the revolving door are also significant factors in the operation of industry influence.

In the United States, Congress wields enormous influence on arms procurement. It determines the defense budget, down to the level of individual line items. It can kill programmes or, more commonly, extend or resurrect them even when the armed service for which it is being bought doesn't want it. While Congress has limited power over arms exports, and has effectively failed to use the power it does have, certain key committee chairs can at least pause major arms deals. Thus, the arms industry goes to a great deal of effort to influence Congress, through campaign finance and lobbying spending. Individual members of Congress, and Congressional staffers, are also important targets for the revolving door, as well as senior officers and DOD personnel.

At the other end of the spectrum is the UK, where Parliament has very limited budgetary power beyond approving or rejecting the entire budget (the latter leading to the fall of the government), no role in procurement decisions, and only exercises scrutiny of arms sales after the fact, with no binding powers. This is at least one of the reasons why arms companies do not bother to donate to MP's campaign funds, although they do seek to exercise 'soft' influence through things like the Armed Forces Parliamentary Scheme.

While France has a hybrid Presidential-Parliamentary system, defence matters are largely the domain of the President and the executive. France has far tighter political finance laws than the US or UK, so that corporations cannot make direct political contributions. However, there have been several cases of French presidents or presidential candidates receiving corrupt payments relating to arms deals, facilitated by the close relationship (in some cases one of ownership) between the arms industry and the state. In "L'affaire Karachi", for example, in the 1990s, Prime Minister Edouard Balladur, in collaboration with other top politicians, advisors, and a senior official of the state-owned naval producer DCN (now Naval Group), used kickbacks from the sale of submarines to Pakistan (for which some bribes or "commission payments" were paid to Pakistani officials, while others were directed back to French officials as "retro-commissions"), to fund his 1995 Presidential Election campaign.[35]

Similarly, in Italy, a country not profiled here, a highly pluralistic parliamentary system based on proportional representation and with coalition governments the norm, gives a significant role to MPs, who are thus frequently the subject of arms industry influence efforts, although not nearly to the extent of in the US.[36]

Essentially, the key points of influence for the arms industry will depend on where the major decisions that affect their interests are taken; as well as on the regulations (such as campaign finance) that may seek to limit such influence, threadbare as these often are.

## Arms industry size and structure

Given the size of the industry in the US, there is a greater degree of meaningful competition between the top companies than the other producers considered here. In the UK and France, key large companies are near monopolies in some or all major arms sectors. In the UK, there is a single company (BAE) with multi-sectoral dominance, that therefore holds a particularly privileged position in its relationship with government. The Italian industry likewise shares this trait, with Leonardo dominating. Companies in such a position perhaps have less need to employ traditional influence measures (although both companies remain keen to employ "revolvers"), relying instead on their standing institutional connections to the government afforded by their unique position within the industry.

With the greater level of competition in the US, the companies have even more incentive to engaging in influence peddling through all means, to help ensure that their particular programmes are favoured by both the DOD and Congress. This helps keep the campaign finance dollars flowing, and the revolving door spinning at perhaps an even faster rate, and being an even more common career option for top military and DOD personnel, than in other countries.

Ownership also plays a role, with the partial state ownership in France, as well as Italy, establishing a close government-industry relationship from the get-go. Despite the absence of a profit motive, this close relationship has nonetheless facilitated corrupt dealings, particularly in arms exports.

35 See Corruption Tracker, "Karachi Affair", https://corruption-tracker.org/case/laffaire-karachi. For more details, see Jean Guisnel, *Armes de Corruption Massive: Secrets et combines des marchands de canons*, La Découverte, 2012.

36 Transparency International Defence and Security, "Defence industry influence in Italy: Analysing defence industry influence on the Italian policy agenda" (28 April 2021), https://ti-defence.org/publications/defence-industry-influence-italy/.

In all cases, even the US, there are a small number of companies who tend to dominate arms procurement in different sectors, and who therefore have an essentially built-in foothold with the government, although BAE Systems in the UK seems to be more deeply entrenched than most.

## The revolving door

One channel of influence that has been found to be significant in all of the above studies is the revolving door. In part, moves between the military and the arms industry are natural career paths for senior officers, but it is also clear that industry values government and military personnel for their connections and inside knowledge as much as or more than for their skills and experience. A well-trod path from government to arms industry also helps cement an informal commonality of interests between procurement decision-makers and the industry that supplies them, even in the absence of any outright *quid-pro-quo* corruption.

In France, the revolving door between the Direction Générale de l'Armament (DGA) and the industry is a normal career path for the corps of armaments engineers, who play a central role in procurement, a distinctive feature of the French system, that places an unusually high value on engineering skills. However, its impact appears to be mitigated by clear formal and informal rules of engagement. The impact of top military personnel moving to industry is not so clear, however.

The precise impact of the revolving door is generally very hard to measure, except in rare cases where individuals are caught in flagrant abuses of position linked to a conflict of interest. Exactly how a particular procurement decision would be different, or how programmes would be managed differently, cannot really be pinned down. The importance of the revolving door perhaps lies primarily in the human factor, in creating interpersonal networks of interest but also of familiarity and collegiality. Or, to put it more bluntly, crony capitalism. At any rate, that companies place a high value on recruiting former ministers and defence personnel seems to be a common feature.

In the US, there is perhaps a more measurable effect of the revolving door in relation to Congress members and their senior staffers, who appear to be much more important targets for arms industry recruitment than elsewhere. Recruiting a former senior staffer, for example, may well be a path to swinging that member's vote on key issues or programmes. One study, for example, found that the income of ex-staffers who joined lobbying organisations fell on average by 24% when their former employer left Congress.[37]

Across all three countries, the revolving door seems to be a ubiquitous phenomenon and a significant channel of influence in all cases. The arms industry in major producer countries is unique in the closeness of its relationship to government, resulting from its role as the provider of the means of coercive state power. It is regarded as a key strategic asset, and as a result, it is granted or able to obtain significant influence over

37 Jeffrey Lazarus, Amy McKay, and Lindsey Herbel, "Who Walks Through the Revolving Door? Examining the Lobbying Activity of Former Members of Congress", *Interest Groups and Advocacy,* Vol.5 (14 January 2016), https://link.springer.com/article/10.1057/iga.2015.16; 82 – 100.

policy matters that concern it, particularly arms procurement and exports. The extent of this influence and the relative importance of the different channels of influence vary from country to country.

In most of the cases studied, there seem to be at best only very partial and ineffective efforts to regulate the revolving door; perhaps because the politicians who would need to enact such regulation have a vested interest in the door remaining open, and in the case of the arms industry, perhaps because the revolving door is seen as a desirable means of sharing knowledge and contacts between government and industry (this is especially clear in the UK, as the "open-plan office" metaphor suggests). Transparency International's report on Germany suggests that regulation there is somewhat stronger, with less obvious evidence of the impact of the revolving door.[38] In general, however, this seems to be a highly persistent and hard-to-tackle problem.

## Conclusion: Arms and the state

The idea of an industry, such as the arms industry, exerting influence on government—possibly "excessive" or "undue" influence—suggests that the industry is an external actor seeking to distort the policy processes of a government that would otherwise be acting neutrally in what it perceives to be the public interest. However, the deeply entrenched nature of the relationship between the government and the arms industry, seen in most if not all of these cases, resulting from the enormous strategic importance accorded to the industry by the government, calls this model into question. The relationship between the government and the arms industry, which is seen as a key strategic asset, is much closer than that, and the government is not a passive object of influence but an active participant in the relationship.

In some ways, this dynamic is seen most vividly in the cases of Australia and the EU's central institutions, which have only recently become significant arms industry actors. Australia's arms industry was until recently very limited, while the EU, until the last couple of decades, had no military role and no funding for arms procurement. In both cases, the decision to develop the arms industry, or to adopt a much stronger facilitating role in European arms industries, was a strategic one, accompanied by a deliberate courting of the arms industry. While the industry put considerable effort into developing its influence, in both Australia and the EU, it found itself pushing at an open door. The way arms industry influence has risen so quickly from zero to very high in a relatively short period of time perhaps illustrates that such influence is generally part of a two-way process, where the arms industry is not simply an external actor on the state but, in many ways, a key facet of state power itself, even when it is privately owned.

Overall, the central conclusion from this comparative study is that despite differences in government structures and the ownership and nature of the arms industry, companies producing arms exert considerable influence over government decision-

38 Transparency International Defence and Security, "Defence industry influence in Germany: Analysing defence industry influence on the German Policy Agenda" (21 October 2020), https://ti-defence.org/publications/defence-industry-influence-germany/.

making in all the cases considered. In a period of rising global military expenditure, where even multilateral institutions like the EU are courting arms industry actors, the influence is likely to expand. Predictable outcomes include further militarization of security and foreign policy; decreased concern over human rights abuses and conflict prevention; and increasing privatization of public funds as weapon systems are procured without critical reflection on what purpose they serve and with inadequate attention to timelines and budgetary restrictions.

Is there any way to break this dynamic, and disentangle the arms industry from the government, allowing for a more balanced and less militarist approach not only to defence but to arms exports and foreign policy in general? While stronger regulation (e.g. of campaign finance, political lobbying, and the revolving door), may offer some mitigations, to really address arms industry influence would require, as *Open-Plan Office* argues, a far more deep-rooted change in nations' worldviews regarding the nature of security, the centrality of military power, and what defines their place in the world.

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