

# AN INTRODUCTION TO THE ARMS TRADE



Video stills of Saudi Arabia National Guard armoured vehicles being deployed to Bahrain to help crush pro-democracy protests. The vehicles were manufactured in the UK by BAE Systems. ([www.youtube.com/watch?v=YI-aqBjj7UQ](https://www.youtube.com/watch?v=YI-aqBjj7UQ))

The arms trade is a deadly, corrupt business. It supports conflict and human rights abusing regimes while squandering valuable resources. It does this with the full support of governments around the world.

The arms trade is dominated by the five permanent members of the UN Security Council: China, France, Russia, UK and the US, along with Germany and, increasingly, Israel. The permanent members alone account for around three quarters of exported arms.

While relatively few countries sell large volumes of weaponry, the buyers are spread across the world. Some of the largest purchasers are in the Middle East and South and East Asia.

The arms themselves range from fighter aircraft, helicopters and warships with guided missiles, radar and electronic warfare systems, to tanks, armoured vehicles, machine guns and rifles.

There is often confusion about the legality of the arms trade, with the impression given that it is the illegal trade that is damaging while the legal trade is tightly controlled and acceptable. However, the vast majority of arms sold around the world, including those to human rights abusing governments or into conflict areas, are legal and actively supported by governments.

**This briefing focuses on this legal trade. It relates primarily to the UK, as one of the world's largest arms exporters and the arms exporter that is most relevant to CAAT and its supporters.**

# THE IMPACT OF THE ARMS TRADE

The arms trade exists to provide weapons to those who can pay for them. What the buyers do with the arms, what political approval the sales signify, and how the money could have been better spent appear irrelevant to the arms companies and their governments.

## Human rights abuse

Human rights abuses are facilitated by arms sales in three main ways:

- They can be used to carry out human rights abuses directly;
- The arms sales increase the military authority of governments and their capacity for abuses;
- The sales convey a message of international acceptance and approval.

The UK Government's 2010 Human Rights Annual Report identified 26 "countries of concern". In that year, the UK approved arms export licences to 16 of these including Israel, Libya, Pakistan, Russia and Saudi Arabia. Saudi Arabia has been the focus of UK arms promotion since the fall of the Shah of Iran in 1979.

The impact of arms sales was evident in the Middle East and North Africa in early 2011. UK arms were used in the suppression of protest in Bahrain and Libya. When the Libyan protests became a civil war, the whole range of weaponry supplied by UK and others would have been brought to bear by Colonel Gaddafi.

As protests in countries in the region developed, supplier governments were left embarrassed; unsure as to whether to publicly celebrate the will of the people or to play the protests down and continue supporting authoritarian regimes. But the reality of their position became obvious as the routine arming of regimes came to light.

## Conflict

Selling arms to a country in conflict – whether internal or external – makes the conflict more deadly and last longer. If there is tension between countries or within a country, arms purchases are likely to increase this tension and make actual conflict more likely.

Even when a conflict has ended, arms, particularly small arms, may remain in large numbers, fuelling further conflicts and/or criminal activity. The casualties of conflict are now overwhelmingly civilian, increasing from around 50% of war-related deaths in the first half of the twentieth century to 90% near the end of the century.

It is often difficult to establish where the arms used in conflicts have originated. However, cases of the use of UK arms in conflict zones include the use

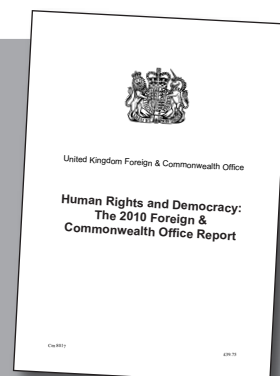
- by Libya against "rebels" in 2011
- by Israel in the attack on Gaza in 2009
- by the Indonesian military in East Timor, Aceh and West Papua
- by the US in the invasion of Iraq
- by Zimbabwe in the Democratic Republic of Congo
- by Argentina in the Falklands War.

The tension between India and Pakistan makes South Asia one of the most volatile regions of the world, yet the UK supplies arms to both countries. UK Government officials and ministers actively promote these sales, with personal interventions and an active presence at arms fairs in both countries.

Of the 16 countries identified by the Stockholm International Peace Research Institute as locations of major armed conflict in 2009, the UK sold arms to 12.

## UK arms buyers on the Foreign Office's list of countries with "the most serious wide-ranging human rights concerns"

- |                                |                |             |
|--------------------------------|----------------|-------------|
| • Afghanistan                  | • Iraq         | • Somalia   |
| • Belarus                      | • Israel       | • Sri Lanka |
| • China                        | • Libya        | • Syria     |
| • Colombia                     | • Pakistan     | • Vietnam   |
| • Democratic Republic of Congo | • Russia       | • Yemen     |
|                                | • Saudi Arabia |             |





**The aftermath of an Israeli attack on Gaza, December 2008. The UK supplied parts for the planes used in the bombing.** Mohammad Rujailah

### **Development reversals**

The arms trade affects development both through the money wasted on arms purchases and through the conflicts fuelled by arms.

A 2007 study of the economic cost of armed conflict to Africa estimated that Africa loses around \$18 billion a year due to wars, and that armed conflict shrinks an African nation's economy by 15%. As well as the direct costs of military spending, medical costs and the destruction of infrastructure, there are indirect costs as the economy and employment suffer. The study estimated that the cost since 1990 was equivalent to the aid provided by major donors.

Even where conflict is not taking place, money diverted to arms is a drain on government resources and takes away from vital spending on health, education and infrastructure. The massive 1998 South African arms deal for aircraft, helicopters, warships and submarines will end up costing the country over £8 billion. At the same time five and a half million South Africans living with HIV and AIDS were told the country couldn't afford anti-retroviral medication.

Despite desperate poverty and its recent history of conflict, the UK Government is actively promoting arms exports to Angola. In 2008, it not only approved arms exports to Angola but organised an "industry day" when HMS Liverpool docked in Angolan waters and hosted Angolan political and military officials.

As long as a country is willing to pay for arms, wider development needs are irrelevant to both companies and their government supporters.

## **HOW THE ARMS TRADE WORKS**

### **Unquestioning government support**

Every year, the UK Government authorises the sale of arms to well over 100 countries across the globe. This is hardly surprising given that it is government policy to vigorously support arms exports, and that the Government allows arms companies unrivalled influence in its policy-making. In fact, arms companies and the Government have a unique relationship and are inseparable when it comes to selling arms.

The Government's UK Trade & Investment (UKTI) department is a vital element of the UK's arms dealing. In 2008 it opened the Defence & Security Organisation

(DSO) which promotes weaponry on behalf of arms companies. There are 158 civil servants in **UKTI DSO** while all other non-arms sectors have a combined total of 137 staff. This is despite arms accounting for less than 1.5 per cent of UK exports.

This disproportionality reflects the wider political and financial support for arms exports. The precise level of subsidy for arms exports is hard to quantify, but it is estimated to be several hundred million pounds per year, meaning that each arms export job is subsidised by several thousand pounds a year. As the Financial Times' international economy editor stated, "You can have as many arms export jobs as you are prepared to waste public money subsidising."

**Table: Preferential treatment**

0.2%	Arms export jobs as a percentage of total employment.
1.5%	Arms as a percentage of total exports.
27%	UK Government research expenditure spent on arms.
54%	UK Trade & Investment staff committed to selling arms (as a percentage of those in all identified industry sectors).

The Government asserts that it is effective in "controlling" arms exports. In the UK, this regulation is led by the Department for Business, Innovation and Skills (BIS) and carried out in conjunction with the Ministry of Defence (MoD) and the Foreign and Commonwealth Office (FCO) (and sometimes the Department for International Development, though it has little say).

Companies apply for licences to export their arms. The licences are then considered and, except in exceptional circumstances, approved.

In the year for which most recent figures are available, the departments issued **10,850** arms export licences, refused **230** and revoked **14**. Around half of the refusals related to the proliferation of Weapons of Mass Destruction, with a maximum of **76** being refused or revoked on the

grounds that they contributed to internal repression, internal conflict or regional instability.

The token nature of the controls is also evident through the wider activities of the controlling departments. The Foreign Office's embassies, the MoD's armed services and BIS's UKTI and Export Credits Guarantee Department (which insures UK exporters against payment default) all actively promote and support arms sales.

While it is policy to promote arms sales, there is no prospect that the Government could meaningfully control and restrain the trade.

### Arms Trade Treaty

The UK Government has been at the forefront of pushing for an international Arms Trade Treaty, presenting this as a panacea for all arms trade ills. However, like its own arms export guidelines, a future treaty is not intended to reduce UK arms exports at all – a fact acknowledged by the Foreign Office and which is astonishing given the UK's status as one of the world's largest arms sellers. The concept of a treaty has the support of arms companies in the UK which see it as providing a "level playing field" with the potential for increasing their market opportunities.

There is a serious risk that the overall consequence of the Arms Trade Treaty, as presently envisaged by the Government, would be to further legitimise the arms trade.

### Arms fairs

The international circuit of arms fairs, from Defence & Security Equipment International (DSEi) and Farnborough International in the UK, to DefExpo in India, IDEX in the United Arab Emirates, African Aero & Defence in South Africa and Latin America Aero & Defence in Brazil, is a key element of the arms trade.

The companies which attend are guaranteed potential customers in vast numbers, including military delegations and individual trade, government and armed forces representatives. They make contact, negotiate and sign contracts over the course of a number of arms fairs and interim meetings. There is almost no possibility of regulation or accountability.

In celebrating the sale of a tactical communications system to the Libyan Elite Brigade for its tanks, an arms company association's newsletter stated, "This success originated from discussions between Libyan Armed

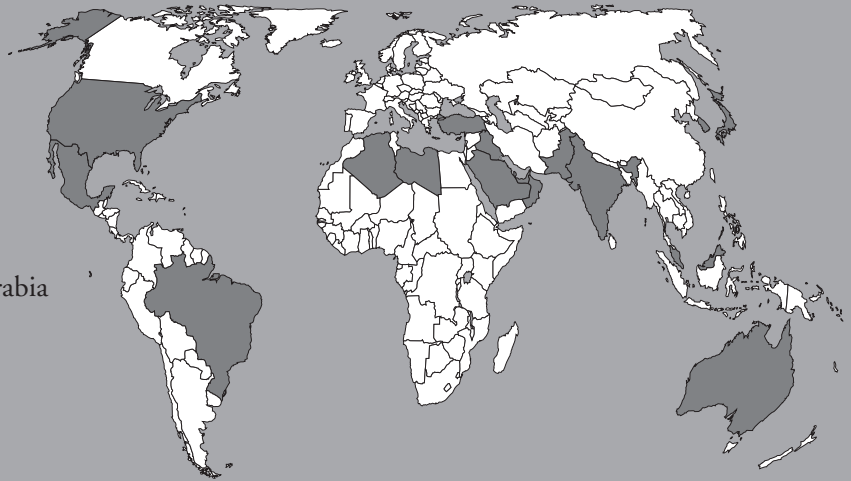


## Priority targets for UK arms promotion

(The UKTI Defence & Security Organisation's  
Priority Markets for 2010/11)

Algeria	Australia	Brazil
Brunei	India	Iraq
Japan	Kuwait	Libya
Malaysia	Mexico	Oman
Pakistan	South Korea	Saudi Arabia
Turkey	UAE	USA

Source: *Hansard*, 28 June 2010, Col. 418-9W



Forces personnel, General Dynamics UK and (the then) DESO [UKTI DSO's predecessor] at IDEX in Abu Dhabi. This initial lead was followed by a joint campaign by the company, DESO and the British Embassy in Tripoli. UKTI DSO sees this success as a first step towards further Industrial Partnerships with Libya.”

The government of the host country provides support for arms fairs, sometimes co-organising them with an events company. DSEi is one of the world's largest arms fairs. It is owned by Clarion Events and organised in conjunction with the UK Government, in particular UKTI's Defence & Security Organisation.

### Influential arms companies

The arms industry is dominated by a small number of major corporations that have their headquarters in one country but produce weaponry internationally. They include Lockheed Martin (US), BAE Systems (UK), Boeing (US), Raytheon (US), EADS (Europe) and Finmeccanica (Italy). They are the producers of the aircraft, missiles, warships and vehicles that carry the weapons and “systems” of the armed forces.

The dominance of the US is clear, and stretches far beyond the US-headquartered companies. The pull of US military spending means that European companies, most strikingly BAE Systems, have been buying-up US companies to access that funding. The US now accounts for over half of BAE Systems sales and is the location of more BAE employees than the UK.

Although arms companies are not particularly large by international business standards – BAE, one of the world's top three arms producers, is ranked 398th in the FT Global 500 – they are incredibly powerful due to

their political connections. A complex web of relationships between arms companies and government means that policy-making is distorted in favour of arms company interests.

One of the more tangible manifestations of this web is the ‘revolving door’. This provides a steady stream of government ministers and officials to companies, whose contacts and influence can then be tapped. A particularly offensive example took place in February 2011 when former UK Ambassador to Saudi Arabia, Sir Sherard Cowper-Coles, moved to BAE Systems. As Ambassador, he had pressured the Serious Fraud Office to drop its investigation into BAE-Saudi arms deals.

The influence of arms companies is felt, and apparently welcomed, right at the top of government. In the midst of the brutal suppression of protest in the Middle East, Prime Minister David Cameron chose to go ahead with an arms promotion tour of Egypt, Kuwait, Qatar and Oman. He clearly wasn't to be dissuaded by ethical concerns, appropriateness, or even the PR accident-waiting-to-happen.

Aside from ensuring unquestioning support for arms exports, this political influence has led to the UK being committed to heavy expenditure on large items of military equipment, including aircraft carriers, fighter aircraft and Trident. The utility of these is questioned even by some of those within the military.

### Hard-wired for corruption

Transparency International rates the arms industry as one of the most corrupt business sectors, which is not surprising given that deals are often large, complex,

shrouded in officially-sanctioned secrecy, and have a select few making the decision to buy.

Corruption is not just an add-on to the trade; it can be central to it, increasing spending on arms by giving decision-makers an incentive to purchase weapons.

Allegations of corruption are widespread. Occasionally there are convictions but, given the close relationship between government and industry, investigations are hard to start and even harder to bring to court.

In 2004, following compelling evidence in the media, the UK's Serious Fraud Office (SFO) began investigating BAE deals with numerous countries including Saudi Arabia, South Africa, Tanzania and the Czech Republic. However, the pivotal Saudi strand was stopped in 2006 following political intervention by Tony Blair (which in turn resulted from pressure by the Saudi government and BAE). Eventually the SFO agreed only a plea bargain limited to "accounting irregularities" in a BAE contract with Tanzania.

Meanwhile, a US Department of Justice (DOJ) investigation into several of the cases continued. In 2010 BAE was sentenced "to pay a \$400 million criminal fine, one of the largest criminal fines in the history of DOJ's ongoing effort to combat overseas corruption in international business and enforce U.S. export control laws."

## ARMS TRADE JUSTIFICATIONS

The Government's active role in promoting the arms trade appears so out of step with normal values that its justifications need to be considered. Its main arguments fit into three categories: arms exports are important for national security; they are vital to the UK economy and jobs; and they are stringently regulated. All are false.

### **The official argument**

National security is the Government's main official argument. It focuses on the assumption that arms exports can help guarantee the supply of arms for the UK armed forces. However, the 'national security' argument is also applied much less specifically, in the hope of tapping into deep-rooted perceptions of defence and sovereignty.

The specific response to the argument is that there is no "security of supply" to guarantee. Arms production takes place across the globe and all significant Ministry of Defence purchases include hundreds or thousands of imported components and sub-systems. The arms companies that are supposed to provide the guarantee of supply are international businesses. It is entirely

**Prime Minister David Cameron and Business Secretary Vince Cable helping to sell BAE Hawk jets to India, July 2010. Photo: UK Foreign Office, [www.ukinindia.fco.gov.uk](http://www.ukinindia.fco.gov.uk)**



unrealistic to expect these companies and their international shareholders to prioritise any one country's armed forces over those of another on anything other than financial grounds.

However, the most important argument around national security is more fundamental: the extent to which national security is undermined by being viewed through an almost exclusively military lens. This perspective includes both the predilection for arms exports and the presumption of military solutions to problems. It marginalises major security threats such as climate change, energy insecurity and inequality that are acknowledged by Government but absent in terms of meaningful policies and funding.

A much broader security policy is required, centred on the security and well-being of the population rather than on military and arms company interests.

### The emotive argument

Jobs and economic arguments are not the Government's official justifications for its arms sales activities, as it knows the argument doesn't stand up to scrutiny. But the Government repeats and encourages the myths because it realises 'jobs' is one justification that the UK public will accept when faced with indiscriminate arms selling.

In contrast to the impression provided by arms industry apologists,

- the 55,000 arms export jobs comprise less than **0.2% of the UK workforce**.
- the exports themselves are **less than 1.5% of total UK exports**, and even this is an overestimate of their importance as 40% of the value of the exports was imported in the first place.
- **arms exports are subsidised** by the taxpayer (see page 4).
- There is an **engineering skills shortage**. As the President of General Dynamics UK said in 2010, "the skills that might be divested of a reducing defence industry do not just sit there waiting to come back. They will be mopped up by other industries that need such skills... You can think of the upsurge in nuclear and alternative energy as being two areas that would mop up those people almost immediately."
- High profile arms export deals rarely result in significant UK jobs as **production moves overseas**. In August 2010, BAE sold 57 Hawk jets to India in the headline deal of a David Cameron-led trade delegation to the country. All of the aircraft will be made in India

and, while the deal is worth £700 million, it will generate only 200 jobs in the UK.

Despite all the support which it receives from the Government, the arms industry's capacity to create jobs is in long-term decline and unlikely to improve, its performance against other sectors is unexceptional, and its skills are needed elsewhere.

Because it is taxpayers' money that supports arms exports and production, the Government can choose to reallocate the resources to more socially-useful and productive activities which could generate more jobs. Most obviously, the renewable energy sector requires similar skills to arms production but has enormous market potential.

### The desperate argument

The existence of official arms export controls is often cited by the Government in defence of indefensible arms exports. But the UK's arms exports speak for themselves, as do the tiny proportion of arms export licence applications that are refused.

There are several technical reasons that contribute to the ineffectiveness of the UK's arms export controls, but the overwhelming reason is that it is Government policy and practice to actively promote and support arms sales. Within this policy context, the main effect of the licensing process is to legitimise arms exports.

### So why sell arms?

The less than satisfactory reality is that arms exports are not the result of a well thought through government policy.

They happen because this is what government has done for decades, because there is a militaristic approach to security, and because there is a government pre-disposition towards the interests of big business. This status quo is powerfully reinforced by arms companies via a web of personal contacts and formal advisory bodies.

Presently, the only meaningful constraint on arms exports is political embarrassment. Restrictions on arms sales are put in place when particularly shaming sales are uncovered or when a buyer (such as Libya), to the Government's apparent shock, uses the weaponry it has bought.





## ENDING THE ARMS TRADE

The arms trade is a business with a privileged place in the hearts of governments. In practice, this means arms companies are incredibly adept at taking taxpayers' money and convincing governments that the arms trade should be promoted rather than restrained.

While the benefits of the arms trade accrue to international companies, the costs are to the people on the receiving end of the weaponry, the citizens and taxpayers of both buying and selling countries, non-military industry, and national and international security.

The power of the arms lobby (including many in government) has so far persuaded the media and much of the public that the promotion of arms exports is, if not actually good, necessary. If the arms trade is to end, changing this perception is the first step.

There is increasing understanding that arms do not lead to security, but there also needs to be widespread recognition that:

**Unanimous verdict – BAE guilty on all counts!**

- arms spending reflects vested interests rather than security requirements;
- the argument that the arms industry is economically important is a myth – it is paid for by the taxpayer and is an economic drain;
- the money and skills wasted on arms would provide greater security *and* economic benefits if they were invested in addressing real security challenges such as climate change.

As we take action to end the arms trade, it is vital to counter the arms trade's myths as well as to highlight the pain and destruction it causes.

*A footnoted version of this briefing is available on the website. If you do not have access to the web, please contact the CAAT office and we will post a copy to you.*

**April 2011**

**11 Goodwin St, London N4 3HQ**  
**Tel: 020 7281 0297**  
**Email: [enquiries@caat.org.uk](mailto:enquiries@caat.org.uk)**  
**Website: [www.caat.org.uk](http://www.caat.org.uk)**

