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**A dead giveaway : the government-arms industry links behind New Labour??s support for arms exports**

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# **A Dead Giveaway**

**The government-arms industry  
links behind  
New Labour's support for arms  
exports**

**By**

**Emma Ann Rose Mayhew**

**A dissertation submitted to the University of Bristol in accordance with the requirements of the degree of Ph.D. in the Faculty of Social Sciences, Department of Politics, University of Bristol, September 2004.**

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## ABSTRACT

The government maintains a rolling programme of financial and political support for companies exporting military equipment abroad at levels incomparable with any other industry except agriculture. The most identifiable figures show that the annual net cost to the taxpayer stands at between £228 million and a possible £990 million. Those querying this support are directed to consider how it enables British involvement in the international arms market from which wider benefits are said to accrue. These are benefits that have been increasingly challenged yet to date, no contemporary and comprehensive critique of New Labour's case has been produced. This thesis addresses this gap by critically examining New Labour's rationales. It finds that when the economic, strategic and political rationales put forward for maintaining these levels of support are subject to scrutiny, either the government has failed to prove its case or, more frequently, the case is simply unsustainable. This begs the question why does New Labour continue to support arms exports? One way of answering this is to look at the relationship between UK-based arms-producing companies and New Labour. This thesis finds that a picture starts to emerge both of an overly close arms industry - New Labour relationship and of an overly high political profile for the arms industry in the environment where the government operates. The thesis suggests that the government continues to support arms exports because New Labour and military industries are deeply interconnected. Their interests are so tied up with each other and the volume and pace of employees passing through the industry/policy-making revolving door so notable that to a significant extent, they are the same body. Simply by acting rationally, New Labour will be inclined to support military industry because in a way by doing this, it is supporting itself.

## ACKNOWLEDGEMENTS

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## DECLARATION

I declare that the work in this dissertation was carried out in accordance with the Regulations of the University of Bristol. The work is original, except where indicated by special reference in the text and no part of the dissertation has been submitted for any other academic award. Any views expressed in the dissertation are those of the author.

Signed:

Date:

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## LIST OF ABBREVIATIONS

AGM	Annual General Meeting
APPC	The Association of Professional Political Consultants
BAE Systems	Arms-producing company formerly known as British Aerospace
CAAT	Campaign Against Arms Trade
CBI	Confederation of British Industry
CIA	Central Intelligence Agency
DASA	Defence Analytical Services Agency
DESO	Defence Export Services Organisation
DERA	Defence Evaluation Research Agency
DFES	Department for Education and Skills
DMA	Defence Manufacturers Association
DRC	Democratic Republic of Congo
DSEI	Defence Systems and Equipment International Exhibition and Conference
DTI	Department of Trade and Industry
ECGD	Export Credit Guarantee Department
EPSRC	Engineering and Physical Sciences Research Council
EU	European Union
FCO	Foreign and Commonwealth Office
G7	Group of seven leading industrial states
GCHQ	Government Communications Headquarters
MAI	Multilateral Agreement on Investment
MIC	Military Industrial Complex
MI5	UK security service
MoD	Ministry of Defence
MP	Member of Parliament
NAO	National Audit Office
NATO	North Atlantic Treaty Organisation
OGs	Open General Licences
OIELs	Open Individual Export Licences
R&D	Research and Development
RAF	Royal Air Force

SBAC	Society of British Aerospace Companies
SIELs	Standard Individual Export Licences
SIPRI	Stockholm International Peace Research Institute
TABD	Transatlantic Business Dialogue
UAE	United Arab Emirates
UK	United Kingdom of Great Britain and Northern Island
UN	United Nations
US	United States
WDM	World Development Movement
WMEAT	World Military Expenditures and Arms Transfers

# INTRODUCTION: THESIS OUTLINE AND OVERVIEW OF EXPORT SUPPORT

## RESEARCH OVERVIEW

The purpose of this thesis is to look at why the New Labour government is continuing to offer political and military support for arms exports. By support I refer to a rolling programme of both financial and political support provided to arms exporting companies at levels incomparable with any other industry except agriculture. The range offered includes export credit guarantee provision, favourable procurement choices and marketing support including the use of ministers, Ministry of Defence (MoD) personnel and the royal family to promote military sales abroad. Since 1995, four studies have begun to estimate the overall net costs to government of engaging in this kind of activity. Estimates vary mainly because of different approaches to research and development spending but they all show that exports benefit from considerable subsidies - between £228 million up to a possible £990 million per annum.<sup>1</sup>

Those querying the costs of this support to the taxpayer are directed to consider how it enables UK involvement in the international arms market from which wider economic, strategic and political benefits are said to accrue. Most typically reference is made to the maintenance of UK jobs, savings to the MoD procurement budget and benefits to the "defence industrial base". These are all arguments vital to the government in the face of public disquiet over the ethics of UK involvement in the international arms trade. Yet these, and others, are exactly the claims that have increasingly been contested, albeit largely in two separate literatures, one focusing on the government's economic justifications and the other focusing on the government's political and strategic justifications.

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<sup>1</sup> Ben Jackson, *Gunrunners Gold: How the Public's Money Finances Arms Sales* (London: World Development Movement, 1995); Stephen Martin, 'The subsidy saving from reducing UK arms exports', *Journal of Economic Studies*, 26:1 (1999), pp. 15-37; Paul Ingram and Ian Davis, *The Subsidy Trap: British Government Financial Support for Arms Exports and the Defence Industry* (Oxford Research Group and Saferworld, July 2001); Campaign Against Arms Trade (CAAT), *Arms Trade Subsidies Factsheet*, May 2004  
<<http://www.caat.org.uk/information/publications/economics/subsidies-factsheet-0504.php>> Last accessed 13<sup>th</sup> July 2004.

Exceptions to this pattern, those authors who have identified the broad consensus between these two bodies of literature include Neil Cooper who explored a range of the most widely held assumptions in 1995 and Mark Phythian who briefly looked at some of the rationales offered in 2000.<sup>2</sup> To date, no contemporary and comprehensive critique of New Labour's case has been produced. This is despite the ongoing need to re-examine established rationales in response to changes both in the international market and in the rhetoric offered by government. It is despite the need to address the concerns of opponents trying to undermine a number of recent initiatives which would form the basis of a multilateral conventional arms control regime who claim that compliance would bring considerable costs.

In response, the first part of this thesis presents the findings of an attempt to analyse every economic, strategic and political rationale that the New Labour government has offered in support of military exports since 1997. This systematic policy analysis brings together research already undertaken relevant to each claim along with my own findings drawn from primary and secondary sources including archival work, extensive correspondence with government departments and interviews. My argument is that when each government justification for maintaining this support for military exports is subjected to scrutiny, either the government has failed to prove its case or the case is simply unsustainable. Support for arms exports continues to look like a dead giveaway.

This begs the question why does New Labour continue to support arms exports? Explanations based on the government's "addiction" to exporting arms or delusion over their benefits to the UK have been anecdotal, underdeveloped or have failed to really engage with what so far is not known. That is, they have failed to address the political power of arms-producing companies and how this power relates to the interests of the New Labour government.<sup>3</sup> This thesis puts

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<sup>2</sup> Neil Cooper, *British Arms Exports: A Vicious Circle of Disadvantage?*, (Plymouth International Papers, March 1995), pp. 15-36; Mark Phythian, *The Politics of British Arms Sales Since 1964* (Manchester: Manchester University Press, 2000), pp. 29-40.

<sup>3</sup> See for example 'Addicted to Arms: A Will Self Investigation', Correspondent, BBC television, April 2002; Samuel Brittan, 'Why Arms Sales are Bad for Britain', *The New Statesman*, 31<sup>st</sup> January 2000; Adair Turner, *Just Capital: The Liberal Economy* (London: Pan MacMillan, 2001), p 43, pp. 360-361; Phythian, *The Politics of British Arms Sales Since 1964*, p 10, pp. 321-324. One



forward the argument that the continuation of supportive arms export policy must be understood in this context. As such, the second part of this thesis presents the findings of an attempt to map out, in-depth, how arms-producing companies are linked to the Labour Party, to Labour government departments and what their use of Labour linked think tanks, lobbying groups and Labour initiated privatisation schemes actually means. My argument is that those involved in the New Labour government have assumed that the case for maintaining arms export support is still sound because the government is in a self-serving, mutually reinforcing relationship with a politically powerful industry which provides a strong disincentive to challenge the existing ways of thinking. This support is nothing new. Labour's approach to arms exports is, despite the rhetoric, a case of policy continuity between the previous Conservative government and the current Labour administration. Regardless of the unique aspects of the connections between arms-producing companies and New Labour set out in detail in this report, they are part of a broader pattern that results from a structural connection between industry and government. Unless this relationship is addressed, it is unlikely that a really significant breakthrough in reducing arms export subsidies could be achieved.

## CHAPTER OUTLINES

The remainder of this introductory chapter is divided into six sections. The first section presents an overview of the financial and political support offered to arms exporters and, where the information is available, the ways in which the government favours UK-based arms-producing companies relative to the civil sector. The second section shows the extent to which the existing literature has failed to address the inconsistencies in the UK government's rationales for maintaining this export support. The third section shows why it is more important to closely monitor the support offered to this industry above all others by setting out the unique characteristics of the government-industry relationship. The focus of section four is the deficiency in the existing literature to both fully respond to

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exception is a briefing paper by Mick Lambert, Judith Rattenbury and Ian Prichard, *The Political Influence of Arms Companies*, CAAT, April 2003  
<<http://www.caat.org.uk/information/publications/other/political-influence-0403.pdf>> Last accessed 26<sup>th</sup> June 2004.

why this support continues and to really tackle how the interests of the arms industry and the state under New Labour interplay. A fifth section reconsiders the idea of a military-industrial complex (MIC) in light of a radically changed political, strategic and industrial environment since the end of the Cold War. Although it is not the aim of this thesis to ask whether a form of MIC exists in the UK - this would require an entire thesis in its own right - this section does outline how the thesis will draw on an updated version of MIC type ideas as necessary to explain New Labour's support for arms exports. The sixth and final section of this chapter defines exactly what is meant by some of the key concepts used in the thesis before looking at the difficulties in using the available data on arms exports, including that published by the UK government.

The rest of the thesis is divided into two major parts. The first part of the thesis, chapters one to three, critically examines every rationale that the New Labour government has put forward in defence of this disproportional support. It shows how these claims do not, in the vast majority of cases hold up to scrutiny and, in the remainder, are unproven.<sup>4</sup>

Chapter one, "Critique of the Economic Case", considers the financial rationales offered by the government. The chapter begins by critically examining what had been, up until recently, the government's most central economic rationale in favour of continued support - that exports sustain a significant number of jobs. The chapter assesses the government's case against the most recently published employment figures, against the impact of past job losses and against the potential for future job losses given the prospects for military industry in the UK. Chapter one moves on to consider whether exports are able to make the kind of savings to the procurement budget claimed via longer production runs given the nature of the contemporary international arms market and given the way that the production process works. The chapter finishes by considering what contribution exports actually make to the balance of trade, what contribution they

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<sup>4</sup> For a shortened version of this section see Emma Mayhew, *A Dead Giveaway: A Critical Analysis of New Labour's Rationales for Supporting Military Exports*, paper presented to the BISA annual conference, 16-18 December 2002, London  
<[http://www.naspir.org/members/emma\\_mayhew/emma\\_mayhew.htm](http://www.naspir.org/members/emma_mayhew/emma_mayhew.htm)> Last accessed 9<sup>th</sup> January 2004.

are likely to make in the future and whether exports bring any other wider economic benefits.

Chapter two, "Critique of the Strategic Case", largely focuses on unpacking and analysing the claim that arms exports have facilitated the continuance of a strategically important and internationally competitive UK military industry. The state of the UK "defence industrial base" and its relationship to arms exports is considered in some detail before the chapter suggests what factors other than equipment cost and efficiency are helping the UK to retain such a significant share of the world market. It draws on four case studies - India, Qatar, South Africa and the Czech Republic - to outline features of the UK's behaviour in the international arms industry. The chapter moves on to look at the relationship between exports and the supply of world-class equipment to UK forces before finishing with an appraisal of the claim that UK military exports contribute to the security of those defined by the government as their allies. Particular attention is paid to the political and economic conditions of those receiving arms exports under New Labour.

Chapter three, "Critique of the Political Case", continues to focus on the nature of UK arms export customers. The chapter critically evaluates the claim that exports can mean increased influence over recipient states. Particular attention is paid to Saudi Arabia and Kuwait. The chapter finishes by looking at a final rationale offered by the government - that arms exports can become a means to prevent conflict. It looks at the nature of UK export recipients, the response of government when their arms recipients are at greater risk of engaging in conflict and at the government's approach to end-use assurance failures.

The second part of the thesis, chapters four to six, concentrates on the relationship between UK-based arms-producing companies and the New Labour government. It presents the findings of an attempt to map out, in-depth, how arms-producing companies are linked to the Labour Party, to Labour government

departments and the significance of their involvement with Labour linked think tanks, lobbying groups, and Labour initiated privatisation schemes.<sup>5</sup>

Chapter four outlines how arms-producing companies are linked to the Labour Party, primarily to consider whether there might exist a mutually beneficial relationship between the two. The chapter begins by looking at how many Labour MPs register interests with arms-producing companies, what those interests are and at whether those Members have the potential to be significant to arms export policy. This is compared to the situation in the Lords. The chapter outlines those Labour Peers who have a background as arms-producing company executives or who currently benefit from employment within the industry. The chapter then turns to the Labour Party itself, outlining both more overt and more covert funding of the party by arms-producing companies. The chapter concludes with a general discussion of the importance of corporate funding for the party in the last two decades, specifically, what the broader implications of this situation are in terms of policy.

Chapter five looks at the ways in which current and former employees of arms-producing companies are working within the MoD and the Department of Trade and Industry (DTI), the two departments of most importance to the provision of export support and wider military policy. The chapter is primarily concerned with whether arms-producing companies enjoy influence disproportionate to both the non-corporate constituency or to other industries and whether these links are so extensive that it is more appropriate to consider industry as being highly integrated within government. It does this by setting out, in detail, the extent and importance of the revolving door between industry and the MoD before moving on to consider the more recent explosion of advisory groups affiliated to both the MoD and the DTI.

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<sup>5</sup> For a shortened version of this section see Emma Mayhew, *Brothers in Arms: The Close Relationship between New Labour and Arms-Producing Companies*, paper presented to the BISA annual conference, 15-17 December 2003, Birmingham  
<[http://www.naspir.org/members/emma\\_mayhew/emma\\_mayhew.htm](http://www.naspir.org/members/emma_mayhew/emma_mayhew.htm)> Last accessed 13<sup>th</sup> December 2003.

Following on from the explosion of advisory bodies under New Labour, chapter six continues to look at the impact of new elements in government industry relations. It considers the use of Labour linked think tanks of Labour linked lobbying groups representing arms-producing companies, the impact of arms company involvement in the running of influential international lobbying groups, and New Labour's desire for corporations, instead of the state, to fund vital services. This is undertaken primarily to consider whether these new elements continue to raise two of the concerns already identified - that there exists a mutually beneficial relationship between industry and government and that industry enjoys disproportionate influence which feeds into the political power of the industry to maintain arms export support. It is the form and degree of this support to which this chapter will now turn.

#### THE FINANCIAL SUPPORT ENJOYED BY UK-BASED ARMS-EXPORTING COMPANIES

Arms exporters have benefited from a continuous programme of financial support even though it is unlikely that governments, and taxpayers, have had a sound idea what the net annual costs of supporting an average £4 billion worth of arms exports might actually amount to. Since 1995, four studies have begun to estimate this overall net cost to government. The first, conducted in 1995 by Ben Jackson of the World Development Movement (WDM) estimated an annual net cost to government of £384 million p.a.<sup>6</sup> Stephen Martin's 1999 article "The Subsidy Savings from Reducing UK Arms Exports" estimated the subsidy to stand at £228 million p.a.<sup>7</sup> Two years later Paul Ingram and Ian Davis published "The Subsidy Trap". This report, unlike previous studies, includes an estimate for research and development (R&D) costs which, if included in their bottom line figure, brings the estimated costs up to £990 million p.a.<sup>8</sup> Most recently, in 2004, Campaign Against Arms Trade (CAAT) published the latest in a series of factsheets that have set out to estimate levels of subsidy. The group has estimated that the costs of supporting arms exports now stands at £888 million

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<sup>6</sup> Jackson, *Gunrunners Gold: How the Public's Money Finances Arms Sales*.

<sup>7</sup> Martin, 'The subsidy saving from reducing UK arms exports'.

<sup>8</sup> Ingram and Davis, *The Subsidy Trap*.

p.a.<sup>9</sup> The information provided in these reports has been supplemented by information from a 2001 study by two independent and two MoD economists entitled "The Economic Costs and Benefits of UK Defence Exports" which includes an incomplete estimate of the financial support offered by government.<sup>10</sup> The levels of subsidy estimated by all five are shown in appendix one. None can accurately quantify the levels of subsidy on offer because in many cases commercial confidentiality restricts the information available in the public domain. Most warn that their figures are likely to represent considerable underestimates but four of the studies have still found that these substantial subsidies represent an overall net cost to government.

The remainder of this section will use what information is available to briefly outline how these costs come about and how they compare to the civil sector where known, starting with the costs of taxpayer backed insurance.

#### *ECGD loans and guarantees*

The Export Credits Guarantee Department (ECGD) subsidises the interest rate paid by buyers of UK exports and insures exporters against payment default. For the arms sector, the work of the ECGD effectively means that corporate risks are transferred to the taxpayer so that arms can be sold to states in all economic situations without the arms-producing company worrying about whether they will be paid or not. This provision was particularly useful for UK-based arms-producing companies after the first Gulf War. Reportedly £3.37 billion worth of credits were issued to Iraq in the 1980s<sup>11</sup> but the UK government had to pay almost a billion pounds to cover contracts on which Saddam had reneged.<sup>12</sup>

This kind of provision occurs by using what appears to be a disproportionately large share of the ECGD's budget. Since 2000, arms deliveries have typically

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<sup>9</sup> CAAT, *Arms Trade Subsidies Factsheet*, May 2004.

<sup>10</sup> Chalmers et al., *The Economic Costs and Benefits of UK Defence Exports*.

<sup>11</sup> Gerald James, *In the Public Interest* (London: Little, Brown and Company, 1995) p. 67; David Leigh and Rob Evans, 'How £1bn was lost when Thatcher propped up Saddam', *The Guardian*, 28<sup>th</sup> February 2003.

made up 1.6% of all visible UK exports but have accounted for 43% of the department's guarantees.<sup>13</sup> In 2002, the government began to dramatically increase the funds set aside for export credits although it is unclear what proportion will be used to support the military sector.<sup>14</sup>

The estimated cost of ECGD subsidy for exports is based on Insurance losses net of recoveries from buyers and suppliers credit (cover can be offered up to 75-80% of the value of the deal), the costs of Fixed Rate Export Finance i.e. interest rate subsidies and administrative costs. Varying methodologies account for varying cost estimations.

#### *The costs of promotional activity*

The government's promotional efforts on behalf of arms exporters are equally disproportionate when it comes to the Defence Export Services Organisation (DESO), the MoD department dedicated to promoting arms exports.<sup>15</sup> DESO use embassy defence attachés and reportedly MI6 as well as arms dealers to inform UK-based arms-producing companies of potential export opportunities and it does this with its disproportionately large budget.<sup>16</sup> In 1995, in comparison to their share of total UK exports DESO was receiving ten times the budget of the department promoting civil exports.<sup>17</sup> Given the value of military export deliveries in 2001 and updated budget figures, DESO now receives eleven times more.<sup>18</sup>

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<sup>12</sup> Robin Cook, *The Point of Departure* (London: Simon & Schuster, 2003) p. 117; David Leigh and Rob Evans, 'How £1bn was lost when Thatcher propped up Saddam', *The Guardian*, 28<sup>th</sup> February 2003.

<sup>13</sup> Based on figures from the Defence Analytical Services Agency (DASA), *UK Defence Statistics 2003*, table 1.12 <<http://www.dasa.mod.uk/natstats/ukds/2003/chap1frame.html>> Last accessed 26<sup>th</sup> June; The Office of National Statistics, *Exports and Imports of Good and Services 1946-2003* <<http://www.statistics.gov.uk>> Last accessed 26th June 2004; Export Credits Guarantee Department, *Annual Review and Resource Accounts 2002/03*, p 8 <<http://www.ecgd.gov.uk/ecgdannualreviewandresourceaccounts2003.pdf>> Last accessed 1<sup>st</sup> July 2004.

<sup>14</sup> Lucy Ward, 'Funds increase fourfold for 'dubious' export subsidies', *The Guardian*, 2<sup>nd</sup> January 2002.

<sup>15</sup> DESO, 'Who are we?' <<http://www.deso.mod.uk>> Last accessed 19<sup>th</sup> September 2003.

<sup>16</sup> James, *In the Public Interest*, p. 55.

<sup>17</sup> Jackson, *Gunrunners Gold: How the Public's Money Finances Arms Sales*, p 12.

<sup>18</sup> The most recent figures (1999/00) show that the net operating cost of DESO was £13.6m, Chalmers et al *The Economic Costs and Benefits of UK Defence Exports*, paragraph 56. UK Trade and Investment Annual Resources accounts show that £72 million was spent on trade promotion and development, UK Trade and Investment's Resource Accounts 2002-2003 <<http://www.uktradeinvest.gov.uk/corporate.html>> last accessed 6<sup>th</sup> August 2004.

The DESO budget varies slightly year to year and it is these variations which account for the different estimates of net cost estimates shown in appendix one.

DESO's work is made easier, at the taxpayer's expense, by the use of defence attachés. From 1997-2000, an average of 72 embassies were hosting on average 116 defence attachés, who, it was last estimated in 1989 spend 40% of their time on export promotion.<sup>19</sup> Most studies use this percentage but applied to estimations of attaché costs from differing years.

Arms exporters have also benefited from the military assistance provided by the MoD as a form of "after-sales service" to recipients as an extra incentive to buy British. This service often takes the form of subsidised training to buyer states. Examples include Indonesia, a country that received technical assistance and training at the time of the 1993 deal to supply 24 Hawk jets although UK training for Indonesian pilots has continued throughout the 1990s.<sup>20</sup> The Joint Services Command and Staff College at HMS Dryad has also played host to Indonesian officers.<sup>21</sup> Part of the £1 billion BAE Systems Hawk deal agreed in 2003 reportedly involved a proposal to train Indian Air Force pilots in Wiltshire.<sup>22</sup> More controversially the MoD trained Iraqi forces up to March 1990<sup>23</sup> just after it provided funding for Major General Yosfiah to attend a defence college in 1989, 19 years after he commanded the unit that tortured and killed five journalists in East Timorese Bilibó.<sup>24</sup> Different studies base their estimates on different government budgets.

Further promotional activity available to DESO includes the use of Ministers to lobby potential overseas buyers, the use of UK forces to demonstrate UK equipment for sale and the use of government funds to sponsor arms companies

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<sup>19</sup> House of Commons, *Hansard*, 27<sup>th</sup> July 2000, Written Answers, column 746; National Audit Office, *Ministry of Defence: Support for Defence Exports*, 10<sup>th</sup> April 1989, HC 303 as quoted by Ingram and Davies, *The Subsidy Trap*, p 26.

<sup>20</sup> Jackson, *Gunrunners Gold: How the Public's Money Finances Arms Sales*, p. 11; House of Commons, *Hansard*, 9<sup>th</sup> July 1998, Written Answers, column 596 as quoted by Nicholas Gilby *Arms exports to Indonesia*, (London: CAAT, 1999)

<<http://www.caat.org.uk/information/publications/countries/indonesia-1099.php>> Last accessed 22<sup>nd</sup> September 2003.

<sup>21</sup> House of Commons, *Hansard*, 22<sup>nd</sup> February 1999, Written Answers, column 35.

<sup>22</sup> No author, 'India Offered Training in the UK', *Jane's Defence Weekly*, 6<sup>th</sup> March 2002.

<sup>23</sup> James, *In the Public Interest*, p. 66.



to visit or exhibit at overseas arms exhibitions. An example of the latter is the support provided to arms-producer PW Defence, owned by the Chemring Group. In 2000 the company was given at least £3,100 to attend an exhibition in South Africa. In 2001 PW received at least £4,600 to attend exhibitions in the UAE and France. In 2002 PW received £3,500 to attend an arms exhibition in Malaysia.<sup>25</sup> This is the company that was famously accused in a BBC documentary of making and exporting anti-personnel landmines up until 2002, using its South African sister company to avoid UK licensing rules although PW denied the claims.<sup>26</sup> Other examples include DTI sponsorship of Astra and 12 other arms-producing companies to visit an Iraqi arms fair in Baghdad in April/May 1989.<sup>27</sup> Other visits paid for by the taxpayer include those made by a succession of UK Ministers, including the Prime Minister, to India between 2000 and 2003. Their visits were in part used to lobby on behalf of a proposed £1 billion BAE Systems Hawk deal.<sup>28</sup> Blair also reportedly lobbied South African President Mbeki in 1997 in support of a BAE Systems bid to supply South Africa with Hawks, reportedly the South Korean President in December 2001 on the sale of Eurofighters and the Czech Prime Minister during a 2002 EU summit to buy the Grippen fighter. In 2004, the government published details of 29 "promotional activities" carried out by Ministers from the Foreign and Commonwealth Office (FCO) and the MoD during 2002 and 2003 held to promote specific exports. This figure excludes regular Ministerial meetings in which military exports are promoted as part of a general discussion on UK exports and those where details have been withheld due to commercial confidentiality.<sup>29</sup>

It is less clear with what frequency and at what costs UK forces are involved in demonstrating equipment to potential purchasers. When asked about the latter the MoD stated that "the information could be provided only at disproportionate

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<sup>24</sup> Phythian, *The Politics of British Arms Sales Since 1964*, p. 169.

<sup>25</sup> House of Commons, *Hansard*, 13<sup>th</sup> June 2002, Written Answers, column 1387.

<sup>26</sup> Oxfam GB Press Release, 'Arms laws fail again in PW Defence controversy', May 2002 <<http://www.oxfam.org.uk/press/releases/armslaw100502.htm>> Last accessed 25<sup>th</sup> September 2003.

<sup>27</sup> James, *In the public Interest*, p. xviii.

<sup>28</sup> Lambert, Rattenbury and Prichard, *The Political Influence of Arms Companies*.

<sup>29</sup> House of Commons, Quadripartite Committee, *First Joint Report: Strategic Export Controls - Annual report for 2002, Licensing, Policy and Parliamentary Scrutiny*, 18<sup>th</sup> May 2004, HC 390 <<http://www.publications.parliament.uk/pa/cm/cmdfence.htm>> Last accessed 24<sup>th</sup> June 2004.

cost.”<sup>30</sup> All the estimates shown above also exclude all the costs of promotional activity for arms sales carried out by diplomats or the support of the civil service due to insufficient data and as such are only based on the average costs of exhibition sponsorship since 1986.<sup>31</sup>

### *Distortion of public funding*

In addition to subsidised loans and promotional activity, arms-exporting companies also benefit from the diversion of public money. The UK government's tendency to buy more arms from UK-based companies, in part encouraged by the possibility of future exports, even in cases when the military would prefer buying from non UK-based producers, distorts the MoD procurement budget. A proportion of the additional costs to the MoD procurement budget from the higher prices and/or reduced capability incurred because of the narrower choice of supplier is seen as a direct export subsidy. Jackson and Martin both estimate this cost although their use of different methodologies results in a variation in their calculations. In addition to this is the speculative loss of non-military employment opportunities arising from resources being diverted into the military sector. No study is able to offer an estimate for this kind of cost but one, written in part by two MoD economists, concluded that halving military exports over a two-year period would lead to the loss of almost 49,000 jobs but 67,400 jobs would be created in non-military sectors over the following five years.<sup>32</sup>

More speculative distortions arise from the potential use of aid to sweeten arms deals, a practice allegedly used throughout the 1980s and 1990s but seen in a modified form more recently. In 2002 it was revealed that the "Global Conflict Convention Pool", a fund normally used to encourage the development of civil society in post-conflict regions, was used to pay for two Russian made Mi-17 helicopters and other equipment to be exported to Nepal. Nepal's "aid" under this fund will now increase 1000% to £6.7m.<sup>33</sup> Although it is difficult to show the use

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<sup>30</sup> House of Commons, *Hansard*, 17<sup>th</sup> July 2001, Written Answers, column 144.

<sup>31</sup> Jackson, *Gunrunners Gold: How the Public's Money Finances Arms Sales*, p. 15.

<sup>32</sup> Chalmers et al., *The Economic Costs and Benefits of UK Defence Exports*, p v, paragraphs 24-33 & 39.

<sup>33</sup> David Hencke, 'Blair sneaked aid to Nepal military', *The Guardian*, 5<sup>th</sup> August 2002.

of aid in this way as standard practice, the Nepalese example is consistent with the use of aid provision and arms export negotiations in the 1980s and 1990s to which Robin Cook responded in 1994

It is very difficult to ignore the pattern that is beginning to emerge. In a number of countries, big rises in aid to them have been followed by big arms orders by them.<sup>34</sup>

The principal cases involved Indonesia, Jordan, Oman, Thailand and most famously the £234 million grant for the Pergau hydro-electric dam.<sup>35</sup> The main beneficiary of the money was the Malaysian government who owned Tenaga National Berhad company. The company was quickly put up for sale after its injection of UK cash netting the Malaysian government and its shareholders £700 million.<sup>36</sup> It is the average ongoing annual cost of this project to the ECGD that is used by the WDM and Martin as a broad guide to estimate the costs of the continuing use of overseas aid as subsidy.<sup>37</sup>

#### *Other subsidies*

In addition to the use of taxpayer funded and secured loans, government funded promotional activity and distorted public spending, a whole array of other activities carried out by arms-exporters represent a cost to the treasury.

In another feature largely unique to the arms industry, money from public funds is spent researching and developing (R & D) new military equipment. For most sectors, the R & D costs of a product are met by the supplier and factored into the price that the buyer eventually pays but the situation is different in the military sector. In this industry, R & D work is contracted out to arms companies to undertake on the government's behalf even though it is the arms companies that ultimately benefit from the sale of new products.<sup>38</sup> As an example, in the EU,

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<sup>34</sup> Phythian, *The Politics of British Arms Sales Since 1964*, p. 170.

<sup>35</sup> See for example Phythian, *The Politics of British Arms Sales Since 1964*, pp. 177-178; Jackson, *Gunrunners Gold: How the Public's Money Finances Arms Sales*, p. 9.

<sup>36</sup> James, *In the Public Interest*, p. 116.

<sup>37</sup> Jackson, *Gunrunners Gold: How the Public's Money Finances Arms Sales*, p. 15; Martin, 'The subsidy saving from reducing UK arms exports', p. 32-33.

<sup>38</sup> Pippa Gallop, 'The invisible handout of the market', *Corporate Watch Newsletter*, Issue 11, December-January 2002-2003

industry contributes an average of 55% of aerospace R & D costs. But in 2001, the government announced even more help for exporters - an R & D tax credit for large businesses at a rate of 25% which reportedly "delighted industry, including UK aerospace".<sup>39</sup> While most studies acknowledge that R & D represents a substantial subsidy, calculating the costs of R & D spent on exports but which government has not subsequently recouped is difficult and as such, almost all studies leave this figure out of their final calculations.

Adding to the costs of R & D funding have been tax losses resulting from exporters claiming tax exemption on bribes which, until the February 2002 Anti-Terrorism Act, were legal if the bribery was conducted entirely outside the UK.<sup>40</sup> Until then the best example of bribery in practice had been the UK-Saudi Al Yamamah deals. The deals, signed in 1985 and 1988, were estimated to be worth up to £40 billion. They involved the export of Hawks, Tornado, ammunition and spares paid for by a daily transfer of 400,000 barrels of Saudi oil.<sup>41</sup> Mark Thatcher allegedly secured as much as £12 million from the deals while the company he owned was rewarded with around £240 million.<sup>42</sup> Other examples include the 1999 South African arms deal. Patricia Hewitt admitted in June 2003 that "commissions" were paid by BAE Systems to secure the £1.5 billion contract,<sup>43</sup> commissions that could reportedly have reached £160 million.<sup>44</sup> In the same month the US government reportedly accused BAE Systems and the UK government of "corrupt practice" in a Czech arms deal. Czech police reportedly confirmed that bribery attempts were made in support of the BAE Systems bid.<sup>45</sup> Most recently, in May 2004, The Guardian reported that MoD police had seized

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<[http://www.corporatewatch.org.uk/newsletter/issue11/issue11\\_part5.htm](http://www.corporatewatch.org.uk/newsletter/issue11/issue11_part5.htm)> Last accessed 18<sup>th</sup> September 2003.

<sup>39</sup> SBAC, 'R & D Tax Credits: Government Delivers a Welcome Boost to High -Tech Sectors', *Aerospace in Parliament*, Issue 5, Spring 2002, pp. 3-4

<<http://www.sbac.co.uk/files/newsdocs/220/AerospaceinParliamentSpring02.pdf>> Last accessed 22<sup>nd</sup> July 2004.

<sup>40</sup> Catherine Courtney, *Corruption in the Official Arms Trade* (London: Transparency International UK, April 2002) p 3 <[http://www.transparency.org/working\\_papers/arms\\_trade/courtney\\_tiuk/tiuk\\_coat\\_prp.pdf](http://www.transparency.org/working_papers/arms_trade/courtney_tiuk/tiuk_coat_prp.pdf)> Last accessed 26<sup>th</sup> June 2004.

<sup>41</sup> Tim Webb, *The Armour-Plated Ostrich: The Hidden Costs of Britain's Addiction to the Arms Bazaar* (Kent: Comerford and Miller, 1998) p. 99.

<sup>42</sup> *The Sunday Times*, 9<sup>th</sup> October 1994; James, *In the Public Interest*, pp. 104-106.

<sup>43</sup> House of Commons, *Hansard*, 9<sup>th</sup> June 2003, Written Answers, column 625.

<sup>44</sup> Rob Evans and David Leigh, 'BAE 'paid millions' to win Hawk jets contract', *The Guardian*, 30<sup>th</sup> June 2003.

<sup>45</sup> Rob Evans and Ian Traynor, 'US accuses British over arms deal bribery bid', *The Guardian*, 12<sup>th</sup> June 2003.

386 boxes during their investigation of the allegation that payments totaling more than £60 million had been made to the Saudis including £17 million to the Saudi politician in charge of UK arms purchases. Allegedly these activities continued past 14<sup>th</sup> February 2002, the date at which it became illegal for UK citizens to bribe foreign public officials.<sup>46</sup> BAE Systems deny any wrongdoing in all these cases but where bribes have been paid, they would have helped the arms industry to account for an estimated 50% of all corrupt international transactions every year.<sup>47</sup> Ingram and Davis assume that bribes made up 5% of the total value of arms export contracts. They estimate that 30% tax on that value has been lost to the taxpayer because companies were claiming this tax exemption on bribes.<sup>48</sup> In the UK, the levels of secrecy endemic in the arms industry and the competition to secure infrequent but high value contracts create a unique environment in which bribery can thrive.<sup>49</sup>

Another thriving feature is "offsets". Generally prohibited in civil industry, offsets in arms deals commit the seller government or manufacturer to invest in the buyer state via counter-trade, bartering or the transfer of production, including technology and jobs. For example when BAE Systems sold 66 Hawks to India in a deal agreed in the summer of 2003, it allowed 42 to be built by the state-owned aerospace company Hindustan Aeronautics. Offsets can reduce the contribution of arms sales to the balance of trade and can help to establish indigenous military industries in buyer states that may develop into commercial rivals to UK-based companies in the future. These costs are so uncertain that no study is able to offer a specific figure.

The situation is similar for the costs of UK military intervention. Some studies cite the costs of peacekeeping activity following the outbreak of local or regional

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<sup>46</sup> David Leigh and Rob Evans, 'Arms Firm's £60m Slush Fund', *The Guardian*, 4<sup>th</sup> May 2004.

<sup>47</sup> Gerald James, *In the Public Interest*, (London: Little, Brown and Company, 1995) pp. 104-106; Rob Evans and David Leigh, 'BAE 'paid millions' to win Hawk jets contract', *The Guardian*, 30<sup>th</sup> June 2003; Rob Evans and Ian Traynor, 'US accuses British over arms deal bribery bid', *The Guardian*, 12<sup>th</sup> June 2003; US Department of Commerce, Trade Promotion Co-ordinating Committee 'The National Export Strategy', March 2000, as quoted by Catherine Courtney, *Corruption in the Official Arms Trade*, p 3.

<sup>48</sup> Ingram and Davies, *The Subsidy Trap*, p. 27-29.

<sup>49</sup> Catherine Courtney, *Corruption in the Official Arms Trade*, pp. 4-5.

conflict due, in part, to readily available, subsidised UK weapons but none will offer an exact figure.

In contrast, specific estimates for a variety of other costs outlined by the reports have been provided as shown in appendix one. These include an ECGD interest rate subsidy mainly related to Jordanian arms sales,<sup>50</sup> the potential exchequer savings should the MoD procure from a single European procurement agency,<sup>51</sup> the use of the civil trade promotion budget and the recent establishment of the Missile Defence Centre to help exporters win contracts from the US.<sup>52</sup> For Chalmers et al., three million of the 12 million estimate of additional costs represents that part of the Defence Assistance Fund used to promote exports based on the average spent from 1997/98-1999/00.<sup>53</sup> 0-12m of this figure represents other unspecified costs incurred by the MoD, FCO and the DTI.<sup>54</sup>

### *Savings from exporting*

Most studies offset these costs against a series of savings including those derived from the Commercial Exploitation Levy. This levy is charged against all commercial exports that have benefited from government R & D subsidy in an attempt to recoup some of the government's costs. Estimates vary between £38 and £50 million p.a. mainly because they are based on government estimates for different years. But even if this levy does provide as much as £50 million p.a., this still represents a contribution of only about 2.3% of total government R & D costs which stood at an average net cost of £2,199 from 1995/1996 to 1999/2000.<sup>55</sup> There are further claims that savings are made to the MoD procurement budget from the contribution of exports to company overhead rates. These may also offset the costs of export support. Martin bases his figure on those published in the 1995 Statement on the Defence Estimates.<sup>56</sup> Whether

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<sup>50</sup> Jackson, *Gunrunners Gold: How the Public's Money Finances Arms Sales*, p 15.

<sup>51</sup> Ingram and Davis, *The Subsidy Trap*, p 8.

<sup>52</sup> CAAT, *Arms Trade Subsidies Factsheet*.

<sup>53</sup> Chalmers et al., *The Economic Costs and Benefits of UK Defence Exports*, pp. 22-23.

<sup>54</sup> Chalmers et al., *The Economic Costs and Benefits of UK Defence Exports*, p. 27.

<sup>55</sup> Martin, 'The subsidy saving from reducing UK arms exports', p. 18; DASA, *UK Defence Statistics 2003*, table 1.7 <<http://www.dasa.mod.uk/natstats/stats/ukds/2003/chap1frame.html>> Last accessed 25<sup>th</sup> September 2003.

<sup>56</sup> Martin, 'The subsidy saving from reducing UK arms exports', p. 22.

these savings are made is unclear, an issue explored further in chapter one. Finally savings made via sales of surplus MoD equipment by the MoD's Disposal Services Agency may also offset the costs of export support. The report by Chalmers et al. is the only study to offer an estimate, one based on an average of DESO's published figures from 1998 to 2000.<sup>57</sup> Overall, only the report by Chalmers et al. finds that the savings made to government outweigh the costs of providing government support although this calculation, like two other studies, excludes substantial R & D costs.

To date, the government's response to the charge that it spends a disproportionate amount of time and money on financial and political support for arms exporters has been disappointing. Instead of publishing its own comprehensive estimates,<sup>58</sup> clarifying areas of uncertainty or engaging in meaningful debate over these levels of support, the government's response has been largely to ignore or misrepresent the research that has been carried out and continue to avoid publishing its own estimates.<sup>59</sup> Much less of a problem for the government is admitting that it offers arms-producing companies political support to sell arms abroad, a phenomenon to which this chapter will now turn.

#### THE POLITICAL SUPPORT ENJOYED BY UK-BASED ARMS-EXPORTING COMPANIES

There have been tensions between the MoD and arms-producing companies over procurement, specifically over the transfer of financial risk to industry, over the ASTUTE nuclear powered submarine, Nimrod plane and the £2.9 billion aircraft carrier project.<sup>60</sup> But these tensions with the MoD are more than overshadowed by the political support offered by the government as a whole. In his 2003 autobiography Robin Cook observes "I never once knew number 10 come

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<sup>57</sup> Chalmers et al. , *The Economic Costs and Benefits of UK Defence Exports*, p. 24.

<sup>58</sup> The report by Chalmers et al. published in December 2001, was a response to the Defence Select Committee's request for the MoD to publish information on the levels of subsidy offered by the UK government. House of Commons Select Committee on Defence, *Second Report: The Appointment of the New Head of Defence Export Services*, 31<sup>st</sup> March 1999, HC 147. The report was published as a University of York research report.

<sup>59</sup> Compare Lord Bach's description of the report, House of Lords, *Hansard*, 8 Jan 2002, column 515 and House of Lords, *Hansard*, 7 Feb 2002, Written Answers, column 109 with Chalmers et al. *The Economic Costs and Benefits of UK Defence Exports*.

<sup>60</sup> BAE Systems, *Annual Report 2002*, p. 8.

up with any decision that would be incommoding to British Aerospace", "I came to learn that the Chairman of British Aerospace appeared to have the key to the garden door to Number 10".<sup>61</sup> When Cook's analysis was quoted at the 2004 AGM, then BAE Systems (formerly British Aerospace) Chair Dick Evans did not hesitate to confirm that "we have access into number 10 on key issues ... one thing about this government is their accessibility".<sup>62</sup> But accommodating policy choices and instant access to number 10 are just two examples of the kinds of political support on offer. This section argues that despite the revised rhetoric, the 1997 change of governing party actually brought few changes to the government's approach to arms exporters. From the very start arms exporters have been reassured that on the whole it will be business as usual in terms of the levels of political support that they can expect and that is why Labour's apparent commitment to a tougher arms control agenda has, despite appearances, been weak.

Under the Conservative government, the political support offered to arms companies had largely been concealed. The NAO report into the Al Yamamah deal was branded classified. The Foreign Affairs Committee report into the Pergau Dam deal failed to interview vital witnesses. The DTI report into Astra's dealings with Iraq ruled out considering the government's role in the affair.<sup>63</sup> The Scott Inquiry found "overwhelming evidence" that the UK had adopted a more flexible approach to selling arms to Iraq during the 1980s. It found that Waldergrave and Lord Howe had lied to their constituents on the issue, that Thatcher gave a misleading reply to Parliament and that the MoD had authorised military exports to Jordan to be passed on to Iraq.<sup>64</sup> Even so, the inquiry had such a narrow remit that Tim Laxton, an auditor assisting to the Scott Inquiry, believed that it avoided "hundreds" being threatened with criminal investigation including "the top echelon of the British government."<sup>65</sup>

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<sup>61</sup> Robin Cook, *The Point of Departure*, p. 73.

<sup>62</sup> Dick Evans, BAE AGM, Queen Elizabeth II Conference Centre, London, 5<sup>th</sup> May 2004.

<sup>63</sup> James, *In the Public Interest*, p. 53.

<sup>64</sup> Tim Webb, *The Armour Plated Ostrich*, pp. 124-125.

<sup>65</sup> John Pilger, 'Foreword' in Mark Curtis, *Web of Deceit: Britain's Real Role in the World* (London: Vintage, 2003), p. x.



When that top echelon appeared to be about to change, Blair was quick to position New Labour in the space that the Conservative government had occupied. He, and his front bench team, went out of its way to reassure UK-based arms-exporting companies not only that Labour now understood the importance of military spending but that the levels of financial and political support which the industry had come to enjoy under the Conservative government would continue. In February 1997 Blair told BAE Systems' internal newsletter that his government would be

committed to creating the conditions in which the defence industries can thrive and prosper. Winning export orders is vital to the long-term success of Britain's defence industry. A Labour government will work with the industry to win export orders.<sup>66</sup>

At the same time Labour's 1997 election manifesto was published. It reaffirmed "we support a strong UK defence industry, which is a strategic part of our industrial base as well as our defence effort." This statement was echoed by Robin Cook when he introduced new export criteria in July 1997. Cook reassured industry that "the Government are committed to the maintenance of a strong defence industry which is a strategic part of our industrial base as well as our defence effort."<sup>67</sup> To underline the point, this speech was immediately followed by the announcement of a major arms deal with Indonesia.<sup>68</sup> Almost a year later, the Defence Secretary George Robertson published the Strategic Defence Review and reiterated "The defence industry is in very safe hands" before he again underlined the "importance of the British defence industry, which I spend much of my time helping when visiting foreign lands."<sup>69</sup> At all the important moments in 1997, 1998 and 1999 the Labour government was stressing the continuation of political support for the industry.

Labour claim that they have made a number of radical changes to export policy since 1997, changes which at first appear to represent difficult counterexamples

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<sup>66</sup> Quoted in Curtis, *Web of Deceit*, p. 182 and by Catherine Brown, Nick Gilby and Simon Kearns, 'Arms to Africa', *CAAT News*, December 2001-January 2002 <<http://www.caat.org.uk/information/magazine/1201/africa.php>> Last accessed 24<sup>th</sup> September 2003.

<sup>67</sup> House of Commons, *Hansard*, 28<sup>th</sup> July 1997, Written Answers, column 26.

<sup>68</sup> John Lovering, 'Labour and the Defence Industry: Allies in 'Globalisation'', *Capital and Class*, 65 (1998) pp. 9-20.

where vested arms industry interests have lost out. The industry has seen a ban on the export of equipment designed to torture, the introduction of new export licensing criteria, agreement on the EU Code of Conduct on Arms Sales and the ratification of the Ottawa Convention on anti-personnel landmines. But in reality, initiatives that may have, at first, been taken as evidence of the introduction of an "ethical" dimension to arms export policy have actually turned out to be evidence of something quite different. The Labour government appears to have consistently adopted a carefully planned approach aimed at minimising any real change for the industry. The real effect of each initiative is outlined below beginning with the ban on the export of equipment designed to torture.

Within months of their election the government extended the ban on the export of equipment designed to torture to include electric-shock batons, stun guns and "similar instruments of inhuman or degrading treatment".<sup>70</sup> This came after a series of scandals under the Conservative administration. These included a Channel Four Documentary showing Royal Ordnance (now part of BAE Systems) sales manager offering electro-shock batons for sale and claiming that the company has sold 8,000 to Saudi Arabia. Unauthorised possession, manufacture or sale of such batons was already an offence under Section 5 (1b) of the Firearms Act 1968 so according to John Pilger, New Labour's extended restrictions "merely enshrined in law a *de facto* ban that was already in force."<sup>71</sup> For the industry there was little at stake financially anyway. The export of torture equipment was very limited and as such, according to the then Head of DESO, Tony Edwards, "has been given up pretty willingly".<sup>72</sup> In contrast, New Labour were far from willing to prosecute BAE Systems in response to the Channel Four Documentary on public interest grounds despite the compelling evidence.<sup>73</sup> Labour's initiative on the export of torture equipment, although welcomed on humanitarian grounds, had almost no detrimental effect on industry at all.

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<sup>69</sup> House of Commons, *Hansard*, 8<sup>th</sup> July 1998, column 1091.

<sup>70</sup> Department of Trade and Industry, *Licensing Policy*

<http://www.dti.gov.uk/export.control/policy/statement.htm> Last accessed 21<sup>st</sup> July 2004.

<sup>71</sup> John Pilger, *Hidden Agendas* (London: Vintage, 1999) p 146.

<sup>72</sup> Minutes of Evidence, question 44, House of Commons Defence Select Committee, *Second Report: The Appointment of the New Head of Defence Export Services*, 31<sup>st</sup> March 1999, paragraph 9.

The real impact to industry of the 1997 strategic export criteria has been equally marginal. On paper the criteria against which export licence decisions are now made do represent some of "the strictest in the world" as the MoD claims.<sup>74</sup> Yet these criteria are less restrictive than those advocated by Labour in the 1980s<sup>75</sup> and more importantly, in practice their implementation diverges sharply from the standards of human rights protection and conflict avoidance that many hoped that they were designed to embody.

Labour's 1983 manifesto committed the party both to the general reduction of arms sales and to denying weapons for specific regimes. It said

Labour will limit Britain's arms sales abroad and ban the supply of arms to repressive regimes such as South Africa, El Salvador, Chile, Argentina and Turkey. We will not supply arms to countries where the chances of international aggression or internal repression would be increased.<sup>76</sup>

By the time Labour wrote its 1997 election manifesto, the party was not naming specific states to which sales would not be allowed, but it was still promising that "Labour will not permit the sale of arms to regimes that might use them for internal repression or international aggression."<sup>77</sup> Repression and aggression were concerns that appeared again in the new arms export criteria announced by Robin Cook in July 1997 but now they sat alongside a series of other factors that the government would also take into account when deciding on export licence submissions. In these, the government did promise to "take into account respect for human rights", consider whether there is a "clearly identifiable risk" of arms being used for aggressive purposes or where they "might be used" for internal

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<sup>73</sup> Neil Cooper, *Memorandum submitted by Dr Neil Cooper, Department of Politics, University of Plymouth, Appendix 7, House of Commons Select Committee on Defence, Third Report: Annual Reports for 1997 and 1998 on Strategic Export Controls*, 11<sup>th</sup> February 2000, HC 225.

<sup>74</sup> MoD, 'Key Facts', <<http://www.mod.uk/aboutus/factfiles/deso.htm>> Last accessed 29<sup>th</sup> September 2003.

<sup>75</sup> See Neil Cooper, *Memorandum submitted by Dr Neil Cooper, Department of Politics, University of Plymouth, Appendix 7, House of Commons Select Committee on Defence, Third Report: Annual Reports for 1997 and 1998 on Strategic Export Controls*, 2000.

<sup>76</sup> The Labour Party, *The New Hope for Britain*, Labour Party General Election Manifesto 1983 <<http://www.psr.keele.ac.uk/area/uk/man/lab83.htm>> Last accessed 25<sup>th</sup> September 2003. Authors italics.

<sup>77</sup> The Labour Party, *New Labour because Britain deserves better*, Labour Party General Election Manifesto 1997 <<http://www.psr.keele.ac.uk/area/uk/man/lab97.htm>> Last accessed 25<sup>th</sup> September 2003. Authors italics.

repression. But the criteria also stressed that "full weight should be given to the UK's national interests when considering applications for licences." As such, consideration must be given to "the potential effect on the UK's relations with the recipient country", "the potential effect on the UK's economic, financial and commercial interests" and "the protection of the UK's essential strategic industrial base."<sup>78</sup> To square potentially conflicting commitments Cook explained that the criteria "constitute broad guidance" which "will not be applied mechanistically".<sup>79</sup> The inclusion of these caveats have meant that the criteria which committed the government to at least consider human rights, external aggression and internal repression that remained in the 1997 announcement and in the revised 2000 Consolidated Export Criteria have not been fully applied and have not been applied consistently. These caveats gave the criteria sufficient elasticity to allow the government to adopt, in practice, a much more permissive approach to arms exports than those who had called for tighter controls ever imagined.

On human rights, criterion two of the 2000 Consolidated Export Code stipulates that the government will "not issue an export licence if there is a clear risk that the proposed export might be used for internal repression."<sup>80</sup> Yet Amnesty International has serious concerns that widespread and sustained government sponsored human rights abuses are occurring in most of the 15 leading recipient states of UK arms sales from 1997 to 1999.<sup>81</sup> There has been particular concern over the export of small arms to Bahrain, Nepal, Nigeria and Sri Lanka.<sup>82</sup>

On regional peace, stability and security, criterion three states that "the government will not issue licences for exports which would provoke or prolong armed conflicts or aggravate existing tensions or conflicts in the country of final destination." Criterion four specifies that "the Government will not issue an export licence if there is a clear risk that the intended recipient would use the proposed export aggressively against another country or to assert by force a territorial

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<sup>78</sup> House of Commons, *Hansard*, 28<sup>th</sup> July 1997, Written Answers, column 28.

<sup>79</sup> House of Commons, *Hansard*, 28<sup>th</sup> July 1997, Written Answers, column 27.

<sup>80</sup> House of Lords, *Hansard*, 31<sup>st</sup> October 2000, Written Answers, column 84.

<sup>81</sup> Amnesty International, *Annual Report 2003* <<http://web.amnesty.org/report2003/index-eng>> Last accessed 7<sup>th</sup> August 2003.

<sup>82</sup> For example see David Mepham and Paul Eavis, *The Missing Link in Labour's Foreign Policy* (London: IPPR and Saferworld, 2002) p. 18.

claim."<sup>83</sup> Yet from the 21 states experiencing high intensity conflict in 2001-2002, standard export licences valued at more than £0.5 million have been issued for export to 12 of these states since 1999, the first year that the government published the values of standard export licences approved for each country. For further details see appendix two.<sup>84</sup> Fears have been expressed over the export of Hawks, armoured cars and water cannons to Indonesia, the export of Hawk parts to Zimbabwe, the export of field guns to Morocco, the export of F16 parts to Israel and the export of arms to India and Pakistan.<sup>85</sup>

Under criterion eight the government will consider "whether the proposed export would seriously undermine the economy or seriously hamper the sustainable development of the recipient country."<sup>86</sup> Yet between 1997 and 1999, the last years of available statistics from the US State Department's publication World Military Expenditures and Arms Transfers (WMEAT), 86% of total UK arms exports, worth US \$13.5 billion, were delivered to developing states.<sup>87</sup> In Particular, concerns have been raised over the export of an air traffic control system to Tanzania.<sup>88</sup>

In these instances, the denial of human rights, regional instability and serious economic underdevelopment have not in themselves been seen by New Labour as reasons to deny arms exports. They have been eclipsed by those criteria stressing the importance of exports to the UK's "national interests". In July 2002, Foreign Secretary Jack Straw made this scope even wider by adding another criteria to the list. Without recourse to Parliament, Straw announced that the government would allow the export of "head-up displays" to the US to be used in F16 jets, some of which were being sent to Israel in 2003. To allow this he explained that apart from the existing criteria, the government would now also take account of "the importance of the UK's defence and security relationship

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<sup>83</sup> House of Lords, *Hansard*, 31<sup>st</sup> October 2000, Written Answers, column 85.

<sup>84</sup> FCO, *Strategic Export Controls Reports 1999-2000* <[www.fco.gov.uk](http://www.fco.gov.uk)> Last access 17<sup>th</sup> August 2003.

<sup>85</sup> For example see David Mepham and Paul Eavis, *The Missing Link in Labour's Foreign Policy*, pp. 14-18.

<sup>86</sup> House of Lords, *Hansard*, 31<sup>st</sup> October 2000, Written Answers, column 86.

<sup>87</sup> US Department of State, *World Military Expenditures and Arms Transfers (WMEAT)*, 1999 2000, table III, The Value of Arms Transfer Deliveries, Cumulative 1997 1999 <<http://www.state.gov/documents/organization/19478.xls>> Last accessed 23<sup>rd</sup> April 2004.

with the incorporating country". His argument was that any interruption to F16 parts to America would have "serious implications for the UK's defence relations with the United States."<sup>89</sup> Their serious implications for the Palestinian people were brought into focus just 14 days later on 22<sup>nd</sup> July when Israeli Forces used an F16 to attack a Palestinian apartment block in Gaza killing 15 people and 9 children.<sup>90</sup>

Alongside the introduction of the new criteria, Labour cites the EU Code of Conduct on Arms Exports as a major achievement towards more effective arms controls.<sup>91</sup> It does this even though the code contains a series of weaknesses that limit its effectiveness and it does this in the face of suggestions that Labour was actively engineering those weaknesses to suit UK-based industry. Adopted by the Council of Ministers in 1998 after the UK and France tabled the idea, the code put forward eight criteria to be considered by member states before a licence is issued, it provided for a consultation mechanism between states and an annual report to review its operation. Yet overall the code contains significant weaknesses. It is not legally binding. The annual reports all states are obliged to produce reporting exports do not have to be published. The annual review on the implementation of the Code can remain confidential. It contains no regulations on brokering or on licenced production and it does not provide for prior parliamentary scrutiny of sensitive exports. But what it does provide for is the harmonisation of the export regulations within which European based arms companies operate. The motivation behind the code appears to have arisen less from a desire to limit irresponsible exports and more as a necessary response to the increasingly pan-European nature of the arms trade. The growing number of collaborative projects underway within Europe need arms companies based around Europe to be working to the same export criteria and from industry's point of view, preferably criteria working at the level of the lowest common

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<sup>88</sup> For example House of Commons, *Hansard*, 8<sup>th</sup> November 2001, column 393.

<sup>89</sup> House of Commons, *Hansard*, 8<sup>th</sup> July 2002, Written Answers, , columns 653-654.

<sup>90</sup> House of Commons, *Hansard*, 23<sup>rd</sup> July 2002, columns 840-841.

<sup>91</sup> FCO, *Strategic Export Controls Report 2000*, p.1 <[www.fco.gov.uk](http://www.fco.gov.uk)> Last access 17<sup>th</sup> August 2003.

denominator.<sup>92</sup> This conclusion is given added weight by reports suggesting that the UK were working to undermine some of the regulatory aspects of the code. Reportedly, Nordic countries had wanted to draw up a list of states who should be permanently excluded from buying European made arms because of their human rights records but the code adopted the more vague and flexible language used in the 1997 UK criteria.<sup>93</sup> Of particular importance is the first sentence used by the UK and France when they drew up their proposals for the code - "EU member states are committed to the maintenance of a strong defence industry which is a strategic part of their industrial base as well as their defence effort."<sup>94</sup> Revealingly the Defence Manufacturers Association, the trade body of the arms industry, reportedly said that it believed the code "would not make a substantial difference to existing government policy."<sup>95</sup> The EU code raises important questions about whether the initiative was pursued as a useful propaganda tool for Labour and as a useful harmonising tool for collaborative exporters, watered down, where possible, by the government so as to protect exporters from any damaging regulatory requirements.

Elsewhere Labour also cites its early ratification of the Ottawa Convention on anti-personnel landmines as a further major contribution towards effective global arms control. International leaders signed the treaty in December 1997 banning the manufacture, use, transfer and stockpiling of anti-personnel landmines. But its inherent flaws combined with a specific UK interpretation of the Treaty have left UK-based arms-producing companies largely operating as usual. The central flaw in the Treaty is that it defines anti-personnel landmines by design and not by their effect. This allows any mine not narrowly defined as "anti-personnel" but which still has anti-personnel capabilities to be exempt, a loophole which UK-based companies and the MoD have been happy to exploit. The MoD, for example, believes anti-tanks mines to be exempt. In response, at least nine other

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<sup>92</sup> Neil Cooper, 'The Pariah agenda and New Labour's ethical arms sales policy' in Richard Little and Mark Wickham-Jones (eds.), *New Labour's Foreign Policy: A New Moral Crusade?* (Manchester: Manchester University Press, 2000), pp. 147-167.

<sup>93</sup> Mark Curtis, *Web of Deceit*, p. 186.

<sup>94</sup> International action network on small arms, 'Declaration by EU Member States on an EU Code of Conduct for Arms Exports: A joint proposal by the governments of the UK and France' <[http://www.iansa.org/oldsite/documents/research/res\\_archive/ngo19.htm](http://www.iansa.org/oldsite/documents/research/res_archive/ngo19.htm)> Last accessed 2<sup>nd</sup> October 2003.

<sup>95</sup> Tim Webb, *The Armour Plated Ostrich*, p 200.

signatories who had declared anti-vehicle mines with anti-handling devices to be illegal under the treaty tried to establish an expert group to examine the issue in 2000. Only the UK delegation publicly opposed the move.<sup>96</sup> This interpretation of the Treaty allowed BAE Systems to continue to make Mk 7 anti-tank blast mines which are fitted with sensitive anti-tampering devices until they were phased out in 2000/01.<sup>97</sup> It allows BAE Systems to continue to collaborate with other European firms to make the Ajax-APILAS off-route anti-tank mine and to make the MLRS, multiple launch rocket system which scatters the AT-2 anti-tank mine.<sup>98</sup> This interpretation also allows the MoD to replace all the old anti-personnel mines that it destroyed under the Ottawa Treaty with a stockpile of new generation anti-tank devices and other mines. The MoD reportedly holds 100,000 German AT-2 anti-tank mines that can be set off by an individual walking over it.<sup>99</sup> Alongside these sit undisclosed quantities of MK 7/4 mines, MK 7/7, BAE Systems/Royal Ordnance made Barmine pressure operated mines and at least 63,300 US made Shielder scatterable mines, launched from Alvis made vehicles. The Shielder mines can detonate if disturbed.<sup>100</sup> Also excluded from the Treaty were cluster bombs although they did become the subject of a 2003 UN protocol requiring that those who deployed such munitions clear any unexploded bomblets, bomblets that effectively become landmines.

Further to the restrictive interpretation of the Ottawa Treaty, the UK government has also appeared less than enthusiastic to address other issues associated with mines. UK forces have made extensive use of cluster bombs over the past decade. The RAF used BL755 cluster bombs in Bosnia. More than half of the bombs dropped by the RAF in Kosovo were cluster bombs, of which 31% missed

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<sup>96</sup> Landmine Action and the German Initiative to Ban Landmines, 'Alternative anti-personnel mines: The next generations', p. 27.

<<http://www.landmineaction.org/assets/downloads/Alternative%20APMs%20report.pdf>> Last accessed 4<sup>th</sup> May 2004.

<sup>97</sup> Paul Donovan, 'Making a Killing', *The Guardian*, 7<sup>th</sup> February 2001.

<sup>98</sup> Landmine Action and the German Initiative to Ban Landmines, 'Alternative anti-personnel mines: The next generations', p. 28.

<sup>99</sup> Paul Donovan, 'Whatever happened to Diana's landmines legacy?', *The Observer*, 25<sup>th</sup> August 2002.

<sup>100</sup> House of Commons, *Hansard*, 16<sup>th</sup> March 2001, Written Answers, column 755; Landmine Action, 'Landmine Monitor 2003' <<http://www.landmineaction.org/news229.asp>> last accessed 1<sup>st</sup> October 2003.



their target, that is, 25,000 bomblets.<sup>101</sup> During the 2003 war on Iraq, the Royal Artillery fired more than 2,000 cluster bombs around Basra, each containing 49 bomblets and at least a further 66 BL755 from RAF planes.<sup>102</sup> UK troops are still involved in NATO operations to lay mines as long as they do not touch the mines themselves while the US, who have not signed the Treaty, have been stockpiling anti-personnel landmines on the controversial island of Diego Garcia, still officially "British" territory.<sup>103</sup> To add to this, the government has failed to act against companies trying to sell banned anti-personnel landmines at government sponsored arms fairs. Neither of those exposed in the media - Romtehnica and Pakistan Ordnance Factories - have so far been prosecuted.

This kind of government inaction, inaction beneficial to UK-based arms-producing companies, has been repeated elsewhere. In 1997, Robin Cook told the House that it would not be "realistic or practical to revoke licences that were valid and in force at the time of our election",<sup>104</sup> a decision that the Foreign Office claims was made after legal advice was sought.<sup>105</sup> This meant that the government did not cancel Indonesian orders for Scorpion tanks, armoured cars, water cannon and Hawk jets agreed by the Conservative government yet Tony Purton, former Director of Contracts at the MoD (1988-1993) has called this apparent legal advice "nonsense". Purton argues

Britain's arms contracts are, with few exceptions, made between commercial companies and the receiving government. They cannot bind any British government as the government retains the sovereign power to deny or withdraw the necessary export licences.<sup>106</sup>

In fact the legal advice cited by Cook has never been published, was widely discredited and appears to be undermined by the government's own 1997 Strategic Export Controls Report published less than a year later. The report

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<sup>101</sup> Landmine Action, 'Cluster submunitions - the facts' <<http://www.landmineaction.org/Cluster%20submunitions%20-%20the%20facts.asp>> Last accessed 1<sup>st</sup> October 2003.

<sup>102</sup> Richard Norton-Taylor, 'Call for forces to adopt US doctrine', *The Guardian*, 29th July 2003.

<sup>103</sup> Rob Evans and Richard Norton-Taylor, 'US feared Diana's mine campaign', *The Guardian*, 26<sup>th</sup> August 1999; Press Release, Landmine Action and The Diana, Princess of Wales Memorial Fund, 15<sup>th</sup> January 2003 <<http://www.icbl.org/news/2002/270.php>> Last accessed 24<sup>th</sup> September 2003.

<sup>104</sup> House of Commons, *Hansard*, 28<sup>th</sup> July 1997, column 27.

<sup>105</sup> House of Commons, *Hansard*, 23<sup>rd</sup> July 1997, column 602.

<sup>106</sup> Tony Purton, 'Ethics and the Arms Trade', *The Guardian*, 30<sup>th</sup> June 2003.

outlines how licences can be revoked, for instance, in response to the imposition of trade sanction or an arms embargo.<sup>107</sup> A second example of government inaction of benefit to the industry came four years later. In 2001 the Serious Fraud Office were investigating allegations that BAE Systems were operating a £20 million slush fund allegedly used to bribe Saudi officials in order to win arms deals. Reportedly the Office attempted to pursue BAE Systems by referring the papers to the MoD but the case was not then passed to MoD police even though the director of the Serious Fraud Squad allegedly contacted the head of the MoD Fraud Squad and the MoD Permanent Secretary calling for action. The case was reportedly never referred to the Defence Secretary, Geoff Hoon, or investigated further. The MoD argue that "There was no suggestion of misuse of public money, so it did not fall within the MoD police remit to investigate."<sup>108</sup> In September 2003, the Serious Fraud Office itself was reportedly considering embarking on a full-scale criminal investigation of BAE Systems.

In contrast to this inactivity the government has managed to be more proactive in offering intelligence services to the industry. UK spies are reportedly still operating on behalf of private corporations according to former MI6 officer Richard Tomlinson who claims that MI6 provided BAE Systems with details of a bid made by their French competitor, Dassault for a £500 million jet deal with Indonesia in 1993. BAE Systems won the bid and provided Indonesia with Hawks. Similar details were allegedly provided to BAE Systems helping them win another Hawk order, this time with Malaysia.<sup>109</sup> In 2001 MI5 reportedly brought major corporate leaders together, including BAE Systems, for a seminar which included a talk on how MI5 can provide intelligence information to help corporations win contracts abroad "if only it were asked".<sup>110</sup>

The initial message from the Labour party to arms exporters was and remains overridingly one of reassurance that they can expect continuing political support from government. The government's operationalisation of the 1997 criteria, its

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<sup>107</sup> FCO, *Strategic Export Controls Report 1997*, p. 20 <[www.fco.gov.uk](http://www.fco.gov.uk)> Last accessed 2<sup>nd</sup> August 2004.

<sup>108</sup> David Leigh, Rob Evans and David Gow, 'Fraud Office Looks Again at BAE', *The Guardian*, 12<sup>th</sup> September 2003.

<sup>109</sup> Richard Norton-Taylor, 'Useless Spies', *The Guardian*, 23<sup>rd</sup> March 2000.

<sup>110</sup> Steve Boggan, 'MI5 Offers to Spy for Private Firms', *The Independent*, 7<sup>th</sup> September 2001.

attitude to the EU Code of Conduct, its approach to The Ottawa Treaty and mine issues in general underlines these reassurances. There is no evidence that New Labour has made any significant contribution to controlling the international arms industry. These initiatives are symbolic gestures that have left the arms industry operating as usual. This kind of political support, combined with the levels of financial support shown above makes the arms industry the recipient of an unprecedented degree of help from government, help which remains largely unquestioned in the mainstream media and yet to receive the attention it deserves in much of the arms control literature.

#### THE FAILURE OF THE EXISTING LITERATURE TO TAKE ON THE GOVERNMENT'S CASE

This thesis represents a departure from the existing literature. Almost all of the work that had been written up until early 2002 on New Labour and arms exports had taken on the government's presentation of arms exports as a dilemma, a delicate balance between promoting the UK national interest on the one hand and taking into account ethical issues on the other.<sup>111</sup> The job of the critic was to highlight the cases where UK arms were used to commit human rights abuses or where export licences were issued for clearly unsuitable equipment which would work to reduce sustainable development.

One of the few exceptions to this trend was Mark Phythian's 2000 book "The Politics of British Arms Sales since 1964". Phythian concentrates overwhelmingly on detailing UK arms exports to various countries, pulling out various characteristics of the arms trade as it moves along. But it also touches, very briefly, on how the promotion of arms exports does not deliver the economic, strategic and political benefits claimed by the Labour government and its predecessors. Yet Phythian's assessment is neither systematic nor comprehensive. Phythian's three-page outline and review of some of the economic arguments put forward by the government and his six-page summary and critique of the government's political and strategic rationale does not allow

him to draw on the range of work which has been responding to each claim. Despite its limitations, Phythian has actually provided one of the most wide-ranging analyses of government justifications in the existing literature because only a handful of other authors have questioned even a few of the range of government justifications on offer. The most notable amongst these is Neil Cooper whose 1995 paper and 1997 book "The Business of Death" devotes a chapter to showing how arms sales actually undermine UK military and political security and how their economic benefits are questionable.<sup>112</sup> Others who have questioned some of the government's justifications include Tim Webb, David Mepham and Paul Eavis, Malcolm Chalmers, Samuel Brittan, Gideon Burrows and most recently Adair Turner.<sup>113</sup> But to date, no contemporary and comprehensive critique of New Labour's case has been produced. This is despite the ongoing need to re-examine established rationales given the unique position of the arms industry in relation to the British state.

#### WHY THE ARMS INDUSTRY'S RELATIONSHIP TO THE STATE MUST BE MONITORED MORE CLOSELY THAN ALL OTHER INDUSTRIAL SECTORS

For most of the 20<sup>th</sup> Century UK-based arms-producing companies were heralded as national champions. They were largely state-owned and state-controlled through huge state-run procurement organisations that defined equipment requirement, development and production in an effort to guarantee the supply needed to meet domestic needs and bind client states to the UK. Whether publicly or privately owned, all arms-producing companies effectively served the needs of national forces and all were central to the strategic and political ambitions of the UK government.

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<sup>111</sup> For example, unnamed, 'Defence exports - BAE Systems - Brief article', *New Statesman*, 8<sup>th</sup> July 2002; House of Commons, *Hansard*, 11<sup>th</sup> May 1994, column 307; John Lloyd, 'Mandarins, guns and morals', *New Statesman*, 25<sup>th</sup> October 1999.

<sup>112</sup> Cooper, 'British Arms Exports: a vicious circle of disadvantage'; Neil Cooper, *The Business of Death: Britain's Arms Trade at Home and Abroad* (London: I.B.Tauris, 1997) p. 132, 138-156.

<sup>113</sup> Webb, *The Armour-Plated Ostrich*; Mepham and Eavis, *The Missing Link in Labour's Foreign Policy*; Malcolm Chalmers, *Paying for Defence* (London: Pluto, 1985); Brittan, 'Why arms sales are bad for Britain'; Gideon Burrows, *The Non-Nonsense guide to the Arms Trade*, (London: Verso, 2002); Turner, *Just Capital*, pp. 43, 360-362.

Political and economic changes in the 1980s and 1990s radically redefined the environment in which arms-producing companies acted. Although the arrival of Margaret Thatcher in Downing Street marked a more aggressive approach to the sale of UK-manufactured arms abroad, the fall-out of her economic ideology was the privatisation of arms-producing companies. In 1979 and 1980, four out of the seven arms-producing companies which the MoD were paying more than £100 million p.a. were state owned including British Aerospace, military engine manufacturer Rolls Royce and armaments supplier Royal Ordnance.<sup>114</sup> When these, and a number of other major aerospace and shipbuilding firms, were sold off during the 1980s, they were left more exposed to both market forces and the changed procurement environment. Cost plus contracts, in which the MoD covers company production plus a predetermined fixed amount, were reduced, research costs were increasingly being transferred to the companies involved and the costs of arms production were escalating, especially from the pressure to deliver hugely expensive high technology military solutions. Later, the end of Cold War tensions saw the global demand for arms plunge. Between 1987 and 1997 world military expenditure in fell by more than one third.<sup>115</sup>

Arms-producing companies have since responded by fostering cross border arms development/production projects and by following a programme of merger with, or acquisition of, other companies. This industrial restructuring has led to control of the industry slowly transferring to super contractors, some of which command wealth that rivals that of many nation-states. In Europe a handful of major companies have emerged and prime amongst these is UK-based arms giant BAE Systems. This company, and others, have developed interests that transcend national borders and at the same time have completely redefined themselves as multinationals.

The result is a paradox. On the one hand UK-based arms-producing companies have ostensibly become detached from the state, redefining themselves as

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<sup>114</sup> J. Paul Dunne, 'The Changing Military Industrial Complex in the UK', *Defence Economics*, 4 (1993), pp. 91-111.

<sup>115</sup> US Department of State, *World Military Expenditures and Arms Transfers*, 1998, table I <[http://www.state.gov/www/global/arms/bureau\\_vc/wmeat98vc.html](http://www.state.gov/www/global/arms/bureau_vc/wmeat98vc.html)> Last accessed 26<sup>th</sup> June 2004.

independent commercial entities that have transcended their national origins. On the other hand they have remained intimately connected to the state in which they began. The industry still receives almost unmatched levels of financial and political support from the UK government to secure large arms deals and still plays the nationalist card when its interests are threatened, often touting itself as the last great UK national "metal-bashing" industry.

More important than this, and a key point in this thesis, is that the relationship between military industry and the government as it stands today is, in comparison to other industries, absolutely unique. UK-based military industry is completely dependent on the UK government both as its only domestic customer and as the only body that can issue the export licences required to sell to non-domestic customers. As such, government is able to shape the market via its procurement strategy, a strategy that is typically characterised by lucrative but relatively scarce contracts. No other industry is so dependent on the government to define the parameters in which an entire industry's commercial activities are set. No other industry has such a huge incentive to become as involved as it can be in the formation and implementation of government policy.

This incentive is made even greater by the New Labour government publicly wedding itself to the idea that arms exports generate financial, strategic and political benefits even though the assumptions on which this idea is based are either unproven or, in the majority of instances, unsustainable. Sticking to these rationales leaves the industry in a strong position, especially relative to a civil sector that cannot mobilise these kinds of arguments in support of its activities. The government becomes far more susceptible to pressure to adopt policies favourable to the arms-producing companies even when this does not align with the public interest. The question then becomes why the New Labour government would continue to place itself in this position.

## THE FAILURE OF THE EXISTING LITERATURE TO MOVE BEYOND THE ADDICTION/DELUSION EXPLANATION

Within the existing literature there has been little attempt to fully engage with this kind of question, with *why* governments have consistently supported arms exports. The most developed response to date has come from Phythian. He finishes his book with a few sentences presenting a two tier explanation for this support - he mentions corporate influence but focuses more on the idea of an “unbreakable addiction” that governments have to use exports to promote a visible world role for the UK. Phythian argues that there was a point, certainly by the 1980s, when both the economic and political profitability of arms sales became questionable. But they were not and still are not publicly questioned and this is because of the way that arms-producing companies, with help from the DTI and the MoD's DESO, have been able to influence, often dominate, government to retain active support for a declining industry. Governments listen because they continue to be mistaken into thinking that the UK still has an important global role. They think that the UK deserves a place on the UN Security Council, on the G7, influence in NATO, in the EU. They think that the retention of a supposedly independent military capability, supported by the profits made by arms company exports, allows the UK this role. Governments have not realised that this and all their other economic, strategic and political justifications are unsustainable because they are “deluded”.<sup>115</sup> This delusion explains the continuities between UK governments on arms sales policy despite the restrictive policies advocated by Labour in opposition just before being elected in 1964, 1974 and 1997.

Phythian's underdeveloped themes of government addiction and delusion keep reemerging in other work. They were central to a 2002 BBC documentary presented by Will Self in which the entire explanation for the government's continued support for arms exports was centered on “addict Britain's arms sales fix”. The programme was even punctuated with an interview between Will Self and Dr Robert Lefever, Director of Promis Recovery Centre Kent which treats those suffering from a variety of addictions on the basis that countries can also

be addicts.<sup>117</sup> The Financial Times economist Samuel Brittan and former CBI Director General Adair Turner have both blamed two economic myths or fallacies mistakenly accepted by governments - that the arms industry is an irreplaceable sector and that exports are overridingly important.<sup>118</sup> Phythian's stress on the influence of arms companies on key departments who will play on government delusion over the UK's world role is similar to that of Tim Webb, author of "The Armour-Plated Ostrich". Webb also points to the "costly illusion" of the UK's "special" role in the world which maintains "Britain's addiction to the arms business." He develops the world power delusion idea to a greater extent with a number of chapters devoted to tracing the development, challenges to and effects of this delusion since 1945.<sup>119</sup>

The pattern in the existing literature is to account for the continuation of New Labour's support for arms exports in terms of fallacies, mistakes, addiction or delusion, a theoretical approach developed to varying degrees within the literature. Little has been written which works outside this account, which assumes that the government is not deluded into supporting exports but rather this is a deliberate policy choice carried out to further the shared interests of government and a politically powerful industry. One exception to this is John Pilger's 1999 documentary, "Flying the Flag: Arming the World". He implies that one explanation lies in huge commissions paid to influential figures.<sup>120</sup> This was certainly the case in the late 1960s when Donald Stokes, the man responsible for establishing DESO explained "A great many sales were made not because anyone wanted the arms but because of commission en route."<sup>121</sup> Gideon Burrows mentions the "strong lobbying influence" of the arms industry.<sup>122</sup> Andrew Rawnsley and Kampfner both touch on the influence of former BAE Systems

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<sup>116</sup> Phythian, *The Politics of British Arms Sales Since 1964*, pp. 321-324.

<sup>117</sup> 'Addicted to Arms: A Will Self Investigation' *Correspondent*, BBC Television, April 2002.

<sup>118</sup> Samuel Brittan, 'Why exports are bad for Britain', *The New Statesman*, 31<sup>st</sup> January 2000 and *Exports and Arms Brief*, October 2000 <<http://www.samuelbrittan.co.uk>>; Turner, *Just Capital*, pp. 43, 360-361.

<sup>119</sup> Tim Webb, *The Armour-Plated Ostrich*.

<sup>120</sup> 'Flying the Flag: Arming the World', Carlton Television, 1994.

<sup>121</sup> BBC Online, 'Arming the World', 6<sup>th</sup> June 2002

<[http://news.bbc.co.uk/hi/english/uk/newsid\\_2029000/2029831.stm](http://news.bbc.co.uk/hi/english/uk/newsid_2029000/2029831.stm)> Last accessed 20<sup>th</sup> April 2004.

<sup>122</sup> Gideon Burrows, *The Non-Nonsense Guide to the Arms Trade*, p. 90.



Director Lord Hollick in Blair's "inner circle".<sup>123</sup> Even in these exceptions the coverage given to the relationship between the political and military corporate elite is either brief or largely unsystematic and anecdotal.

Given this, what is needed in the literature looking at New Labour and arms exports is not just a thorough policy analysis of the government's justifications for maintaining support. What is also needed is a closer look at what other internal dynamics are at work within the UK inciting support for the export of arms. What is needed is a contemporary and comprehensive examination of the ways in which UK-based arms-producing companies are linked to those in power with a view to a better understanding of the cumulative effect of this relationship on the maintenance of supportive export policy. New Labour's continued support for arms exports needs to be understood in the context of state-corporate relations.

#### HOW THE NOTION OF A MILITARY-INDUSTRIAL COMPLEX INFORMS THIS THESIS

The aim of this study is not to use the case of New Labour's support for arms exports to test whether the UK has a form of MIC. This would necessitate a thesis in its own right. But this thesis does approach the study of the interplay between the interests of New Labour and UK-based arms-producing companies using MIC type ideas. The second part of this study draws on part of the common ground between MIC theories - that military industry seeks linkages with political elites, linkages which will impact on how the interests of both interplay - to help explain the continuation of New Labour's support for arms exports. This part of the introduction looks at the origins of the MIC concept, summarises some of the major theoretical approaches towards the idea, asks whether it is historically and geographically specific to the US in the 1960s and 1970s and addresses how the notion will underpin the second half of the thesis.

Elite theories concerned with the study of state-corporate relations became increasingly connected to the concept of MIC in popular American discourse of the 1960s and 1970s. MIC theories stand in contrast to the idea that arms export

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<sup>123</sup> Andrew Rawnsley, *Servants of the People: The inside story of New Labour* (London: Penguin, 2001) p. 170; John Kampfner, *Robin Cook* (London: Phoenix, 1998) p. 145.

support is maintained by rational policy-makers who have chosen the best available policies for the good of the nation. Instead, MIC theories begin with the premise that neither arms-producing companies, the military bureaucracy nor the state are passive entities. All have interests and these interests are proactively pursued.

In his last speech as President, Eisenhower famously warned the American public to be vigilant against the growing influence of a coalition of vested state and military interests that formed what he called a "military-industrial complex". He saw the combined interests of the military, favoured military companies and appropriators in Congress working together to overemphasise the emergence of new threats in order to continually justify the funds to build new military equipment often at the expense of the country as a whole.<sup>124</sup> The theoretical underpinnings of Eisenhower's complex are derived from the political sociology of C. Wright Mills. In Mill's seminal 1956 study, *The Power Elite*, he argued that the interests of what were seemingly separate highly powerful institutions - the military, government and corporations - actually overlap. The President and key Cabinet members, Chief Executives of the largest military corporations and the highest-ranking military officers all share similar interests and as such form "overlapping cliques", working together as a single "power elite" dominating 1950s America. Although there may be public disagreements, these are outweighed by points of agreement especially in the world view - concentrated wealth, the primacy of profits and the role of government in creating a business friendly environment, interests pursued in an environment very different to those in which other industries lobby government.<sup>125</sup>

The concept of a MIC has since grown to become one of the most familiar ideas in modern political discourse. It has done this despite there being very little agreement over what is meant by the term, whether it is a force for repression, how powerful it is and to what extent it is a monolithic body. Charles Wolf for example stresses the pluralistic, conflictual nature of the MIC where as Sidney

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<sup>124</sup> Dwight Eisenhower, 'Farewell radio and television address to the American people by President Dwight D. Eisenhower', 17<sup>th</sup> January, 1961 <<http://www.eisenhower.utexas.edu/farewell.htm>> Last accessed 15<sup>th</sup> October 2003.

<sup>125</sup> C. Wright Mills, *The Power Elite* (New York: Oxford University Press, 1963).

Lens appears to ascribe more monolithic characteristics.<sup>126</sup> There is little agreement over which groups are involved in the complex or whether it is comprised of a tiny elite or a broader segment of society as argued by Sidney Lens who saw seven sectors of society making up the complex including the academic community.<sup>127</sup> There is also confusion over whether the threat perception on which it is based is deliberately manufactured or a form of false consciousness and even whether the complex is a fact or simply an ideological construct.<sup>128</sup> There is dispute over whether the MIC is more powerful than other complexes or whether their power is comparable as Charles Wolf argues when he finds that the MIC is as influential as the transportation complex, the education complex and others.<sup>129</sup> To add to all of this, it is also unclear whether the MIC concept is geographically and historically specific to the US in the 1960s and 1970s, in particular, whether the idea of the MIC could be applied both non-capitalist states and to states without large military industries as many advocate. For example, Vernon Aspaturian has identified and explored a Cold War Soviet MIC comprised of an influential network of vested interests in high military expenditure amongst industrial, military and political elites.<sup>130</sup> In more recent times, Masako Ikegami-Andersson has compared the American MIC to those which exist in Japan and Sweden<sup>131</sup> and Ken Conca has studied the causes and effects of the rise and fall of Brazil's MIC.<sup>132</sup> Taken as a whole, the MIC literature is, to date, vague, confused and operates within a framework of thinking that is open to considerable dispute.

Despite all this, the approach is still of great interest here. This is because there was at least been agreement amongst leading Cold War proponents that high levels of military spending gave rise to powerful interest groups - the military,

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<sup>126</sup> Charles Wolf, 'Military-Industrial Simplicities, Complexities and Realities', in Sam Sarkesian (ed.) *The Military-Industrial Complex: A Reassessment* (London: Sage, 1972) pp. 25-52, p. 25, p. 31.

<sup>127</sup> Sidney Lens, *The Military Industrial Complex* (Philadelphia, Pilgrim Press, 1970).

<sup>128</sup> Sam Sarkesian (ed.) *The Military-Industrial Complex: A Reassessment* (London: Sage, 1972) p. vii, Fine, p. 29.

<sup>129</sup> Charles Wolf, 'Military-Industrial Simplicities, Complexities and Realities'.

<sup>130</sup> Vernon Aspaturian, 'The Soviet Military-Industrial Complex: Does it Exist?' in Steven Rosen (ed.), *Testing the Theory of the Military Industrial Complex* (Lexington, MA: Lexington Books, 1973) pp. 103-133.

<sup>131</sup> Masako Ikegami-Andersson, *The Military Industrial Complex. The Cases of Sweden and Japan* (Aldershot: Dartmouth Publishing Company, 1992).

<sup>132</sup> Ken Conca, *Manufacturing Insecurity: The rise and fall of Brazil's military industrial complex* (London: Lynne Rienner, 1997).

arms-producing corporations, government officials involved in military spending and legislators whose constituencies benefit from military procurement. All occupied powerful political positions from which they attempted to promote their own vested interest in the continuance of military expenditure and international conflict in a largely coordinated fashion.<sup>133</sup> As such the MIC literature has something important to say about the ways in which the interests of arms-producing companies and the state interplay. Exactly how they interplay has been perceived by different authors in very different ways but, following Charles Moskos' dichotomy, can be broadly divided into three major approaches according to which determinant of power receives the greater emphasis - (1) the political power of the military establishment; (2) the organisational power of the state bureaucracy; or (3) the economic power of the private corporation.<sup>134</sup>

In the defence bureaucracy model, often identified with the work of Robert Heilbroner and John Swomley, the focus is on the power wielded by the military establishment.<sup>135</sup> This establishment represents an independent political force imposing its own will over the civil establishment and industrial suppliers at the expense of liberal democracy.

In the state bureaucracy model, the focus is on how a particular section of the state perpetuates the complex. This model sees non-elected bureaucrats driven by the internal bureaucratic dynamics of the environment in which they work as the main determinants of the MIC. This model is often associated with Seymour Melman and his 1970 book "Pentagon Capitalism" in which he argues that the state's relationship with military companies has been transformed. Because the state is now a hugely powerful decision-making unit, its purpose is no longer to regulate the industry. Instead government itself represents a form of business in what he describes as "state capitalism". The end result is greater domestic power for the government and in particular the Pentagon for whom the operation of

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<sup>133</sup> Moskos, 'The Military-Industrial Complex: Theoretical Antecedents and Conceptual Contradictions' in Sam Sarkesian (ed.) *The Military-Industrial Complex: A Reassessment* (London: Sage, 1972) pp. 9-16.

<sup>134</sup> Charles C. Moskos, 'The Military-Industrial Complex: Theoretical Antecedents and Conceptual Contradictions' p 9.

<sup>135</sup> Robert Heilbroner, 'Military America', *New York Review of Books*, 15:2 (1970), pp. 5-8; John Swomley, *The Military Establishment* (Boston: Beacon Press, 1964)

"permanent war economy" has meant more activity under their command - more decision-making power and an ever-larger budget.<sup>136</sup>

In the private corporate model the focus is instead on how corporate elites control both the state and the military. High military spending will continue regardless of whether an actual external threat is perceived because the MIC is a money-making device for arms-producing companies who wield the real power within the complex. One version of this kind of thinking is put forward by G. William Domhoff and Ferdinand Lundberg who see the military establishment, the state and the middle managers of arms-producing companies as subservient to some form of higher economic elite which includes top-level executives or super-rich ruling families.<sup>137</sup> Another version is put forward by Michael Reich, Paul Baran and Paul Sweezy.<sup>138</sup> The latter's highly contested underconsumptionist approach finds military spending to be an important economic mechanism functional for the purpose of maintaining domestic prosperity because, in contrast to spending in other sectors, it allows the absorption of surplus without raising wages. Reich agrees with the necessity for state spending but finds that military expenditure that could not be replaced by social spending, whatever the external strategic environment, because this kind of spending feeds into both the profits and the interests of military companies that represent powerful sections of the economy.

Although relevant to the question of how state and arms-producer interests interplay addressed in the second half of this thesis, all of these ways of thinking about industry-state relations were conceived not only in America, but in America during the 1960s and early 1970s. To be relevant to this thesis, the entire MIC concept must be revisited in light of the changed economic, industrial and strategic environment in which the New Labour government acts.

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<sup>136</sup> Seymour Melman, *Pentagon Capitalism* (New York: McGraw Hill, 1970); Seymour Melman, 'In the grip of a permanent war economy', *Bear Left*, 9:3 (2003) <<http://www.bearleft.com/original/2003/0309permanent.html>> Last accessed 24<sup>th</sup> June 2004.

<sup>137</sup> G. William Domhoff, *Who Rules America?* (New Jersey: Prentice Hall, 1967); Ferdinand Lundberg, *The Rich and the Super-Rich* (New York: Bantam, 1968).

<sup>138</sup> Michael Reich, 'Military Spending and the U.S. Economy' in Steven Rosen (ed.), *Testing the Theory of the Military-Industrial Complex* (Lexington, MA: Lexington Books, 1973) pp. 85-102; Paul Baran and Paul Sweezy, *Monopoly Capital*, (London: Monthly Review Press, 1966).

## *Reassessing the military-industrial complex in the era of New Labour*

Previously, this introduction has outlined how, for most of the 20<sup>th</sup> Century, UK arms-producing companies were state owned, largely state controlled and largely restricted to operating only within national boundaries. The sector represented a national strategic asset that successfully utilised the Cold War ideology of international conflict to guarantee its position ahead of other complexes. Today we have an era of globalised markets, that is, the significance of national boundaries have reduced to facilitate the free movement of capital, goods and services. The autonomy of these governments to act as economic actors has been reduced and new global political structures like the World Trade Association operate agreements that encroach upon the sovereignty of states.<sup>139</sup> Within these markets, stateless, profit driven, hugely wealthy arms-producing companies operate increasingly beyond the control of their old national governments. Within this newly defined political environment, the Cold War ideology of conflict has been replaced by the threat of international terrorism, a new military orthodoxy that Labour were quick were embrace in their 1998 Strategic Defence Review.<sup>140</sup>

This radically changed environment has dramatically altered the power balance between the state and arms-producing companies, a symptom of the wider power imbalance between the state and corporations in general. The idea that New Labour has either been willingly "captured" by the business community in a form of "corporate rule" has underpinned a small number of publication or projects. "Former Labour Party insider" David Osler published "Labour Party PLC" in 2002, a book that offered a comprehensive guide to the corporate takeover of the Labour movement. Osler offers a detailed account of party donations, the work of political lobbying groups and industry secondment into government.<sup>141</sup> In parallel, Red Star Research, a web based project set up by

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<sup>139</sup> Wyn Grant, *Globalisation, Big Business and the Blair Government*, August 2000 <<http://www2.warwick.ac.uk/fac/soc/csgr/research/workingpapers/2000/wp5800.pdf/>> Last accessed 2<sup>nd</sup> August 2004.

<sup>140</sup> Ministry of Defence, *Strategic Defence Review*, paragraphs 9 and 29 <[http://www.mod.uk/issues/sdr/wp\\_contents.htm](http://www.mod.uk/issues/sdr/wp_contents.htm)> Last accessed 16<sup>th</sup> July 2004.

<sup>141</sup> David Osler, *Labour Party PLC: New Labour as a Party of Business* (Edinburgh: Mainstream Publishing, 2002).

political activists, journalists and researchers, has begun to expose the network of connections that those from the corporate world enjoy within the Labour Party project. It investigates "friends of Tony" - the Labour donors, task force members and special advisors - their backgrounds, salaries and influential friends.<sup>142</sup> But very little is known about the role of military corporations in all of this even though they are now much more independent and more powerful than could have been anticipated by the MIC literature of the 1960s and early 1970s.

This thesis approaches the question of how the interests of UK-based arms-producing companies and New Labour interplay in light of this redefined relationship. The focus remains on part of the common ground between MIC theories - that groups attempted to promote their own vested interest in the continuance of military expenditure - but the considers industry-government relations in the light of the increased power of the corporation to help understand the continuation of New Labour's support for arms exports.

One problem that arises from an attempt to address this question is defining just what is meant here and in the rest of the thesis by two of the most central concepts used - "arms-producing companies" and "arms exports" - along with the difficulties in using existing data.

#### DEFINING CONCEPTS AND THE DIFFICULTIES IN USING THE EXISTING DATA

Almost no company devotes themselves exclusively to the manufacture of military products and because of this, it has long been a point of debate which companies should be defined as arms companies and which should not. The DTI report that more than 3,500 military companies operate in the UK.<sup>143</sup> Many of these will be suppliers of food, clothing, vehicles and fuel to the military. Companies supplying non-lethal goods may well be included in a broad classification of what is known as the "defence industrial base" and their identification is a constant problem for those trying to accurately estimate the

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<sup>142</sup> Red Star Research <<http://www.red-star-research.org.uk>> Last accessed 19<sup>th</sup> September 2003.

<sup>143</sup> Ian Goudie, *The Employment Consequences of a Ban on Arms Exports*. (London: CAAT, September 2002) <[http://www.caat.org.uk/information/publications/economics/jobs\\_0902.php](http://www.caat.org.uk/information/publications/economics/jobs_0902.php)> Last accessed 24<sup>th</sup> July 2003.

number of jobs dependent on arms exports. The purpose of this thesis is to consider UK-based arms-producing companies, that is, those companies that, at an industrial or technological level, contribute to the supply of lethal weapons systems. This is in line with the definition used by the Stockholm International Peace Research Institute (SIPRI) who publish a wide range of statistics on arms transfers, a significant source of comparative and trend data used in this study.<sup>144</sup> The thesis necessarily excludes almost all of those companies acting as suppliers of components to prime contractors, for reasons of space and data availability. The main focus is on the "major defence producers". A major defence producer is still a problematic concept particularly given the increasingly globalised nature of military industry. A prime contractor like BAE Systems will often subcontract work out to overseas factories leaving the company itself to simply put the deal together. The firms focused on here are the largest in terms of military sales based in the UK. Examples are given in appendix four. Their size, backgrounds and activities are outlined in much greater detail in appendix five along with some of the major arms-producing companies based outside the UK mentioned during the course of the thesis.

Any problems arising from defining the term "arms-producing company" are more than overshadowed by the problems that exist in defining the term "arms export". This is because there is a fundamental problem with the available data on military exports. There is no standard categorisation of what constitutes a military export. There are no problems identifying equipment that will primarily be used for military purposes being sold to overseas forces. But there are questions of definition surrounding military products such as whether dual use products like vehicles should be included. There are also questions of definition surrounding customer issues such as whether non-military products like food and clothing, purchased by overseas forces, should be included. The three major sources of statistics on military exports, SIPRI, WMEAT and the Defence Analytical Services Agency (DASA), deal with these questions in different ways so that the statistics they publish are largely incomparable.

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<sup>144</sup> SIPRI, 'Sources and Methods for SIPRI Research on Military Expenditure, Arms Transfers and Arms Production' <<http://editors.sipri.se/pubs/Factsheet/sipdat.html#ref7>> Last accessed 25<sup>th</sup>



SIPRI figures show the "trend indicator value" of transferred "major conventional weapons" by which the authors mean weapons that have a military purpose supplied to the armed forces or intelligence agencies of the state.<sup>145</sup> Although SIPRI includes products like aircraft, ships, missiles, armoured vehicles, artillery, and radar, the authors exclude small arms and small arms ammunition, trucks, small artillery, support equipment and components, any services provided to recipient states and any other product without clear military purpose. Because of these exclusions, the thesis mainly draws on SIPRI's databases for trend and comparative analysis only.

In contrast WMEAT defines military equipment as "weapons of war, parts thereof, ammunition, support equipment, and other commodities designed for military use" including non-armoured vehicles, uniforms, all ammunition, ordnance, dual use equipment when its main use is military and military services including training.<sup>146</sup> WMEAT figures only exclude food, petrol and medical supplies, a more inclusive definition than that used by SIPRI. WMEAT figures are particularly valuable in that they show the position of the UK in comparison with other major suppliers. As such, WMEAT figures are almost exclusively used here to look at which states are recipients of UK equipment, how much has been sold and how this varies over time, information that is rarely given elsewhere.

The thesis makes even greater use of the annual defence statistics published by the Defence Analytical Services Agency (DASA) but notes that there are also serious statistical problems with these data sets. DASA define and calculate the value of military export *deliveries* by referring to a set of Customs and Excise codes. But because Customs and Excise record only codes that relate to purely military equipment, services and dual use exports are excluded. Instead DASA supplements its delivery figures by incorporating aerospace order estimates made by SBAC, the trade association for UK-based aerospace companies. In contrast to DASA, SBAC figures both include dual use goods and services and

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September 2003.

<sup>145</sup> SIPRI, 'Sources and Methods of the Arms Transfers Project'

<<http://projects.sipri.se/armstrade/atmethods.html>> Last accessed 25<sup>th</sup> September 2003.

<sup>146</sup> US Department of State, *World Military Expenditures and Arms Transfers*, 1999-2000.

'Statistical Notes' <<http://www.state.gov/documents/organization/18744.pdf>> Last accessed 25<sup>th</sup> September 2003.

SBAC judges equipment as military according to the buyer rather than according to the product itself. The resulting hybrid figures underestimate the value of export deliveries to such a degree that in their study, Chalmers et al. recalculated them.<sup>147</sup> DASA's figures on export *orders* are compiled by DESO who gather information from companies on a voluntary basis. As the report by Chalmers et al has found, being customer based they include all services including some that are not for primarily military use such as computer equipment for civilian staff. The values of DESO figures are eroded further because order values are subject to depreciation, stalling or cancellation. DASA's figures are used so extensively in this thesis despite the problems associated with them because they are the most detailed, most regularly updated and because they are the figures that the UK government itself uses to justify continued support for exports.

Although DASA's data sets are more detailed than others, the kind of definitional problems outlined above are compounded by a lack of information, much of it withheld because of the secrecy surrounding military industry and governments' involvement in it. For example, figures on UK military *imports* do not indicate what proportion will be used in equipment to be exported, an important factor in any attempt to estimate the value of exports to the balance of payments. It is not known what income is generated by the Commercial Exploitation Levy because the Office for National Statistics simply do not ask what proportion of government receipts are generated by the levy. The value of the bribes paid during the Al Yamamah deal between the UK and Saudi Arabia in the 1980s are unknown beyond a select few because the 1996 National Audit Office report detailing them has not been made public, or even revealed to the majority of the Public Accounts Committee. To complicate the situation further, it is difficult to separate out government support for arms exports from government support for the military industry as a whole.

In addition to DASA's figures, the FCO publish an annual report on Strategic Export Decisions which has provided information on licences issued for the exportation of controlled goods to all recipient states. Controlled goods include both military equipment like tanks and guns as well as non-lethal equipment

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<sup>147</sup> See Chalmers et al, *The Economic Costs and Benefits of UK Defence Exports*, pp. 6-9.

designed for the military and police like anti riot shields and de-mining equipment. But this information is limited. No information at all is provided on government to government transfers. Because the Import, Export and Customs Powers (Defence) Act 1939 does not bind the Crown, no licence is required for government to government transfers. This includes all exports under the huge Saudi Al Yamamah deal and all those made under a government to government deal with Kuwait that includes the supply of missiles and launchers.<sup>148</sup>

The total value of Standard Individual Export Licences (SIELs) to each recipient state has been shown in the annual reports since 1999. In the 1997 and 1998 reports only the number of licences issued was reported and readers had no way of knowing the size of those orders. Standard Individual Export Licences (SIELs) allow specified arms to a specified recipient up to an agreed limit. The total value of Open Individual Export Licences (OIELs) has never been provided and OIEL holders have never been asked to give details of the value of exports. These kind of licences are issued to an exporter to allow unlimited export of specified equipment to a specific recipient including small arms, ammunition, armoured vehicles, heavy artillery, battle tanks and combat aircraft. The number of open licences approved has been included in the reports since 1999 but like the situation with standard licences in the 1997 and 1998 reports, there is no way of knowing how much equipment is being exported under these licences. As an example, there was a huge naval licence issued to 42 different states in 2002 that authorises the export of equipment including parts for submarines, torpedoes, heavy guns, surface to air missiles, heavy machine guns and combat aircraft. The licence has been issued for export to states including Angola, Colombia, India, Ivory Coast and landlocked Paraguay, a country that has a reputation for selling on imported arms.<sup>149</sup> The Paraguay example highlights a second problem with the reporting of SIELs and OIELs which is that no information is given on end-use assurances - that is on undertakings limiting how exported equipment will be used. For example, the reports will not show whether

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<sup>148</sup> FCO, *Strategic Export Controls Report 1999* <[www.fco.gov.uk](http://www.fco.gov.uk)> Last accessed 17<sup>th</sup> August 2003.

<sup>149</sup> House of Commons Quadripartite Committee, Uncorrected Transcript of Oral Evidence, 21<sup>st</sup> April 2004, HC 390-ii; FCO, *Strategic Export Controls Report 2002* <[www.fco.gov.uk](http://www.fco.gov.uk)> Last accessed 17<sup>th</sup> August 2003.

military equipment exported under licence from the UK is intended for the armed forces of the recipient state or for another state that happens to have a military base inside the recipient state. They do not show what end-use conditions are tied to the licence or which state are the *ultimate* end-users of the equipment. Classifying licence decisions according to destination rather than end-user can attract unfair criticism particularly where the government has allowed licences to recipients under embargo or engaged in conflict. For example the 2001 annual report shows that during the year the government approved licences allowing the export of body armour to Burundi even though a UN arms embargo existed. The government later explained that this equipment was for the use of UN personnel for personal protection.<sup>150</sup> The 2000 annual reports show that the government approved a whole range of licences covering small arms and light weapons to Morocco. The Defence Manufacturers Association have since explained that at least some of those licences were for the supply of props to be used in the film "Black Hawk Down".<sup>151</sup> The government is reluctant to add what is clearly relevant end-user information for reasons "of commercial confidentiality" but without it the reader is left with a more negative understanding of export controls than might be fair. In contrast, the failure to show the ultimate end user of equipment, and this is particularly relevant to exported components, may leave the reader with a more positive impression than is fair as exported components may end up in states to which the UK government would not normally export. As such, although the government claims that their reports mean that the UK has the most transparent export licensing system in the world, the information included is only partial. As a result these reports are almost exclusively used here to demonstrate the continuation of sales to developing states or those at risk from conflict on a case by case basis. They cannot be compared to WMEAT's more comprehensive statistics.

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<sup>150</sup> House of Commons Quadripartite Committee, *Second Joint Report: Strategic Export Controls: Annual Report for 2001, Licensing Policy and Parliamentary Scrutiny*, 20<sup>th</sup> May 2003, HC 474, appendix V.

<sup>151</sup> House of Commons Quadripartite Committee, *First Joint Report: Strategic Export Controls - Annual Report for 2002, Licensing Policy and Parliamentary Scrutiny*, paragraph 40.

The difficulty in obtaining relevant and accurate statistical information has always been a problem in this kind of research. The remainder of this thesis should be considered with reference to these caveats.

# PART ONE

## Why New Labour Supports Arms Exports: The Official Reasons

### INTRODUCTION

The government has put forward a number of reasons why support for arms exports should continue. It claims that this support enables UK involvement in the international arms market from which wider economic, strategic and political benefits are said to accrue. The government talks about the maintenance of jobs, savings to the procurement budget, benefits to the balance of trade, the maintenance of a strong, strategically important indigenous arms production capability, the ability to contribute to the security of UK allies, increased recipient state co-operation and the contribution of exports to conflict avoidance. The government has consistently avoided offering further explanation or clarification of the justifications it has used and has avoided engaging in debate where those claims have been open to question.

The aim of the first half of the thesis is to offer a comprehensive critical examination of each of these rationales that have been put forward by the New Labour government for continuing to support arms exports beginning with the economic case.

# CHAPTER ONE: CRITIQUE OF THE ECONOMIC CASE

## INTRODUCTION

The purpose of this chapter is to critically examine the economic reasons offered by the New Labour Government for continuing to support military exports. The government claims that support for military exports provides employment, brings budgetary savings, benefits the balance of trade and delivers other wider economic benefits.<sup>1</sup> Each will be examined in turn.

## ARMS EXPORTS DO NOT CONTRIBUTE SIGNIFICANTLY TO LEVELS OF EMPLOYMENT

Reference to defence-related employment and its importance to the economy have been one of, if not the central way in which continued government support of arms exports has been justified to the media and to the public. The following exchange in May 1994 between The Minister for Trade, Richard Needham and John Heppell, Labour MP for Nottingham East is typical:

**Mr. Heppell** : Does the Minister agree that, with 200,000 people reported dead in East Timor and with John Pilger reporting that Hawk jets are being used for aggression against East Timor, there is now a case for stopping any licencing of arms sales to Indonesia?

**Mr. Needham** : I have never seen a report from any reputable organisation which suggested a figure of 200,000. The maximum number that I saw in the United Nations report from the 1970s was some 80, 000. I am not going to argue with the hon. Gentleman about the horrendous numbers of people killed in the 1970s, but if he believes that the problems of East Timor - which are, in any event, entirely different now from what they were 20 years ago - will be solved by an arms embargo, he is entirely

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<sup>1</sup> See, for example, DESO, *Why export defence goods and services?* <<http://www.deso.mod.uk/policy.htm>> Last accessed 30th June 2003; MoD, *Defence Industrial Policy, Paper number 5*, October 2002 <<http://www.dti.gov.uk/pdfs/dip.pdf>> Last accessed 30<sup>th</sup> June 2003.

mistaken. Furthermore, I note that as there are no aerospace companies or aerospace employees in his constituency

**Mr. Heppell** : There are.

**Mr. Needham** : If there are, it is even worse. I note that he is only too happy to salve his conscience by putting at risk the jobs of people in the aerospace industry.<sup>2</sup>

The argument has consistently been that any reduction in government support will lead to a loss of jobs with consequential loss of revenue to local economies and the exchequer. Despite this emphasis, reportedly even amongst Ministry of Defence (MoD) officials it has been acknowledged that on a macro-economic level the employment argument is “a red herring”.<sup>3</sup> This is why.

Figures published annually by the MoD's DASA and detailed in appendix six show estimates of the number of jobs dependent on arms exports both directly within the companies manufacturing the export and also indirectly through the supply chain. Taking the most recent figures from this table, those for 2001 - 2002, the MoD estimates that 65,000 jobs were sustained by arms exports. 30,000 were sustained by contractors selling directly to the MoD. 30,000 were sustained indirectly by sub-contractors who often have more than one customer making them less dependent on exports. 65,000 highly skilled and versatile employees represent 0.22% of total UK employment<sup>4</sup> or 1.6% of all manufacturing employment.<sup>5</sup> 65,000 is a figure dwarfed by the numbers of jobs supported by other manufacturing industries during 2001-2002. The rubber and plastic products industry supported 224,000 jobs, the chemicals and man-made fibres industry supported 234,000 jobs and the non-metallic mineral products and metals industry supported 653,000 jobs.<sup>6</sup> Very little attention is paid to these and

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<sup>2</sup> House of Commons, *Hansard*, 11<sup>th</sup> May 1994, column 307.

<sup>3</sup> E-mail, Roy Isbister, *Saferworld*, to the author, 19<sup>th</sup> February 2002. Similarly, a summary report written by Paul Ingram of the Oxford Research Group reports that government economists have agreed that the jobs argument is “weak”. See *Tackling the Subsidy Trap: Strategies for Reducing Subsidies to Arms Exports: Brief Report*, December 2001, Unpublished, p.2.

<sup>4</sup> The Office of National Statistics Labour Force Helpline report that in June 2001 there were 29,516 000 jobs in the UK.

<sup>5</sup> The Office of National Statistics report that from 2001-2002, on average, 4 million people were employed in manufacturing industries in the UK. The Office of National Statistics, *Workforce Jobs by Industry 1959-2003* <<http://www.statistics.gov.uk>> Last accessed 27<sup>th</sup> April 2004.

<sup>6</sup> The Office of National Statistics, *Monthly Digest of Statistics July 2001*, table 3.3, 'Employee Jobs: All Industries', p. 39

<[http://www.statistics.gov.uk/downloads/theme\\_compendia/MD\\_July\\_2001.pdf](http://www.statistics.gov.uk/downloads/theme_compendia/MD_July_2001.pdf)> Last accessed 24<sup>th</sup> July 2003.



other manufacturing industries in comparison to the attention given to the comparatively minor number of jobs sustained by arms exports.

DASA does not record the regional distribution of jobs.<sup>7</sup> But if export related jobs followed the pattern of jobs dependent on total MoD equipment expenditure which DASA did publish up until 2000, most would be based in the overheating economies of London and the southeast (38%) and the southwest (17%). In July 2001 the number of people claiming unemployment-related benefits was 1.6% of available workforce jobs in the southeast and 2.5% in the southwest. Outside of eastern England, these are the lowest unemployment-related benefit rates in the UK.<sup>8</sup> Moreover although a sudden end to military exports may particularly affect some localities like Yeovil and Brough, research suggests that the impact on traditionally manufacturing areas as a whole would be small. A 2002 study estimated that three months after any ban on military exports the number of those claiming unemployment related benefits in the northwest would only rise from 3.5% to 3.7% and in the West Midlands from 3.5% to 3.6%.<sup>9</sup> One reason for this is because it is doubtful whether a reduction in arms exports would actually lead to the loss of a proportional amount of jobs. As the MoD's DASA points out a "reduction in identified exports does not mean that these jobs disappear: the people who supply the effort might be diverted onto other tasks by their employer."<sup>10</sup> This would go some way to explain how the number of recorded export linked jobs fell by 63% from a peak in 1996/7 (175,000) to 2001/02 (65,000) without economists reporting any discernable costs to the national economy.<sup>11</sup>

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<sup>7</sup> DASA does not record the regional distribution of military export related jobs. Until *Defence Statistics 2001*, DASA did show regional variations in jobs directly dependent on MoD equipment expenditure. The table has not been included from 2002 onwards because DASA felt that the figures were a partial and unreliable measure of the numbers of jobs dependent on MoD expenditure. For those regional distribution figures given in 2001 it is open to debate whether they can be used to estimate the distribution of jobs dependent on exports.

<sup>8</sup> Based on the latest regional distribution figures for jobs dependent on equipment expenditure 1998-1999. DASA, *UK Defence Statistics 2001*, table 1.12; The Office of National Statistics, *Labour Market Trends*, July 2001, Table C24 <<http://www.statistics.gov.uk>> Last accessed 30<sup>th</sup> June 2003.

<sup>9</sup> Ian Goudie, *The Employment Consequences of a Ban on Arms Exports*, (London: CAAT, September 2002) p. 16 <<http://www.caat.org.uk/information/publications/economics/jobs-0902.php>> Last accessed 24<sup>th</sup> July 2003.

<sup>10</sup> E-mail, DASA, to the author, 2<sup>nd</sup> October 2002.

<sup>11</sup> DASA, *UK Defence Statistics 2001*, table 1.11; *UK Defence Statistics 2002*, table 1.11; *UK Defence Statistics 2003*, table 1.9.

This last point highlights an important trend. It is doubtful whether the current levels of arms export related employment could be sustained even if government support is maintained at current levels given that the military export sector is widely accepted to have been declining for some time, even by the MoD.<sup>12</sup> In 1995 Neil Cooper found that between 1990 and 1995 the arms market shrunk by 42%.<sup>13</sup> Reassessing this using indicators updated to 1999, the last year for which all are available, suggests that the major trend Cooper highlighted is continuing although there has been some recovery in the arms market, only now having shrunk by 23% if 1999 is compared to 1990. Of particular note is DASA's estimate of a 50% decline in the number of military export related jobs in the UK.<sup>14</sup> These and other changes are shown in appendix seven.

Given this trend, it is worth noting that most economists working in the field agree that should the land, government subsidies and the skilled labour power be released and become available for less capital intensive, non-military companies, and research has particularly looked at technically comparable environmental industries, a net increase in employment opportunities would result.<sup>15</sup> A 1990 study estimated that a 50% defence expenditure reduction from the 1992 level, if reinvested, could lead to the creation of 600,000 more jobs in 2000.<sup>16</sup> This is echoed in the work of the economists Malcolm Chalmers, Neil Davies, Keith

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<sup>12</sup> For example, House of Commons Defence Select Committee, *Second Report: The Appointment of the New Head of Defence Export Services*, 31<sup>st</sup> March 1999, HC 147, 'Memorandum submitted to the Defence Committee from the Ministry of Defence on the Defence Export Services Organisation'.

<sup>13</sup> Neil Cooper, *The Cost of UK Defence Exports*, paper presented to the Annual Conference on Economists and Security, date and location unknown, pp. 2-3.

<sup>14</sup> DASA, *UK Defence Statistics 2002*, table 1.11; DASA, *UK Defence Statistics 2001*, table 1.11.

<sup>15</sup> For the potential of environmental technologies see, for example, Miriam Pemberton, 'Arms and Environmental Technologies', October 1998 <<http://www.fpif.org/briefs/vol3/v3n31arms.html>> Last accessed 17<sup>th</sup> August 2003; Miriam Pemberton and Michael Renner, *A Tale of Two Markets: Trade in Arms and Environmental Technologies*, National Commission for Economic Conversion and Disarmament and Institute for Policy Studies, May 1998

<<http://www.webcom.com/ncecd/taleoftwomarkets.html#pr>> Last accessed 17<sup>th</sup> August 2003. For the wider effects of military support see Paul Ingram and Ian Davis, *The Subsidy Trap: British Government Financial Support for Arms Exports and the Defence Industry* (Oxford Research Group and Saferworld, July 2001) pp.37-38; Anthony Sampson, *The Arms Bazaar* (Kent: Coronet Books, 1991); Malcolm Chalmers, *Paying for Defence: Military Spending and British Decline* (London: Pluto Press, 1985); Ron Smith, 'Military Expenditures and Investment in OECD Countries 1954-73', *Journal of Comparative Economics*, 4: 1 (1980), pp. 1-30; Samuel Brittan, 'Exports and Arms Brief', October 2000 <<http://www.samuelbrittan.co.uk>> Last accessed 17<sup>th</sup> August 2003; Ben Jackson, *Gunrunners Gold: How the Public's Money Finances Arms Sales* (London: World Development Movement, 1995), pp. 10, 14.

Hartley and Chris Wilkinson who estimate that halving military exports over a two-year period would lead to the loss of almost 49,000 jobs with associated costs via multiplier effects. But 67,400 (albeit potentially lower waged) jobs would be created in non-military sectors over the following five years bringing associated multiplier benefits.<sup>17</sup>

A small body of literature in the US has begun to make more detailed comparisons between the government support for and future outlook of the defence and environmental industries. One report has argued that the international market for environmental technologies, estimated at being worth \$400 billion, is double the size of the international market for military hardware, estimated at being worth \$200 billion and that while analysts predict rapid growth for the former, they predict decline for the later.<sup>18</sup> The envirotech market employed 4.3 million people in the US in 1998 compared to 2.8 million in 1985 whereas the arms industry employed 2.3 million people in 1998 compared to 3.7 in 1987. Despite these predictions and trends, the US government spends twelve times more on the arms industry than the envirotech industries even though half of all US arms export revenues come from taxpayer funded subsidies while only one dollar in 25 from envirotech revenues come from taxpayer subsidies. It is this uncertainty in the future of military industries which has led to calls in the UK for the kinds of support offered to large arms manufacturers, tax credits for example, to be diverted towards small business, especially the labour intensive environmental industries. Despite the profitability and employment success of small business to the UK economy, representing 46% of non-government employment and producing 42% of economic output, the sector suffers from difficult trading conditions. High bank rates and lack of government support in terms of subsidies and under-investment has lead to instability in the small enterprise sector.<sup>19</sup> It is likely that even a small diversion of resources would

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<sup>16</sup> Terry Barker, Paul Dunne and Ron Smith, 'Measuring the Peace Dividend in the UK', *Department of Applied Economics Working Paper No. 9019*, 1990, University of Cambridge, England.

<sup>17</sup> Malcolm Chalmers, Neil Davies, Keith Hartley and Chris Wilkinson, *The Economic Costs and Benefits of UK Defence Exports* (York: University of York Centre for Defence Economics, 2001) p. v, paragraphs 24-33 & 39.

<sup>18</sup> Pemberton, *Arms and Environmental Technologies*.

<sup>19</sup> Ingram and Davies, *The Subsidy Trap*, p. 37.

create more sustainable and secure employment than that offered in military industry.

In response to the kinds of arguments outlined above, the Minister for Defence Procurement Lord Bach, recently turned to the argument that the initial adjustment costs suffered by former military export employees in the scenario set out by Chalmers et al. above would be prohibitively high.<sup>20</sup> He argued that although Chalmers et al. estimated that a halving of exports would create more jobs in the long-term, they also estimated that the adjustment costs could be as high as £2 billion to £2.5 billion.<sup>21</sup> Of this £463 million - £795 million would represent costs to former defence employees, prompting Bach to argue "most people would consider costs of this scale as substantial; certainly many workers in the defence industry and their families would be hit hard".<sup>22</sup> The expense would arise from a loss of income as a result of unemployment, because most will typically reenter the labour force on a lower wage or because of loss of future income should former employees permanently withdraw from the labour market due, for example, to age.

It is interesting to note that concerns over the "prohibitively high" costs of adjustment on employees have not been so forthcoming when other industries have been faced with large job losses. Between 1985 and 1993, 33,000 jobs were lost in the electricity industry, 70,000 jobs were lost in metal manufacturing<sup>23</sup> and 180,000 jobs were lost in the coal industry. Unlike workers in military industries, those from the coal industry did not enjoy highly transferable skills.<sup>24</sup>

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<sup>20</sup> Lord Bach, 'MoD Has No Difficulty With York Report', *Financial Times*, 13<sup>th</sup> March 2002.

<sup>21</sup> Almost half of the £2.5 billion adjustment estimate cited by Lord Bach, £1,120 is a cost associated with the 'terms of trade effect'. This arises from the increased cost of imports and reduced cost of exports if currency were devalued because of the loss of military exports. The 'terms of trade' effect is speculative and unpredictable and has been highlighted as such by the authors. Chalmers et al. *The Economic Costs and Benefits of UK Defence Exports*, paragraph 7e.

<sup>22</sup> Bach, 'MoD Has No Difficulty With York Report'.

<sup>23</sup> Chalmers et al. *The Economic Costs and Benefits of UK Defence Exports*, paragraph 31.

<sup>24</sup> Samuel Brittan, 'The free market case against arms promotion', *The New Statesman*, 18<sup>th</sup> September 2003; Unnamed, 'An arms sales ban would cost nothing', *The New Statesman*, 14<sup>th</sup> June 2004.

The adjustment costs to former employees estimated by Chalmers et al. and drawn on by Bach, are based on the findings of a study by Nick Hooper, Barbara Butler, Keith Hartley, Derek Braddon and Paul Dowdall on the effects of 10,000 defence worker redundancies from 1989-1994 in the South West.<sup>25</sup> This is one of a number of studies on the experiences of defence employees post redundancy as shown in appendix eight. The summaries show that there have been changes in the conclusions drawn by the most recent reports as compared to those written in the early to mid 1990s.

A review of the limited number of studies conducted in this field suggests that although in the early to mid 1990s, adjustment costs to military workers were significant, both stronger economic performance in the late 1990s along with the introduction of a multi-agency approach to redundancies has minimised the impact of redundancy on former workers.

That arms exports maintain a significant number of UK jobs is one of the most important justifications offered by consecutive governments and has come under the fiercest attack by critics of the government's policies. But a consideration of the number and location of military export related jobs together with their future prospects, the opportunity costs associated with their maintenance and the potential to minimise adjustment costs shows that when properly put into context the jobs argument becomes unsustainable. It is this potential which has led proponents to turn to other economic justifications in favour of sustaining exports.<sup>26</sup> The most popular alternative is to refer to the savings to be made to the procurement budget.

#### IT IS UNCLEAR HOW MILITARY EXPORTS REDUCE MOD PROCUREMENT COSTS BY THE AMOUNT CLAIMED

In 1999 the MoD claimed that every year it saves an estimated £350 million of the procurement budget from spreading overhead costs over the longer

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<sup>25</sup> Chalmers et al. *The Economic Costs and Benefits of UK Defence Exports*, paragraph 34.

<sup>26</sup> Interview, Gerald Howarth with author, April 2002.

production runs generated by exports.<sup>27</sup> Longer runs also supposedly allow both research and development costs and production costs to be spread over more units of production (economies of scale) while also allowing the MoD to benefit from greater efficiency experienced after initial production (learning economies). But it remains unclear how any of these translate into the kind of savings that the MoD claims it enjoys.

Manufacturers typically use their largely non-competitive environment (an estimated 85% of MoD procurement expenditure goes to UK-based firms)<sup>28</sup> and the willingness of the MoD to contribute early in the development process to research and development expenses to cover their fixed costs. So by the time the company comes to sell in the fiercely competitive international market, made up of other subsidised companies, products can, if necessary, be sold at near marginal costs of manufacture and marketing.<sup>29</sup> With exports contributing little to the fixed costs, the MoD's procurement price will not be reduced.<sup>30</sup>

Although buying in quantity should reduce unit production costs, and therefore MoD procurement costs, this is dependent on knowing the length of production prior to investment.<sup>31</sup> Typically export orders are placed well after the domestic production run is established, often many years later. The economist Stephen Martin argues that "it is unclear how the order by, say, Finland for seven Hawk aircraft in 1990 will have reduced the unit production cost of 176 Hawks delivered to the RAF between 1976 and 1982."<sup>32</sup> The impact of exporting is to prolong the existence of the production line via piece-meal orders, a lengthening which benefits the company but does not increase the rate of production at the time of domestic procurement and so does nothing to reduce the price paid by the MoD. A French National Assembly Committee found exactly this in half of the 21

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<sup>27</sup> MoD, *MoD Performance Report*, paragraph 602 as quoted in House of Commons Defence Select Committee, *Second Report: The Appointment of the New Head of Defence Export Services*, 31<sup>st</sup> March 1999, paragraph 9.

<sup>28</sup> Ingram and Davis, *The Subsidy Trap*, p. 51.

<sup>29</sup> Ingram and Davis, *The Subsidy Trap*, p. 35.

<sup>30</sup> David Mepham and Paul Eavis, *The Missing Link in Labour's Foreign Policy* (London: IPPR and Saferworld, 2002) p. 29.

<sup>31</sup> Stephen Martin, 'The subsidy saving from reducing UK arms exports', *Journal of Economic Studies*, 26:1 (1999), pp. 15-37, pp. 17-22.

<sup>32</sup> Martin, 'The subsidy saving from reducing UK arms exports', p. 20.

French export programmes they considered.<sup>33</sup> There may be benefits to MoD procurement costs should follow on orders, mid-life updates or spares be required but any potential savings made by the manufacturer from additional units of production will not automatically be passed to the MoD. Many companies produce a mixture of military and civil products and may well divert any savings to the latter.

Longer production runs should also reduce MoD procurement costs via "learning economies" where production time per unit decreases with experience. But this kind of contribution is likely to be limited. Labour efficiencies are not indefinite. Learning curves tend to "flatten out" after 100 units in the UK. In addition, exported items typically differ from those originally produced for the domestic customer.<sup>34</sup>

It is possible that the MoD are saving up to £350 million p.a. by spreading overheads over a greater number of units according to Martin. But that does not mean that should exports reduce, the MoD would be paying £350 million more p.a. because overheads would not remain fixed. In the long-term, overheads would become flexible in response to reduced industry output. At best, exports are contributing £168 million p.a. to overhead costs, a cost that the MoD would otherwise have to pay.<sup>35</sup> Using a different methodology, Chalmers et al. estimate that exports contributed an average of £325 million p.a. to fixed overheads from 1995/96 - 1999/00. This is a figure similar to the government's £350 million p.a. claim but Chalmers et al. estimate that 80% of these costs would initially be met by the companies themselves who would progressively transfer the costs to the MoD over subsequent years. As firms reorganize, after only five years just 50% of these costs would remain<sup>36</sup> and even a £163 million cost only equates to 1.6% of annual MoD equipment expenditure.<sup>37</sup>

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<sup>33</sup> French National Assembly, The Committee on National Defence and the Armed Forces, 2000, as quoted by Brittan, *Exports and Arms Brief*, October 2000.

<sup>34</sup> Martin, 'The Subsidy Saving from reducing UK arms exports', p. 20.

<sup>35</sup> Martin, 'The subsidy saving from reducing UK arms exports', pp. 17-22.

<sup>36</sup> Chalmers et al. *The Economic Costs and Benefits of UK Defence Exports*, p. v, paragraphs 70-76.

<sup>37</sup> Based on DASA figures reporting 2000-2001 MoD procurement expenditure at £10, 408 million, DASA, *UK Defence Statistics 2002*, table 1.7.

Without further comment from the MoD to explain how they arrived at their estimated annual saving to the procurement budget, the government's claim is difficult to reconcile with the kinds of arguments put forward above. Similarly difficult to reconcile has been the rationale based on savings to the balance of trade to which this thesis will now turn.

#### MILITARY EXPORTS DO NOT MAKE A SIGNIFICANT CONTRIBUTION TO THE BALANCE OF TRADE

Arms deliveries made up only 1.5% of all UK exports in 2002<sup>38</sup> continuing a steady decline since the end of the Cold War from 3.3% in 1989.<sup>39</sup> This 1.5% itself may overestimate the contribution of military exports to the UK balance of trade since imported components typically make up a large proportion of exported equipment. What proportion this might be is not included in the Annual Defence Statistics because although MoD figures show the value of imports of defence equipment, DASA has “no way of identifying the value/volume of imports which then go on to be used in the manufacture of potential defence exports.”<sup>40</sup> But economists have illustrated the potential importance of these figures by highlighting how the average import content of exported equipment is 40%. This rises to 45% for the military aerospace sector, a sector that comprises about 80% of all UK exports.<sup>41</sup>

What small contribution military exports do make to the balance of trade must also be qualified in at least three further ways. First, many arms deals now include some kind of offset agreement. This may involve the supplier state buying goods from or investing in the recipient states' military or non military industries, the transfer of production to the recipient state or it may involve accepting goods in kind for exported equipment. This practice can mean both that the full value of the equipment exported is not realised and it can have a

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<sup>38</sup> According to DASA the estimated value of deliveries of defence equipment in 2002 was £4,120 million, *UK Defence Statistics 2003*, table 1.12. The Office of National Statistics report that the total value of all UK exports in 2002 was £273,270 million, *The Office of National Statistics: Exports and Imports of Good and Services 1946-2003* <<http://www.statistics.gov.uk>> Last accessed 27<sup>th</sup> April 2004.

<sup>39</sup> US Department of State, *World Military Expenditures and Arms Transfers* (WMEAT), 1999-2000, table II.

<sup>40</sup> E-mail, DASA, to author, 11<sup>th</sup> September 2002.



negative impact on other UK manufacturing sectors. As an example the UK government accepted both bananas from Ecuador and spiral staircases and vodka from Finland as part payment for Hawks.<sup>42</sup> In 2002 BAE Systems, supported by the MoD, signed an agreement reportedly worth £1 billion to modernise Thailand's armed forces by selling BAE Systems Hawks and guns. As part payment BAE Systems is investing and marketing Thai food in the UK and abroad which may include Thai chickens after the DTI took steps to help Thailand remove EU import restrictions placed after harmful chemicals were found. UK Farmers claim that the deal will cost some their jobs.<sup>43</sup> Offsets involving investment in foreign military companies or the transfer of military production to buyer states also raise the question of what future contribution military sales can make to the UK balance of trade if, in the long term, deals are effectively helping to create indigenous industries in UK recipient states. Although exporters often refrain from exporting the most key technological advances, the export of today's technology still works to further crowd an already fiercely competitive market.

Second, the contribution from arms exports to the balance of trade is further affected by many recipients defaulting on their repayments. This leaves the ECGD and eventually the taxpayer to pay the claims. The government have admitted that in the last 15 years the ECGD has paid out on loans and is still waiting to recover their costs for arms deals with Algeria (£98 million), Egypt (£46 million), Indonesia (£131 million), Kenya (£16 million) and Jordan (£253 million).<sup>44</sup> Many more recipients have defaulted, as listed in appendix nine, although the costs to the ECGD have not been published in all of these cases. But if those ECGD costs that have been made available are offset with ECGD receipts, figures still show that from 1991/1992 to 1999/2000, that ECGD defence business has cost the taxpayer at least an average of £52 million per year.<sup>45</sup>

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<sup>41</sup> Chalmers et al., *The Economic Costs and Benefits of UK Defence Exports*, paragraph 23.

<sup>42</sup> Phythian, *The Politics of British Arms Sales Since 1964* (Manchester: Manchester University Press, 2000), p. 26.

<sup>43</sup> Anthony Barnett, 'UK Forges £1bn Secret Arms Deal with Thailand', *The Observer*, 10<sup>th</sup> November 2002.

<sup>44</sup> House of Commons, *Hansard*, 16<sup>th</sup> February 2000, Written Answers, column 559.

<sup>45</sup> Ingram and Davis, *The Subsidy Trap*, p. 21.

Third, the contribution to the balance of trade must also be set against the opportunity cost of investing an annual subsidy, possibly up to £990 million in identifiable costs alone in a declining capital intensive industry as opposed to those which may bring much greater balance of trade benefits. In 1995, in comparison to their share of total UK exports DESO received ten times that of the department promoting civil exports, the DTI's Overseas Trade Services.<sup>46</sup> Given the value of military export deliveries in 2001 and updated budget figures, DESO now receives eleven times more.<sup>47</sup>

All the publicly available indicators suggest that military exports represent poor value for money, they contribute little to the balance of trade and are expected to contribute even less in the future. Given this, and earlier conclusions, the idea that exports may bring wider economic benefits becomes more crucial to the government's economic case.

#### THE WIDER ECONOMIC BENEFITS ARE AT BEST LIMITED

All the evidence suggests that the long-term impact of a reduction of military exports on the UK economy would be either negligible or beneficial. Research carried out by Chalmers et al., whose team included two MoD economists looked at the economic effects of a 50% reduction over two years in military exports on the government, UK shareholders and UK workers.<sup>48</sup> This included the potential effects on the value of sterling, on UK exports and foreign investment in the UK, public sector borrowing, interest rates, the "terms of trade effect" and the longer-term supply side consequences. They found that the initial one-off adjustment cost spread over the first five years would be between £0.9 billion and £1.4 billion (but possibly up to £2.5 billion if a speculative terms of trade cost is included). After this, national income would be "substantively the same" as it was prior to a reduction. Although Chalmers et al. find a continuing cost to the government of

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<sup>46</sup> Jackson, *Gunrunners Gold: How the Public's Money Finances Arms Sales*, p. 12.

<sup>47</sup> The most recent figures (1999/00) show that the net operating cost of DESO was £13.6m, Chalmers et al *The Economic Costs and Benefits of UK Defence Exports*, paragraph 56. UK Trade and Investment Annual Resources accounts show that £72 million was spent on trade promotion and development, UK Trade and Investment's Resource Accounts 2002-2003 <<http://www.uktradeinvest.gov.uk/corporate.html>> last accessed 6<sup>th</sup> August 2004.

<sup>48</sup> Chalmers et al *The Economic Costs and Benefits of UK Defence Exports*.

between £40 million and £100 million p.a. in contrast to other reports which find a continuing saving to government of between £228 and £990 million p.a. should military exports end Chalmers et al. still conclude, “the economic costs of reducing defence exports are relatively small and largely one off.” The final conclusion by Chalmers et al. that “the balance of argument about defence exports should depend mainly on non-economic considerations” delivers an even more significant blow to the government's economic rationale.<sup>49</sup>

## CONCLUSION

The government claims that exporting arms maintains a significant number of jobs, generates income to benefit the balance of trade and brings wider economic benefits to the UK. But the MoD's own estimates show that, at most, 65,000 jobs are now sustained by military exports, just 0.22% of all UK jobs.<sup>50</sup> This 65,000 is itself a reduction from the 175,000 jobs sustained by exports in 1996/7, a 63% decline which occurred without economists reporting any discernable costs to the national economy.<sup>51</sup> In terms of the balance of trade, arms deliveries now made up 1.5% of all UK exports.<sup>52</sup> Even this overestimates the contribution that exports make because the import content of UK exported goods is an estimated 40%,<sup>53</sup> because states often default on repayments<sup>54</sup> and because the UK has accepted goods in kind like bananas from Ecuador and spiral staircases from Finland often at a financial loss on the original contract and often at a cost to other UK exporting sectors.<sup>55</sup> In terms of the long term impact of a reduction of military exports on the UK economy, the findings of a 2001 report, written in part by two MoD economists, suggested that “the economic costs of reducing defence exports are relatively small and largely one

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<sup>49</sup> Chalmers et al., *The Economic Costs and Benefits of UK Defence Exports*, paragraph 7, 86.

<sup>50</sup> The Office of National Statistics (ONS) report that in June 2001 there were 29,516 000 jobs in the UK (ONS, Labour Force helpline); DASA, *UK Defence Statistics 2001*, table 1.11 <<http://www.dasa.mod.uk>> last accessed on 2nd June 2004.

<sup>51</sup> DASA, *UK Defence Statistics 2003*, table 1.9 <<http://www.dasa.mod.uk>> Last accessed on 26th June 2004.

<sup>52</sup> DASA estimate the value of military equipment deliveries in 2002 was £4,120 million. *UK Defence Statistics 2003*, table 1.12. The ONS report that the total value of all UK exports in 2002 was £273,270 million. *The Office of National Statistics: Exports and Imports of Good and Services 1946-2003* <<http://www.statistics.gov.uk>> Last accessed 26<sup>th</sup> June 2004.

<sup>53</sup> Chalmers et al., *The Economic Costs and Benefits of UK Defence Exports*, paragraph 23.

<sup>54</sup> See, for example, House of Commons, *Hansard*, 16<sup>th</sup> February 2000, Written Answers, column 559.

<sup>55</sup> House of Commons, *Hansard*, 17<sup>th</sup> May 2000, Written Answers, columns 133-134; Phythian, *The Politics of British Arms Sales Since 1964*, p 26.

off.”<sup>56</sup> The final conclusion, that “the balance of argument about defence exports should depend mainly on non-economic considerations” delivers an even more significant blow to the government’s economic rationale.<sup>57</sup> Arms sales may well reap economic rewards for arms manufacturers but not for the treasury/taxpayer or for other more efficient and sustainable industries. In response to the work of Chalmers et al. (often called the “York Report”), Lord Bach has recently admitted that the MoD:

have no difficulty with the York report’s conclusion that “the balance of argument about defence exports should depend mainly on non-economic considerations” ... the government’s prime justification for supporting defence exports has always been to help maintain a strong defence industry that underpins our own security and to contribute to the security of friends and allies overseas, most of whom do not have a significant defence production capability of their own.<sup>58</sup>

In light of this shift of emphasis, this thesis will proceed to examine each of the strategic rationales put forward here by Lord Bach.

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<sup>56</sup> Chalmers et al., *The Economic Costs and Benefits of UK Defence Exports*, paragraph 86.

<sup>57</sup> Chalmers et al., *The Economic Costs and Benefits of UK Defence Exports*, paragraph 86.

<sup>58</sup> Bach, ‘MoD Has No Difficulty With York Report’.

# CHAPTER TWO: CRITIQUE OF THE STRATEGIC CASE

## INTRODUCTION

This aim of this chapter is to consider the strategic rationales put forward by the New Labour government to justify the support given to arms exporting companies. Although less quantifiable than the economic benefits said to be accrued, the strategic arguments have become the second major way in which New Labour has defended its ongoing policy. The government has made three claims. Arms exports are said to underpin a strong, strategically important indigenous arms production capability in the UK. That capability is supposedly strategically necessary to supply the UK's own forces. That capability means that those states friendly to the UK are supplied with weapons increasing the security of those recipient states.<sup>1</sup> Each will be taken in turn.

## MILITARY EXPORTS DO NOT FACILITATE THE CONTINUATION OF A STRATEGICALLY IMPORTANT AND GLOBALLY COMPETITIVE UK MILITARY CAPABILITY

The government argues that the help offered to UK-based arms-producing companies to export enables them to remain competitive in the international arms market where sales provide the profits needed by firms who make up the backbone of a defence industrial base.<sup>2</sup> In turn this industry brings to the UK the strategically important benefit of a supply of military equipment in times of crisis.<sup>3</sup> In adopting this approach the government is effectively making three arguments:

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<sup>1</sup> See, for example, DESO, *Why export defence goods and services?* <<http://www.deso.mod.uk/policy.htm>> Last accessed 30th June 2003.

<sup>2</sup> The "defence industrial base" is defined by the military economist Dunne as "a sector or groups of industries that are dependant to some degree on defence spending and upon which the state is dependent for some degree of self sufficiency in the production of the means of defence and war" J. Paul Dunne, 'The Defence Industrial Base' in Keith Hartley and Todd Sandler (eds.), *Handbook of Defence Economics: Volume 1* (Amsterdam: Elsevier Science, 1995) p. 401.

<sup>3</sup> For example DESO, *Why export defence goods and services?*; The Defence Manufacturers Association, 'Defence Exports-General Information' <<http://www.the-dma.org.uk>> Last accessed 17<sup>th</sup> August 2003; House of Commons, *Hansard*, 28<sup>th</sup> July 1997, Written Answers, column 26.

(1) that exports are critical to the continuation of a UK military industry, (2) that the retention of a specifically "UK" based military industry "underpins our own security"<sup>4</sup> and (3) that, helped by exports, this industry is internationally competitive. These three benefits said to derive from military exports are worth considering in some detail.

*(1) Are arms exports critical to the continuation of a UK military industry?*

MoD figures shown in appendix ten indicate that the number of jobs dependent on military exports as a proportion of employment from all MoD defence expenditure and equipment exports has increased slightly since 1980-1981. Moreover, the DTI claim that 60% of UK Aerospace output is exported.<sup>5</sup> These figures suggest that the government is right to emphasise the importance of exports to the continuation of UK military industry.

But other relevant figures are not made public making this a difficult claim to examine effectively. Data showing variations in levels of government support and how the number of companies involved in selling arms has increased, reduced or remained stable in comparison are not available. Neither are figures showing the unit price of exported equipment offered on the international market and to what extent government support reduces this price. DASA does not publish data showing what percentage of industrial sector output, such as that from aerospace and shipbuilding, is purchased by the MoD.<sup>6</sup> The Defence Manufacturers Association (DMA) estimates that 40% of UK-based output is for export. Unhelpfully, it does not comment on how much profit is derived from this 40%, an important point given the argument above that exports are often sold at near marginal costs. The DMA also does not distinguish between exports to UK partners, which will later form part of collaborative projects, and "real" exports. The Association does comment that "without export markets, some companies would downsize and others would close down completely",<sup>7</sup> but again fails to say how many companies and with exactly what effects on indigenous capability. In

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<sup>4</sup> Lord Bach, 'MoD Has No Difficulty With York Report', *Financial Times*, 13<sup>th</sup> March 2002.

<sup>5</sup> The Department of Trade and Industry, 'Aerospace and Defence' <[http://www.dti.gov.uk/sectors\\_aerospace.html](http://www.dti.gov.uk/sectors_aerospace.html)> Last accessed 4<sup>th</sup> August 2003.

<sup>6</sup> E-mail, DASA to author, 8<sup>th</sup> July 2002.

<sup>7</sup> E-mail, DMA to author, 21<sup>st</sup> November 2002.

sum, the three-way relationship between government support, the profits to be derived from military sales and UK-based military industry is far from clear.

*(2) Does UK military industry underpin UK security?*

Even if it is assumed that some kind of reduction in exports did actually have a detrimental effect on industry, this does not automatically translate into a detrimental effect on UK security. The government has argued that the maintenance of a strong military industry assures a relative security advantage because it ensures security of supply. The availability of a UK military capability cannot be trusted to non UK-based companies either on the basis of availability or price. Gerald Howarth, member of the shadow government, argues

It is extremely important that that we maintain a viable defence industrial base in this country because if you don't you run the risk of your country being dependent for essential equipment upon a third party who might withhold that equipment at your particular hour of need. That would seriously inhibit Britain's capacity to defend itself and therefore that is, in my view, unacceptable.<sup>8</sup>

But this idea that the retention of a UK-based military industry underpins UK security ignores not only the confusion over what the UK's minimum military capability should be but also the consequences of increased interdependence amongst arms-producing companies. Both issues work to undermine the simple UK military industry equals UK security equation.

The MoD does not make clear exactly what the minimum military capability that arms-producing companies operating in the UK should retain for reasons of national security. When the House of Commons Defence Select Committee asked the 1999 Minister for Defence Procurement, Lord Gilbert, he replied that "the list is very short".<sup>9</sup> The October 2002 Defence Industrial Policy paper gave the examples of "nuclear technology, defence against biological, chemical and

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<sup>8</sup> Interview, Gerald Howarth with author, May 2002.

<sup>9</sup> House of Commons Select Committee on Defence, *Fifth Report: Security of Supply and the Future of Royal Ordnance Factory Bishopton*, 28<sup>th</sup> May 1999, HC274, Minutes of Evidence, 24<sup>th</sup> February 1999, questions 25 and 29.

radiological warfare, and some counter-terrorist capabilities.”<sup>10</sup> The MoD are yet to confirm whether the companies which may possibly downsize or close following a reduction or curtailment of exports are in any way providers of this kind of capability.

The MoD can confirm that it is outdated to conceive of military industry in national terms.<sup>11</sup> Arms-producing companies have been busy responding to military budget cuts and the importance of high technology solutions in two ways. First, they have fostered cross border arms development/production projects, like the Eurofighter Typhoon so that by 1999-2000 15-25% of the procurement budget was spent on collaborative projects or on collaboratively produced equipment. This level is predicted to rise further<sup>12</sup> because, as the MoD itself argues “it is increasingly evident that a national industrial base which supplies the full range of defence products is no longer sustainable”.<sup>13</sup> Second, arms-producing companies have been following a programme of merger or acquisition with other companies to form, for example, EADS and AgustaWestland, MBDA and Eurocopter. The MoD admits that BAE Systems does more business with the US government than the UK government.<sup>14</sup> The company's North American operations accounted for 24% (£232 million) of BAE Systems' 2003 profit (£980 million).<sup>15</sup> Reportedly 40,000 of its 110,000 employees are to be found overseas.<sup>16</sup> It has removed the word "British" from the company name and now calls itself a multi-national. More than 50% of BAE Systems and Rolls Royce shareholders are not British.<sup>17</sup> In July 2003 Blair was lobbying George Bush to allow UK-based arms companies greater access to sensitive American military technology ahead of a possible purchase of BAE Systems by one of the large American military companies. The Treasury is said to be "relaxed about the

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<sup>10</sup> MoD, *Defence Industrial Policy*, October 2002 <[http://www.mod.uk/issues/industrial\\_policy.htm](http://www.mod.uk/issues/industrial_policy.htm)> Last accessed 17<sup>th</sup> August 2003; Letter, MoD to author, 18<sup>th</sup> September 2002.

<sup>11</sup> MoD, *Defence Industrial Policy*, paragraph 14.

<sup>12</sup> House of Commons Select Committee on Public Accounts, *Fifth Report: Ministry of Defence Major Projects Report 2000*, 28<sup>th</sup> November 2001, HC 368, Questions 134-135 <<http://www.publications.parliament.uk/pa/cm200102/cmselect/cmpublicacc/368/36802.htm>> Last accessed 5<sup>th</sup> August 2003.

<sup>13</sup> House of Commons, Select Committee on Defence, *First Report: The Six Nation Framework Agreement*, 14<sup>th</sup> February 2001, HC 115, memorandum submitted by the Ministry of Defence (1st December 2000) <<http://www.parliament.the-stationery-office.co.uk/pa/cm200001/cmselect/cmdfence/115/1011001.htm>> Last accessed 5<sup>th</sup> August 2003.

<sup>14</sup> Letter, MoD to author, 9<sup>th</sup> July 2002.

<sup>15</sup> BAe Systems, *Annual Report 2003*, p. 7.

<sup>16</sup> Christopher Wrigley, *The Arms Industry*, (London: CAAT, 2001).

<sup>17</sup> Letter, MoD to author, 9<sup>th</sup> July 2002.



plan".<sup>18</sup> Arms-producing companies are increasingly stateless. Even if a company wanted to ensure security of supply to the UK in times of crisis, as seen, an estimated 40% of equipment produced within the UK is comprised of imported components and materials.<sup>19</sup> It is reasonable to assume that a similar percentage of components in UK sourced MoD procurement are imported from abroad. The idea of a "UK" military industrial base and the idea that it can ensure UK security, if required, is increasingly meaningless.

Moreover, the House of Commons Defence Select Committee commented in 1998 that "there are likely to be few cases in the foreseeable future where the UK would wish to operate alone militarily."<sup>20</sup> This questions the whole necessity for the maintenance of a national "defence industrial base" whose existence is premised on the idea of the UK being able to fight a major war dependent on its own weapons supply.

The government actually faces a number of choices when determining how best to maintain UK security. The real options include European governments opening their procurement to European military companies (estimated saving between £3 billion and £3.5 billion p.a.). Other options include UK participation in a single European procurement agency which would either be responsible for purchasing common equipment for a single EU wide military capability (estimated saving £4 - 4.5 billion p.a.) or facilitating joint projects (estimated saving £2.4 billion p.a.). If procurement was opened up to any company worldwide, the savings to the UK could be an estimated £4 billion p.a.<sup>21</sup> Just one example where this last option would have saved money is the Eurofighter Typhoon. According to DASA estimates, in 1996, the UK government was spending £15 billion to develop, construct and deliver 230 Eurofighters, a cost estimated to have risen to £18.9

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<sup>18</sup> Dan Roberts and Peter Spiegel, 'Blair to ask US to share defence technology', *Financial Times*, 11<sup>th</sup> July 2003.

<sup>19</sup> Chalmers et al., *The Economic Costs and Benefits of UK Defence Exports*, (York: University of York Centre for Defence Economics, 2001) paragraph 23.

<sup>20</sup> House of Commons Select Committee on Defence, *Seventh Report: Aspects of Defence Procurement and Industrial Policy*, 23<sup>rd</sup> July 1998, HC 675, paragraph 22

<[http://www.parliament.the-stationery-](http://www.parliament.the-stationery-office.co.uk/pa/cm199798/cmselect/cmdfence/675/67502.htm)

office.co.uk/pa/cm199798/cmselect/cmdfence/675/67502.htm> Last accessed 5<sup>th</sup> August 2003.

<sup>21</sup> Ingram and Davis, *The Subsidy Trap: British Government Financial Support for Arms Exports and the Defence Industry* (Oxford Research Group and Saferworld, July 2001) pp. 8, 58-60.

billion in March 2001,<sup>22</sup> that is, roughly £324 for every adult and child in the UK. But in line with Michael Heseltine's comment that "there is practically nothing that you cannot buy cheaper from the US",<sup>23</sup> the cost would reportedly have been less than two thirds had similar fighters been bought from the America.<sup>24</sup>

For its strategic justification to be sustainable the government has to provide a systematic, detailed analysis of how exports contribute to that part of UK-based military industry considered to be strategically vital. It has to show how, in an era of increasingly stateless arms-producing companies, of mutual dependence for components and of alliances, the retention of a UK defence industrial base is strategically important to the country as a whole, not just to arms-producing companies. If it is still important, it must establish how much the UK public is willing to pay for it over and above the alternatives on offer. The government has yet to prove its case.

*(3) Is UK-based military industry "outstandingly successful" on the world stage?*<sup>25</sup>

As part of establishing just how much the UK public is willing to pay, the government must show value for money; it must show that the industry, helped by exports, is an international success story. But the evidence suggests that export and non-export related subsidies along with an increasingly monopolised environment in military production serve to prop up an inefficient defence industrial base.<sup>26</sup>

Figures published by SIPRI show an increased rate of concentration in the arms industry, especially in the second half of the 1990s. Appendix eleven shows that

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<sup>22</sup> DASA, *UK Defence Statistics 2002*, table 1.16

<<http://www.dasa.mod.uk/natstats/stats/ukds/2002/ukds.html>> Last accessed 24<sup>th</sup> July 2003.

<sup>23</sup> Quoted in Neil Cooper, *British Arms Exports: a vicious circle of disadvantage?*, Plymouth International Papers, March 1995, p. 17.

<sup>24</sup> Joanna Walters and Peter Beaumont, 'Making a killing in the arms trade', *The Observer*, 24<sup>th</sup> November 1996.

<sup>25</sup> MoD, *The Strategic Defence Review*, July 1998, paragraph 162

<<http://www.mod.uk/issues/sdr/procurement.htm>> Last accessed 28<sup>th</sup> July 2003.

<sup>26</sup> Ingram and Davis, *The Subsidy Trap*, pp.53-54.

by 2000 the five largest arms companies in the world accounted for 42% of all arms sales.<sup>27</sup>

What has been declining is the ability of largely UK-based companies to deliver on budget and on time workable versions of the largest MoD projects, an inability affecting UK security of supply. One way of measuring the efficiency of UK-based military industry is to look at whether companies deliver equipment to the MoD on budget and on time. Appendix twelve shows the record of the 25 largest MoD equipment projects during the 1990s.

The Major Projects Report 2000 and all subsequent reports are not directly comparable to those published between 1994 and 1999 whose details have been used in the table above. Amongst other changes, instead of analysing the 25 largest projects, the reports published from 2000 onwards look at the largest 20 projects in the demonstration and manufacture stage and the 10 largest projects in the assessment phase. This change reflects the introduction of the "smart procurement" reforms and the introduction of Resource Accounting and Budgeting. But the trends identified above are continuing. In 2001 the Public Accounts Committee found delays to two thirds of the most developed projects leading to capability shortfalls for the UK's own forces.<sup>28</sup> In 2003 the committee found cost overruns of at least £3.1 billion and average time slippage of 18 months per project, twice the average delay recorded in the Major Projects Report 2002 and one of the poorest recent performances.<sup>29</sup>

But using cost slippage to measure efficiency is problematic. The Public Accounts Committee and the National Audit office on whose figures table 2.3 is based both found a considerable and consistent history of cost overruns on the largest 25 MoD equipment projects during the 1990s, both including and excluding the Trident and Eurofighter projects. The Trident project was being reported as significantly under budget until it was no longer included in the MoD

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<sup>27</sup> Information from the Stockholm International Peace Research Institute (SIPRI), 'Arms Industry Database: Change in Concentration Ratios, SIPRI Top 100 Companies, 1990-1998' <<http://projects.sipri.se/milex/aprod/trendstab5.html>> Last accessed 28<sup>th</sup> July 2003.

<sup>28</sup> House of Commons Select Committee on Public Accounts, *Fifth Report: Ministry of Defence Major Projects Report 2000*, 28<sup>th</sup> November 2001, HC 368, paragraph 4.

<sup>29</sup> National Audit Office, *Ministry of Defence Major Projects Report 2003*, 23<sup>rd</sup> January 2004, HC 195, p. 3.

project reports from 1997 onwards. Savings were made on the project because the UK government decided to process missiles in America, to reduce the number of warheads on submarines following the end of the cold war and because the initial programme costs had been overestimated. The savings being made were not due to increased efficiency.<sup>30</sup> But in table 2.3 they work to offset the large cost overruns on the Eurofighter and disguise the cost overrun figures for the remaining 23 projects. Because of this, the National Audit Office chose to report both the estimated costs of overruns including and excluding Trident and Eurofighter. This case illustrates just one of the problems of using cost slippage to gauge the effectiveness of industry. Companies operating in an increasingly monopolised environment can inflate their cost estimates at the start of a project and continue to work within them without being any more efficient in production and development. Without being able to compare the price paid by the MoD with similar projects being undertaken outside of the UK, this potential is impossible to effectively examine. To add to this is the potential for the customer, the MoD, to cause cost overruns by changing operational specifications. Using cost slippage as a gauge of the efficiency of the UK-based military industry becomes difficult.

A second possible measure of efficiency, time overruns, are also shown as a consistent feature in table 2.3. An overwhelming majority of projects fail to meet estimated in-service dates and they do so by an ever-increasing margin. But again there are problems in using time slippage as a measure of efficiency. First, technical problems may be expected in the development of highly complex weapons systems. Second, often it is not the case that it is UK-based industry being inefficient at producing equipment on time. It is that the MoD is an inefficient procurer of the equipment. In total, the 20 "post main gate" projects shown in the Major Projects Report 2001 are running 608 months late as compared to the in-service date agreed at the main gate stage of the project. 53% of this delay is due to "technical factors" in production. Apart from a further 12% of delays due to the "contracting process" - often delays in negotiations, and 1% of delays due to "changes and delays in associated projects", the remainder, 34% have little to do with the companies themselves. 17% are due to "changed budgetary priorities" often explained as "the need to match the programme to the

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<sup>30</sup> Neil Cooper, *The Business of Death: Britain's Arms Trade at Home and Abroad* (London: I.B.Tauris, 1997) p. 164.

available departmental resources". 11% are due to "changed requirements", often to align the nature or delivery of new equipment with other new programmes and 6% is due to "procurement strategy". To illustrate the role of both (mainly UK-based) industry and the MoD in the development of time slippages and cost overruns, appendix thirteen analyses the history of the 30 largest MoD procurement projects in both the assessment and in the demonstration/manufacture phases, as at March 2001. It shows that whatever the role of the MoD in the development of both time overruns and cost slippages UK-based arms companies have played a significant part in consistently failing to supply dependable equipment to UK forces on time and within budget.

One of the phenomenon to be drawn from appendix thirteen - how the equipment procured by the MoD, although technically demanding to produce, has not fulfilled the operational requirement it was made to fulfill - has been a consistent theme in UK procurement. Although not often information that is publicly available, it is possible to compile a picture of some of the problems encountered in the largest MoD procurement projects using information disclosed by the National Audit Office, by the Public Accounts Committee and by the press.

The army's standard issue SA80 rifle made by Royal Ordnance (now BAE Systems) has undergone 82 repairs and modifications since it was first issued in 1985. In the 1991 Gulf War the gun jammed and components came loose. In Bosnia the gun jammed again when troops were under fire. In Sierra Leone the gun reportedly jammed when Revolutionary United Front members fired at UK paratroopers. After a £92 million modification, it jammed in Afghanistan.<sup>31</sup> There was a 75 month delay in the introduction of BAE Systems' £1.3 billion Spearfish torpedo because of propulsion problems.<sup>32</sup> The project is now running at least £101 million over budget. The UK could have bought American MK48 torpedoes. But this was rejected in favour of GEC-Marconi (now BAE Systems) in 1981. The delay in delivery of the Spearfish cost £30 million in additional support for the Tigerfish torpedo and resulted in "a significant and extended capability gap in

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<sup>31</sup> Nick Cohen, 'Our sky-high arms fiasco', *The Observer*, 22<sup>nd</sup> September 2002.

<sup>32</sup> House of Commons Select Committee on Public Accounts, *Sixth Report: Ministry of Defence Major Projects Report 2000 – The Role of the Equipment Capability Customer*, November 2001, HC 369, paragraph 7.

anti-submarine warfare and anti-surface warfare".<sup>33</sup> The Vickers Challenger 2 tank, itself two years late, has trouble in deserts.<sup>34</sup> Its air filters become jammed after only four hours.<sup>35</sup> The BAE Systems Sea Dart missile upgrade is running eight years late partly because it cannot distinguish a target against the sun.<sup>36</sup> In April 2000, over 44 GKN Westland Lynx Helicopters were withdrawn from service because of faulty rotor heads. The manufacturers had to replace all the heads with those made from titanium. The MoD admitted that it would take up to two years for the fleet to be fully operational again. Just 15 Lynxs were left between the Navy's fleet of destroyers and frigates.<sup>37</sup> In September 2000 the entire RAF fleet of 80 Tucano T1 basic trainers were grounded after a rubber pedal fault was found by engineers. "Fatigues parts" were reportedly found in the rudder assembly.<sup>38</sup> The planes were built by Shorts at Belfast. An upgrade to the Tornado GR4 bomber meant that the plane could no longer fire its precision missiles.<sup>39</sup> In October 2000 the Royal Navy reportedly withdrew from service all its nuclear-powered hunter-killer submarines for urgent safety checks after a leak in the propulsion system on HMS *Tireless*.<sup>40</sup> In the early 1990s, the Type 2400 Upholder Submarine's torpedo system caused the submarine to flood leading to a three year delay and the cost of the project to double.<sup>41</sup> In 2000 30kph speed restrictions were placed on 27 tonne GKN Warrior armoured vehicles, used widely in the 1991 Gulf War and in Bosnia, after the drive shaft failed causing three accidents. These procurement difficulties may or may not be comparable to the French or American experience and there may be some improvements following the introduction of the Smart Acquisition initiative in 2000 but for now, and for the UK taxpayer, this history does nothing to suggest value for money or an efficient military industry.

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<sup>33</sup> National Audit Office, *Ministry of Defence: Major Projects Reports 2001*, p. 129-133.

<sup>34</sup> Nick Cohen, 'Our sky-high arms fiasco', *The Observer*, 22<sup>nd</sup> September 2002.

<sup>35</sup> Mark Oliver, 'MoD disasters: from Apache to Nimrod', *The Guardian*, 31<sup>st</sup> October 2002.

<sup>36</sup> House of Commons Select Committee on Public Accounts, *Fifth Report: Ministry of Defence Major Projects Report 2000* paragraph 5 (vii).

<sup>37</sup> Unnamed, 'Safety scare grounds Lynx helicopters', *BBC News online*, 28<sup>th</sup> April 2000 <<http://news.bbc.co.uk/1/hi/uk/729554.stm>> Last accessed 30<sup>th</sup> July 2003.

<sup>38</sup> Francis Wheen, 'Buddy, can you spare a tank?', *The Guardian*, 28<sup>th</sup> February 2001.

<sup>39</sup> Unnamed, 'Safety scare grounds RAF training fleet', *BBC News online*, 4<sup>th</sup> September 2000 <<http://news.bbc.co.uk/1/hi/uk/910396.stm>> Last accessed 30<sup>th</sup> July 2003.

<sup>40</sup> Francis Wheen, 'Buddy, can you spare a tank?', *The Guardian*, 28<sup>th</sup> February 2001.

<sup>41</sup> Ingram and Davis, *The Subsidy Trap*, appendix 5.

Nevertheless, the UK continues to rank as the second largest military exporter in the world.<sup>42</sup> This might be interpreted as evidence that the UK produces better equipment at a better price than most others do. But the UK retains this high market share for other reasons. The UK's major markets - North America and Western Europe - have remained strong since 1981 while those of their competitors have been weaker. The two areas that have seen the largest reductions in the value of military imports from 1995-1999, Central Asia and the Caucasus (-31.2%) and Central America and the Caribbean (-26.7%)<sup>43</sup> failed to register any deliveries or agreements with the UK from 1989-1999 according to WMEAT figures.<sup>44</sup> But more important to understand is the way that UK export figures have been kept unsustainably high because of the effects of the two huge Al Yamamah deals.<sup>45</sup> Military exports to Saudi Arabia accounted for 62% of all UK military exports from 1997-1999.<sup>46</sup> This is a reduction from the 73% they accounted for from 1987-1991 but these figures still illustrate the UK's reliance on two contracts.<sup>47</sup> These were contracts secured only after a congressional block on the original US-Saudi deal, after personal lobbying by Thatcher and Reagan in support of a UK bid, after high levels of secrecy and commissions were guaranteed and after a favourable offset package to accompany the deal was negotiated.<sup>48</sup> These kinds of features have allegedly accompanied some of the largest deals in prospect from the mid 1990s onwards including those between UK-based arms-producing companies and India, Qatar, South Africa and the Czech Republic. These cases are worth looking at in some detail because they suggest that the UK does not offer world class equipment. The UK offers world-beating commissions, offsets deals and secrecy to its recipient states, often when others will not supply.

The prospect of a £1 billion sale of BAE Systems Hawks to India, a deal that was first raised 15 years ago, triggered a series of Ministerial visits to New Delhi and meetings within the UK. The government admits that a series of meetings were set up specifically to discuss the Hawk deal. In 2002 and in 2003 they included

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<sup>42</sup> US Department of State, *World Military Expenditures and Arms Transfers*, 1999-2000, table III.

<sup>43</sup> US Department of State, *World Military Expenditures and Arms Transfers*, 1999-2000, *Highlights by Indicator*, p. 9.

<sup>44</sup> US Department of State, *World Military Expenditures and Arms Transfers*, 1999-2000, table IV.

<sup>45</sup> Cooper, *British Arms Exports*, pp. 7-15.

<sup>46</sup> US Department of State, *World Military Expenditures and Arms Transfers*, 1999-2000, table III.

<sup>47</sup> Cooper, *British Arms Exports*, p. 10.

meetings with Foreign Secretary Jack Straw (February 2002, May 2002, January 2003, May 2003, June 2003), Defence Secretary Geoff Hoon (January 2003, July 2003, June 2003) and with Minister for Defence Procurement Lord Bach (June 2002, February 2003).<sup>49</sup> Research carried out by CAAT has found that the deal was also discussed by Defence Minister Geoff Hoon (December 2000, November 2001 and July 2002), Trade and Industry Secretary Stephen Byers (January 2001), Minister for Defence Procurement Baroness Symons (February 2001), Deputy Prime Minister John Prescott (July 2001 and March 2002), Tony Blair (January 2002) and Foreign Secretary Jack Straw (July 2002). In addition Blair reportedly discussed the deal with the Indian Prime Minister Atal Vajpayee in London in October 2001 and Geoff Hoon did the same with his counterpart, George Fernandes, in London in February 2002.<sup>50</sup> But others were also lobbying on behalf of the deal. When local Indian journalists disguised themselves as arms dealers, the treasurer of Fernandes' party allegedly admitted to them that an agent of BAE Systems had made corrupt suggestions to him. One country excluded from this effort was the US. US based companies were excluded from bidding for contracts as America, by far the latest arms exporter in the world, imposed sanctions against both India and Pakistan after nuclear tests were carried out by both states in 1998. Although most sanctions were lifted in September 2001, the absence of America as a competitor during much of the negotiation period together with high level lobbying by the UK and alleged bribery by UK-based firms preceded the Indian government's September 2003 announcement that it intended to buy the Hawks.<sup>51</sup>

More substantial allegations of bribery have accompanied BAE Systems' dealings with the Qatar government. Until mid 2002, Jersey's Attorney-General, helped by the serious fraud office,<sup>52</sup> had been investigating two Jersey trust funds owned by the Foreign Minister of Qatar. The Minister, Sheik Hamad, the uncle of the Emir of Qatar, is reportedly one of the most powerful figures in the

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<sup>48</sup> Cooper, *British Arms Exports*, p. 12.

<sup>49</sup> House of Commons, Quadripartite Committee, *First Joint Report: Strategic Export Controls - Annual report for 2002, Licencing, Policy and Parliamentary Scrutiny*, 18<sup>th</sup> May 2004, HC 390 <<http://www.publications.parliament.uk/pa/cm/cmdfence.htm>> Last accessed 24<sup>th</sup> June 2004.

<sup>50</sup> Mick Lambert, Judith Rattenbury and Ian Prichard, 'The Political Influence of Arms Companies', April 2003, p. 2 <<http://www.caat.org.uk/information/publications/other/political-influence-0403.pdf>> Last accessed 30<sup>th</sup> July 2003.

<sup>51</sup> BAe Systems, *Annual Report 2003*, p 8.

<sup>52</sup> House of Commons, *Hansard*, 19<sup>th</sup> September 2002, Written Answers, column 234.



Middle East. The trusts contained more than £100 million believed to originate from European arms companies.<sup>53</sup> All the Jersey Hearings into the Trusts have been held in secret but The Observer reported that senior sources close to the investigation believed £7 million of this had been transferred into the funds by BAE Systems in order to influence arms contracts from the mid 1990s onwards.<sup>54</sup> Later it was reported that the payment was allegedly used to secure a deal to sell Piranha armoured cars to Qatar, a deal negotiated in 1996 by Michael Portillo, now a BAE Systems Non-Executive Director.<sup>55</sup> Under laws existing at the time BAE Systems itself was not acting illegally. Qatar suspended trade talks with the UK in the middle of 2000 jeopardising exports worth millions of pounds. The investigation was suddenly dropped in May 2002 at around the same time as lawyers in the Attorney-General's office had meetings with Foreign Office Officials.<sup>56</sup> Jersey's Attorney-General said that it was not in "the public interest", it may "adversely affect relations" and the Sheik would be difficult to prosecute given his diplomatic immunity. Questions were raised in Parliament about the role of the government in influencing the decision along with the impact of the Sheik's £6 million payment to the Jersey authorities for any "damage perceived to have been sustained in the events that have happened".<sup>57</sup> Other arms supplying governments might not be so keen to protect those in receipt of commissions or to retain the level of secrecy enjoyed by UK arms recipients.

At the same time as the Jersey investigation was taking place, the South African government was signing arms contracts worth £3-£4 billion including those for 24 BAE Systems Hawk 100s, 4 GKN Westland Lynx helicopters and 28 BAE Systems/SAAB Gripen fighters. They were bought via highly favourable loans from European banks like Barclays underwritten by the ECGD.<sup>58</sup> Again, the deals

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<sup>53</sup> Conal Walsh and Anthony Barnett, 'BAE in Spotlight as 'Sweeteners' Turn Sour', *The Observer*, 13<sup>th</sup> October 2002; Anthony Barnett and Conal Walsh, 'Riddle of Sheik's GDP 100m Secret Fund', *The Observer*, 2<sup>nd</sup> June 2002.

<sup>54</sup> Anthony Barnett and Conal Walsh, 'Straw faces grilling on arms 'bribes'', *The Observer*, 9<sup>th</sup> June 2002.

<sup>55</sup> Rob Evans, Ian Traynor, Luke Harding and Rory Carroll, 'BAe faces corruption claims around the world', *The Guardian*, 14<sup>th</sup> June 2003.

<sup>56</sup> Anthony Barnett and Conal Walsh, 'Riddle of Sheik's GDP 100m Secret Fund', *The Observer*, 2<sup>nd</sup> June 2002.

<sup>57</sup> Anthony Barnett and Conal Walsh, 'Straw faces grilling on arms 'bribes'', *The Observer*, 9<sup>th</sup> June, 2002.

<sup>58</sup> Christopher Wrigley, 'The South African Deal: A case study in the arms trade', Campaign Against the Arms Trade, June 2003 <<http://www.caat.org.uk/information/publications/countries/southafrica-0603.pdf>> Last accessed 8<sup>th</sup> January 2004.

have been characterised by the lack of American competition, allegations of bribery, a large offset programme and personal lobbying at the highest level. America was never a contender in any of the deals mainly because it had an arms embargo in place until 1998 by which time negotiations with European companies were well advanced.<sup>59</sup> The negotiations that led to the contracts being signed at the end of 1999 have been surrounded by widespread allegations of corruption. These allegations have triggered investigations by the South African Auditor General, the Parliamentary Public Accounts Committee, the Ombudsman, the National Director of Public Prosecutions and the Special Investigation Unit. The involvement of the latter, the only body with the authority to stop the deal, was blocked by the government leading to the resignation of its Chair, Judge Heath.<sup>60</sup> The leader of the ANC component of the Public Accounts Committee, Andrew Feinstein who pushed for an investigation into the deal was forced to resign.<sup>61</sup>

The allegations centre around key procurement anomalies. One of the largest contracts was for fighter "trainers" valued at R10 billion. The Italian Aermacchi MB339FB jet was the preferred choice of the South Africa airforce during a June 1998 Air Force Evaluation. It was chosen for tactical and training reasons. Even when the Defence Minister, Joe Modise, insisted that the procurement criteria used to evaluate the bids also include "non-costed" options, the Aermacchi jet still scored the highest under both criteria. Despite this, the Cabinet awarded the contract to BAE Systems to provide Hawk 100s that, at £1 billion for 12, cost almost four times more than the Aermacchi jets. A month before Modise had insisted that the procurement criteria was changed, BAE Systems made a five million Rand donation to the Umkhonto weSizwe Veterans' Association of which Modise was a founding trustee.<sup>62</sup> To accompany this, there have been allegations that the ANC received money from BAE Systems for their 1999 election campaign.<sup>63</sup> Reportedly BAE Systems could have paid £160 million

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<sup>59</sup> Christopher Wrigley, 'The South African Deal', p. 9.

<sup>60</sup> Statement by the Director General in the Presidency on behalf of President Mbeki, 19<sup>th</sup> January 2001 <<http://www.gov.za/projects/procurement/decision.htm>> Last accessed 8<sup>th</sup> January 2004.

<sup>61</sup> Interview, Andrew Feinstein with the author, May 2003.

<sup>62</sup> Paul Kirk, 'How Modise Wangled SA's Fighter Deal', *Mail & Guardian*, 2<sup>nd</sup> December 2002 <[http://www.armsdeal-vpo.co.za/articles00/modise\\_wangled.html](http://www.armsdeal-vpo.co.za/articles00/modise_wangled.html)> Last accessed 31<sup>st</sup> July 2003.

<sup>63</sup> Jeremy Michaels, 'Osprey Aviation names as BAe's Agent in Arms Deal', *Cape Times*, 2<sup>nd</sup> July 2003 <[http://www.armsdeal-vpo.co.za/articles04/osprey\\_aviation.html](http://www.armsdeal-vpo.co.za/articles04/osprey_aviation.html)> Last accessed 31<sup>st</sup> July 2003.

overall in commissions to secure the deal.<sup>64</sup> Even more crucial in securing the deal was the way in which the whole arms deal package was sold to the South African public and to dissenting members of the Cabinet via the promise of a huge industrial offsets programme. South Africa was reportedly promised in the region of three times more in offset deals than they would spend buying the Hawks. Purchases would be made from and capital invested in South African companies creating 65,000 new jobs.<sup>65</sup> Allegedly Aermacchi were given a week to match the offset deal. On a visit to South Africa Blair met with President Mbeki and personally signed a Joint Memorandum to guarantee to delivery of the offsets.<sup>66</sup> Blair's January 1999 visit that interrupted his family holiday is said to have been crucial to secure the Hawk and Gripen component of the deal. Aermacchi have been considering taking legal action on the basis of unfair procurement strategy.

Aside from Aermacchi, BAE Systems have also angered the US Assistant Secretary of State, Anthony Wayne, Lockheed, Boeing and the Eurofighter consortium as it fought to win a £1.5 billion BAE Systems/SAAB Gripen fighters order from the Czech Republic. In May 2002, just after Blair had raised the deal during a visit to Prague all of the above companies withdrew from the bidding process in a coordinated response to what they felt was a deal rigged in favour of BAE Systems. Senior Czech politicians from three parties claim that bribes were offered to them to change their votes in favour of the BAE Systems/SAAB bid, hours before a decision to fund the purchase, one of the largest arms deals in Central Europe since the end of the Cold War. Two months later Wayne reportedly met with MoD permanent Secretary Kevin Tebbit in July 2002 alleging BAE Systems corruption based on a number of sources including CIA intelligence reports. BAE Systems reportedly admits offering favours to a struggling TV station to boost its image and was fined £6,000 for the illegal purchase of newspaper advertising to push the deal.<sup>67</sup> The Czech Republic has decided not to go ahead with any purchase despite Blair's lobbying and BAE Systems' tactics.

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<sup>64</sup> Rob Evans and David Leigh, 'BAe 'paid millions' to win Hawk jet contract', *The Guardian*, 30<sup>th</sup> June 2003.

<sup>65</sup> Christopher Wrigley, 'The South African Deal', p. 1.

<sup>66</sup> Interview, Andrew Feinstein, with author, May 2003.

Overall, an analysis of the MoD's major procurement projects is not suggestive of a highly successful and globally competitive UK military Industrial base and the patterns of UK military exporting along with UK tactics to secure deals in the industry do nothing to remedy this. But if the success of UK military industry as a global supplier can be queried, then so can its success as a domestic supplier.

#### THE EXISTENCE OF A UK-BASED MILITARY INDUSTRY DOES NOT ALWAYS MEAN THAT UK FORCES ARE EQUIPPED TO WORLD-CLASS STANDARDS

Export related subsidies are helping to prop up an inefficient military industry from which inefficient equipment is produced. But further to this, evidence suggests that there is pressure to prioritise the need for export orders over the needs of the UK Forces. This pressure can manifest itself in the choice of procurement and in the type and timing of equipment supplied to UK forces.

Military industry calls for the domestic procurement of its goods in order to inspire confidence in foreign purchasers. This explains why the DTI and DESO are both, according to concerned officials, infiltrating project groups early in the concept stage. DESO reportedly acts like a highly influential "virus" within the MoD, "infecting its operational judgement."<sup>68</sup> It is, according to Tony Purton, former MoD Director of Contracts/Organisation (1988-1991) with 30 years of experience in MoD procurement, the "'Achilles' Heel" of good defence procurement ... an internal MoD 'buy British' lobby which distorts the sensible management of defence procurement within the MoD."<sup>69</sup> One example of this distortion is the 1995 decision to buy a mixed fleet of US Chinook and UK Westland helicopters instead of an all-Chinook option. Although the Westland helicopters were more modern, the decision to buy a mixed fleet was estimated to have cost an additional £300 million, resulted in one third less lift capability and was against

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<sup>67</sup> Rob Evans, Ian Traynor, Luke Harding and Rory Carroll, 'Politicians' claims put BAe in firing line', *The Guardian*, 12<sup>th</sup> June 2003.

<sup>68</sup> Oxford Research Group and Saferworld, *Tackling the Subsidy Trap: Strategies for Reducing Subsidies to Arms Exports*.

<sup>69</sup> Tony Purton, Memorandum submitted to Defence Select Committee, House of Commons Defence Select Committee, *Second Report: The Appointment of the New Head of Defence Export Services*, 31<sup>st</sup> March 1999, HC 147.

the advice of the MoD's Equipment Approvals Committee.<sup>70</sup> In a subsequent Commons debate the Defence Secretary, Malcolm Rifkind, mentioned the importance of retaining an indigenous helicopter design and manufacture capability but heavily referenced the Westland helicopters' export potential.<sup>71</sup>

Alongside distortion in procurement sits distortion in delivery and potentially quality to UK forces from exporting needs. As part of the second phase of the Al Yamamah deal Saudi Arabia received 20 RAF planes. This delayed the establishment of the Tornado GR1 reconnaissance force.<sup>72</sup>

It is difficult to estimate how representative both this and the Chinook/Westland cases are of the impact of exporting on UK procurement. There has been little attention to this area and it is difficult to investigate. But on the question of equipment quality Purton has claimed that it is customary for the need to export to drive down the reliability of equipment used by the UK forces:

A real contribution by defence exports to domestic defence procurement would be the exchange of the UK armed forces' high-cost fault-ridden early production equipment with the lower cost improved later production models from which our export customers normally benefit, leaving industry to refurbish and modify the early production models for export - anything less is window-dressing!<sup>73</sup>

The evidence available suggests that at the very least, military exports have played a part at times in compromising the choice, delivery and quality of equipment used by the armed forces. But if UK exports have the potential to undermine UK military capability, the same can be said of UK recipient security.

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<sup>70</sup> *Financial Times*, 10<sup>th</sup> March 1995, cited by Martin, 'The Subsidy Saving from reducing UK arms exports', p. 24.

<sup>71</sup> House of Commons, *Hansard*, 9<sup>th</sup> March 1995, columns 461-468.

<sup>72</sup> Cooper, *British Arms Exports*, p. 29.

<sup>73</sup> Purton, 'Memorandum submitted to the Defence Select Committee', House of Commons Defence Select Committee, *Second Report: The Appointment of the New Head of Defence Export Services*, 31<sup>st</sup> March 1999, HC 147.

## MILITARY EXPORTS DO NOT NECESSARILY CONTRIBUTE TO THE SECURITY OF UK ALLIES

UK exported arms only contribute to the security of UK "allies" if security is defined in the terms used by recipient governments and only as long as recipients are defined as UK allies at the moment of export. For recipient governments who define security in their own interests, military exports can enhance the prospects of regime survival by *enforcing* political stability. This is of particular importance given first, the political and second, the economic situation of the majority of the UK's principal recipients

### *The political situation of the UK's main arms recipients*

Civil order may well be a prerequisite of economic and political development but the governments defined as allies, whose security according to this rationale, is being enhanced through their possession of UK arms, are overwhelmingly undemocratic regimes with poor records on human rights. Appendix fourteen shows the 15 leading recipient states of UK arms sales from 1997 to 1999, the latest figures available from WMEAT, together with other political and human rights indicators. Amnesty International has serious concerns that widespread and sustained government sponsored human rights abuses are occurring in almost all these states and others who figure less prominently in the league table of UK recipients under the New Labour government. These include Algeria<sup>74</sup>, Colombia,<sup>75</sup> Sri Lanka,<sup>76</sup> Zambia<sup>77</sup> and Zimbabwe.<sup>78</sup> If UK arms do contribute to recipient security, these are the kinds of governments that are being kept secure.

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<sup>74</sup> The value of standard licences approved for Algeria was £5.5 million in 1999, £2 million in 2000, £5 million in 2001 and £10.5 million in 2002. They covered items including explosive devices and military communication equipment. 42 open licences were also issued between 1999-2002. FCO, *Strategic Export Controls Reports 1999-2002* <[www.fco.gov.uk](http://www.fco.gov.uk)> Last accessed 26<sup>th</sup> May 2004.

<sup>75</sup> The government approved £2 million worth of standard licences to Columbia in 2000 for items including ground-based radar, stun grenades, components for both heavy machine guns and missiles. 68 open licences were also issued between 1999-2002. FCO, *Strategic Export Controls Reports 1999-2002*.

<sup>76</sup> The government approved £1.5 million worth of standard licences to Sri Lanka in 1999, £8 million in 2000 and £15.5 million in 2001 and £1.5 million in 2002 covering components for military communications, heavy machine guns, submachine guns, sniper rifles, grenade launchers and small arms ammunition. 52 open licences were also issued between 1999-2002. FCO, *Strategic Export Controls Reports 1999-2002*.

<sup>77</sup> The value of standard licences approved for Zambia was £1.5 million in 2000 and £3.5 million in 2001 covering items including grenade launchers, submachine guns and components for combat aircraft. 29 open licences were also issued from 1999-2002. FCO, *Strategic Export Controls Reports 1999-2002*.

Moreover, a number of these states have gone on to use UK exported arms to help commit some of the human rights abuses outlined above, including genocide, a consequence which began decades before New Labour came to power. In 1960, UK made Saracens were used for riot control in the South African Sharpeville massacre.<sup>79</sup> UK communications helped the Ugandan Idi Amin to commit mass murder.<sup>80</sup> In 1973 UK made Hunter aircraft helped Pinochet's overthrow of elected President Allende in Chile, a coup which saw the deaths of 30,000 people.<sup>81</sup> In 1995, Channel Four's Dispatches documentary showed a BAE Systems salesperson claiming that 8,000 electric shock batons, already banned in the UK, had been exported to Saudi Arabia in 1990 as part of the Al Yamamah deals. The salesperson was also prepared to supply 10,000 electro-shock riot shields and 60,000 batons to the undercover journalists.<sup>82</sup> The use of leg irons stamped with the UK company logo Hiatts have also been reported in Saudi Arabia.<sup>83</sup> In the mid 1990s Akrep vehicles produced in Turkey under licence from the UK's Landrover company were used against Kurdish people in Northern Iraq.<sup>84</sup> The UK government has authorised a continuous stream of spare parts for Indonesian Hawks despite their use in East Timor. The Labour government refused to revoke 1996 contracts to supply Indonesia with 50 Alvis Scorpion tanks and armoured personnel carriers. The FCO reportedly now admit they were used against protesters in South Sulawesi (April 1996), in Jakarta (May and November 1998) and in Ambon (December 1999 and July 2000).<sup>85</sup> UK exported arms have not increased the physical security of the people of South Africa, Uganda, Chile, Saudi Arabia, Kurdistan, East Timor and Indonesia against

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<sup>78</sup> Licences for Zimbabwe were approved to the value of £1 million 2000. These licences covered, amongst other items, components for military training aircraft and military utility vehicles. 19 open licences were issued in 1999. FCO, *Strategic Export Controls Report 1999 and 2000*.

<sup>79</sup> Phythian, *The Politics of British Arms Sales Since 1964*, p. 5.

<sup>80</sup> John Pilger, *Hidden Agendas* (London: Vintage, 1999), p. 124.

<sup>81</sup> Ashley Stewart-Nobel, '11 September, 1973 - The day Democracy Died in Chile', BBCi <<http://www.bbc.co.uk/dna/h2g2/A716591>> Last accessed 7<sup>th</sup> August 2003.

<sup>82</sup> Richard Ford, 'Salesman claims BAe sold shock batons to Saudis', *The Times*, 10<sup>th</sup> January 1995.

<sup>83</sup> Amnesty International, 'Stop arming the torturers - the repression trade' <<http://www.amnesty.org.uk/action/camp/saudi/repression.shtml>> Last accessed 7<sup>th</sup> August 2003.

<sup>84</sup> House of Commons Select Committee on Foreign Affairs, *Sixth Report: Turkey*, 30<sup>th</sup> April 2002, HC 606, Memorandum from Campaign Against Arms Trade.

<sup>85</sup> Nicholas Gilby, *Arms Exports to Indonesia*, (London: CAAT, 1999)

<<http://www.caat.org.uk/information/publications/countries/indonesia-1099.php>> Last accessed 17<sup>th</sup> August 2003; Nicholas Gilby, *Labour, Arms and Indonesia - Has anything changed?* (London: CAAT, 2001) <<http://www.caat.org.uk/information/publications/countries/labour-indonesia-0701.php>> Last accessed 7<sup>th</sup> August 2003.

whom these weapons were used. Neither have they increased the economic security of many others, a subject to which this thesis will now turn.

*Buy now pay later: The economic reality of the UK's main arms recipients*

The overwhelming majority of the value of UK arms exports are received by "developing" countries. In such states military expenditure is paid for either by diverting government expenditure from other sectors like health and education, by borrowing foreign exchange in international markets or by following a policy that combines these two choices. All result in an economic opportunity cost adversely affecting those living under recipient governments.<sup>86</sup> It is worth noting that the costs of one Hawk bomber is equal to the cost of providing 1.5 million people with access to clean water for life.<sup>87</sup> Two Merlin helicopters cost £180 million, just short of the £200 million it would cost to provide ten million people with water in their own villages. This kind of economic opportunity cost associated with military spending are especially relevant for the UK because from 1997 until the end of 1999, 86% (US \$13.5 billion) of the UK weapons transfers recorded by WMEAT went to developing states.<sup>88</sup> Some of those exports are reflected in the value of standard export licences listed in the FCO Strategic Export Annual Reports details of which are shown in appendix fifteen. To add to the US \$13.5 billion there is the £28 million military air traffic control system to Tanzania licenced by the government in 2001<sup>89</sup> and the £3 - £4 billion South African arms package signed in 1999 including 24 BAE Systems Hawks, 4 GKN Westland Lynx helicopters and 28 BAE Systems/SAAB Gripen fighters. Both deals are grossly disproportionate to the actual needs of the country. The World Bank criticised the air traffic control project which would support Tanzania's eight military aircraft as "primarily a military system and can provide limited support for civil air traffic control purposes".<sup>90</sup> It has been widely reported that a civil system costing a quarter of the price would have been adequate. Tanzania suffers from

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<sup>86</sup> For example, Susan Willett, *The Arms Trade, Debt and Development* (London: CAAT, 1999) <<http://www.caat.org.uk/information/publications/economics/debt-and-development-0599.php>> Last accessed 17<sup>th</sup> August 2003.

<sup>87</sup> John Pilger, *Salesmen of Death*, 27<sup>th</sup> May 2002

<[http://www.medialens.org/articles\\_2002/jp\\_salesmen.html](http://www.medialens.org/articles_2002/jp_salesmen.html)> Last accessed 12<sup>th</sup> August 2003.

<sup>88</sup> US Department of State, *World Military Expenditures and Arms Transfers*, 1999-2000, table III.

<sup>89</sup> David Hencke and Larry Elliot, 'Just what they Need – a £28 m Air Defence System', *The Guardian*, 18<sup>th</sup> December 2001.



a huge debt burden. Half of its population lives without clear water. One in four children die before their fifth birthday.<sup>91</sup> South Africa has no obvious discernable external treat. It already has between 12 to 15 Cheater jets in service until at least 2012. £3 billion, represents twice the housing budget or 10 times the South African HIV/AIDS budget<sup>92</sup> in a country where over 20% of adults aged 15-49 are HIV positive.<sup>93</sup>

Changes made under the New Labour government might be interpreted as evidence of sustainable development becoming more important to government when making licencing decisions. The Department for International Development can now refuse a licence application on the basis of its effect on sustainable development but it is unable to consider the impact of cumulative licences. CAAT has concluded that this flaw renders the department's role in the process "almost meaningless".<sup>94</sup> In 2000, Gordon Brown announced that the government would extend a ban on export credit guarantees for unproductive expenditure beyond 41 states defined as "Heavily Indebted Poorer Countries" to additionally cover a further 22 states. These 22 are still considered so poor by the World Bank that they are allowed to borrow on concessional terms. But in practice, this change has limited effect on UK arms exports.<sup>95</sup> There have been no military purchases supported by the ECGD in any of those 63 states since 1997 and outside of these 63 poorer states "productive expenditure criteria" are not taken into consideration. Moreover, the new criteria would not preclude ECGD support for arms exports anyway. For these 63 states the provision of export insurance and

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<sup>90</sup> David Hencke, 'World Bank could bar £28 million Tanzania air traffic deal', *The Guardian*, 21<sup>st</sup> December 2001.

<sup>91</sup> Jubilee Debt Campaign, 'Tanzania - Sale of Air Traffic Control System a "Complete Waste of Money"', 14<sup>th</sup> June 2002  
<<http://www.jubileedebtcampaign.org.uk/default.asp?action=article&ID=198>> Last accessed 17<sup>th</sup> August 2003.

<sup>92</sup> Gideon Burrows, *The Non-Nonsense guide to the Arms Trade*, (London: Verso, 2002) p 69.

<sup>93</sup> UNAIDS, *Epidemiological fact sheets by country: South Africa*, 2002  
<[http://www.unaids.org/hivaidsinfo/statistics/fact\\_sheets/pdfs/Southafrica\\_en.pdf](http://www.unaids.org/hivaidsinfo/statistics/fact_sheets/pdfs/Southafrica_en.pdf)> Last accessed 7<sup>th</sup> August 2003.

<sup>94</sup> CAAT, *The Arms Trade: An Introductory Briefing*  
<<http://www.caat.org.uk/research/IntroBriefing.pdf>> Last accessed 7<sup>th</sup> August 2003.

<sup>95</sup> Gordon Brown, Statement to Commonwealth finance ministers meeting, 16<sup>th</sup> September 1997  
<[http://www.hm-treasury.gov.uk/Newsroom\\_and\\_Speeches/speeches/ChancellorExchequer/speech\\_chex\\_70915.cfm](http://www.hm-treasury.gov.uk/Newsroom_and_Speeches/speeches/ChancellorExchequer/speech_chex_70915.cfm)> Last accessed 7<sup>th</sup> August 2003; Gordon Brown, Gilbert Murray Memorial Lecture, Tuesday 11<sup>th</sup> January 2000  
<<http://www.oxfam.org.uk/policy/papers/brown/brown.htm>> Last accessed 7<sup>th</sup> August 2003; House of Commons, *Hansard*, 9<sup>th</sup> February 2000, Written Answers, Column 216.

export credit guarantees will be subject to "productive expenditure criteria" such that they will only be offered to support projects which

assist social and economic development; or be of maximum benefit to areas most affected by poverty; or tackle problem areas where private investment is not available; or wherever possible, earn foreign exchange; or encourage viable self-financing projects.<sup>96</sup>

Arms exports could still be authorised under these criteria. The ECGD only requires a valid export licence after which export credit or guarantees are offered on a "first come, first served" basis.<sup>97</sup> The new Export Control Act does not include provisions to allow the impact of arms exports on sustainable development to be considered under its section on purposes for export control whereas all other criteria have been included. The government have justified the omission by arguing that the act does include a section that gives the Secretary of State the power to define what should be considered during the licencing process, a provision which will allow for issues of development to be considered. But Parliament has no power over the Secretary of State in this area. Unlike other criteria specifically included in the Act itself, the need to take account of the impact of exports on sustainable development could be dropped without reference to Parliament.<sup>98</sup> To date the New Labour government has refused only one licence application on the basis of a detrimental impact on sustainable development.<sup>99</sup>

Tanzania and South Africa have remained allies of the UK government but there is no guarantee that those defined as "friendly" governments now will go on being friendly. Since 1997, the government has approved licences allowing arms exports to 180 states as shown in detail in appendix three. Not all these states can be expected to remain allies just as in the past former "friends" became "enemies". Argentina was armed with UK exported Type 42 destroyers<sup>100</sup> and

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<sup>96</sup> House of Commons, *Hansard*, 9<sup>th</sup> February 2000, Written Answers, Column 216.

<sup>97</sup> ECGD, *Mission and Status Review 1999-2000* p. 40

<<http://www.ecgd.gov.uk/missionstatusreview.pdf>> Last accessed 7<sup>th</sup> August 2003.

<sup>98</sup> House of Commons, Select Committee on Foreign Affairs, *Fifth Report: Human Rights Annual Report, 2001*, 28<sup>th</sup> February 2002, HC 589, appendix 5, memorandum from Saferworld.

<sup>99</sup> House of Commons Quadripartite Committee, *First Joint Report: Strategic Export Controls - Annual Report for 2002, Licencing Policy and Parliamentary Scrutiny*, 18<sup>th</sup> May 2004, HC 390, paragraph 59 <<http://www.parliament.the-stationery-office.co.uk/pa/cm200304/cmselect/cmintdev/390/39002.htm>> Last accessed 18<sup>th</sup> May 2004.

<sup>100</sup> Cooper, *British Arms Exports*, p. 28.

French Exocet missiles during the Malvinas/Falklands war.<sup>101</sup> Iraqi troops, some of whom were trained in the UK - a practice that continued until March 1990 - were armed with UK exported weapons during the 1991 Gulf war.<sup>102</sup> In fact, a 1989 MoD report reportedly concluded that UK support to Iraq during the 1980s had made "a very significant enhancement to the ability of Iraq to manufacture its own arms".<sup>103</sup> The Taliban's largest weapons supplier was Pakistan, a country that has manufactured Heckler and Koch small arms under licence from Royal Ordnance and that received £6 million worth of military exports from the UK during 2000 with few end-use controls.<sup>104</sup>

Even after these qualifications are taken into account this justification, that arms increase the stability of states friendly to the UK government, still does not always stand up. For at least two of the largest major UK recipients, arms purchases have also fed political instability. Saudi Arabia, the recipient of the huge Al Yamamah contracts in 1986 and 1988, spent an average 18% of GDP on military spending 1989-1999.<sup>105</sup> Resulting budget deficits affecting the welfare state and social services together with the pro-western stance of the de-facto ruler Prince Abdullah, particularly the continued presence of US troops on Saudi soil, reportedly led to fears from Foreign Office officials in July 2002 that there could be a palace coup.<sup>106</sup> Evidence of the growing threat of Islamic Fundamentalism to the ruling family has come in the form of a spate of attacks on western targets. More widely, Saudi has witnessed increased campaigning from the Wahabi religious group, protests from moderate and extreme Islamists, increased discontent amongst the growing middle classes, increased crime and anti-American protests held by women and businessmen.<sup>107</sup> Anti-western

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<sup>101</sup> Gideon Burrows, *The No-Nonsense Guide*, p 32.

<sup>102</sup> House of Commons, *Hansard*, 19<sup>th</sup> February 1991, columns 136-137.

<sup>103</sup> Robin Cook, *The Point of Departure* (London: Simon & Schuster, 2003) p. 119.

<sup>104</sup> CAAT, 'Afghan Boomerangs', *CAAT news*, December 2001

<<http://www.caat.org.uk/information/magazine/1201/afghanistan.php>> Last accessed 17<sup>th</sup> August 2003; FCO, *Strategic Export Controls Report 2000*.

<sup>105</sup> US Department of State, *World Military Expenditures and Arms Transfers*, 1999-2000, table I.

<sup>106</sup> Martin Bright, Nick Pelham and Paul Harris, 'Britons Left in Jail Amid Fears that Saudi Arabia could Fall to Al-Qaeda', *The Observer*, 28<sup>th</sup> July 2002; Robin Aitken, 'Is Saudi Arabia Becoming Unstable?', BBC Radio Four

<[http://www.bbc.co.uk/radio4/today/reports/archive/international/saudi\\_arabia.shtml](http://www.bbc.co.uk/radio4/today/reports/archive/international/saudi_arabia.shtml)> Last accessed 17<sup>th</sup> August 2003.

<sup>107</sup> Martin Woollacott, 'American ties are no help in Saudi's domestic crisis', *The Guardian*, 16<sup>th</sup> May 2003.

sentiment reached a high point in the months following the 2003 Iraqi invasion.<sup>108</sup> In May 2003 Jane's Defence Weekly published a list of anti-US riots and occasions where preachers had incited their audience to attack the west.<sup>109</sup> During 2003, more than 50 people were killed in two bomb attacks on western targets. In December 2003 non-essential US diplomats were told to leave following threats issued against western interests. Four months later, following a week of shootings during which several westerners were killed by insurgents, the US government advised all its citizens to leave, the third such call in six months.<sup>110</sup> Yet Saudi instability has been widely downplayed by western governments eager to maintain the pretence that one of their most valued business partners is stable. If the Saudi government were overthrown, UK supplied weapons would be available for a new, as yet unknown governing regime which may or may not choose to honor the £1,015,166,892 of debt guaranteed by the ECGD, most of which appear to guarantee military exports.<sup>111</sup>

In Kuwait the cumulative effect of a decade of arms procurement decisions, often based more on political alliances than on capability, and the effect on the domestic budget has resulted in an increasingly destabilising rift between the ruling al-Sabah family and the embryonic Kuwait Parliament.<sup>112</sup> The latter have questioned a string of procurement choices made by the ruling family since 1991 alleging corruption and wasteful spending resulting in a number of parliamentary inquiries.<sup>113</sup> A 1996 inquiry examined the decision to buy 80 British Aerospace Sea Skua anti-ship missiles part of a deal said to have been worth \$89 million. British Aerospace was chosen at the expense of the French firm Aerospatiale even though the latter offered MM 15s missiles for a reported 25% less. In 1997 16 Kuwaiti MPs claimed that Exoet missiles could have been upgraded at half the cost of a BAE Systems deal even though the deal included 20 free missiles

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<sup>108</sup> Martin Woollacott, 'American ties are no help in Saudi's domestic crisis', *The Guardian*, 16<sup>th</sup> May 2003.

<sup>109</sup> Nick Cohen, 'Our friends the Saudis', *The Observer*, 18<sup>th</sup> May 2003.

<sup>110</sup> Unnamed, 'US citizens urged to leave Saudi', *BBC News Online*, 15<sup>th</sup> April 2004  
<[http://news.bbc.co.uk/1/hi/world/middle\\_east/3630657.stm](http://news.bbc.co.uk/1/hi/world/middle_east/3630657.stm)> Last accessed 7<sup>th</sup> May 2004.

<sup>111</sup> House of Commons, *Hansard*, 25<sup>th</sup> June 2003, Written Answers, column 802, House of Commons, *Hansard*, 4<sup>th</sup> December 2001, Written Answers, column 145.

<sup>112</sup> Phythian, *The Politics of British Arms Sales Since 1964*, pp. 269-274.

<sup>113</sup> For example, unnamed, 'Opposition Mounts in Kuwait over Missile Deal', *Jane's Defence Weekly*, 19<sup>th</sup> February 1997; Roland Gribben, 'Kuwaiti MPs Question \$90m BAe Contract', *Defence Today*, 6<sup>th</sup> February 1997; Richard Scott, 'Kuwaiti Committee Investigates Fast Interceptor Deal', *Jane's Defence Weekly*, 9<sup>th</sup> January 2002.

and a promise to cancel a disputed \$11 million debt.<sup>114</sup> In 2002, Jane's Defence Weekly reported that the Kuwait Parliament's Public Accounts Committee was looking into the \$11.5 million 1992 deal to purchase 12 fast interceptor craft from French based company Simonneau Marine. The committee claims that the boats are faulty but the Defence Ministry deliberately waited until after the warranties had expired before acting, increasing still further the friction between the ruling family and Parliament.<sup>115</sup> The UK may be facilitating the demise of those they claim to be influencing.

There has been no systematic research to show how widespread the type of deals seen recently in Tanzania and South Africa actually are nor the extent to which military exports under New Labour have contributed to political instability. But evidence shows that UK arms exports have at the very least been detrimental to sustainable development and contributed to political insecurity in recipient states defined by the UK government as allies. The government's rationale is only sustainable if the very narrowest definitions of security and allies are used and even then cannot be applied to two of the largest recipients of UK arms.

## CONCLUSION

Bach made the claim that UK arms exports bring significant strategic benefits. They underpin a strategically important and globally competitive military capability in the UK, a capability that contributes to the security of those identified as allies by the UK government and enables the MoD to procure suitable equipment. But it is unclear which, if any, arms-producing companies would downsize or fail completely without export markets. Even if a reduction in exports did have a detrimental effect on industry, this does not mean that the UK's security of supply would suddenly be compromised since it was compromised long ago. Arms-producing companies are increasingly stateless and far from outstandingly successful as any analysis of cost and time overruns on MoD

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<sup>114</sup> Unnamed, 'Pricey Missiles', *Engineer*, 27<sup>th</sup> June 1996; Unnamed, 'Opposition mounts in Kuwait over missile deal', *Jane's Defence Weekly*, 19<sup>th</sup> February 1997; Roland Gribben, 'Kuwaiti MPs question \$90m BAe contract', *Defence Today*, 6<sup>th</sup> February 1997.

<sup>115</sup> Richard Scott, 'Kuwaiti committee investigates fast interceptor deal', *Jane's Defence Weekly*, 9<sup>th</sup> January 2002.

projects will testify.<sup>116</sup> The UK military industrial base has appeared strong in global export rankings because the UK offers world-beating commissions, offset deals and a high level of secrecy. The chapter has pointed to tensions between the equipment needs and supply of the MoD versus the needs and supply of DESO. Where this equipment has been exported to friends and allies of the UK government overseas there are clearly identifiable cases where, instead of contributing to recipient security, arms exports have contributed to political insecurity and sustained underdevelopment in strategically important states.<sup>117</sup> The evidence suggests that UK arms exports have been purchased at a cost to those who have been forced to live under well-equipped dictatorial regimes, abused, tortured or killed by UK equipment. The government's rationales are largely outdated, unproven, cannot be consistently applied or are only sustainable if the very narrowest definitions are used, and then not for all cases. Given this, the onus falls on the government to make a strong political case in favour of continued support for arms exports, a case which this thesis now considers.

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<sup>116</sup> Chalmers et al., *The Economic Costs and Benefits of UK Defence Exports*, paragraph 23.

<sup>117</sup> See Emma Mayhew, *A Dead Giveaway: A Critical Analysis of New Labour's Rationales for Supporting Military Exports*.

# CHAPTER THREE: CRITIQUE OF THE POLITICAL CASE

## INTRODUCTION

It is the aim of this chapter to explore the political rationales behind continued support for arms exports. The case made by the New Labour government for this support has focused almost exclusively on the supposed economic and strategic benefits. There has been far less emphasis on the political capital that the government claims can be derived. But two of the most widely held assumptions have been referred to - that exports increase recipient state co-operation with the UK and that exports can contribute to conflict avoidance - and as such will be the focus of this chapter.

## MILITARY SALES DO NOT ALLOW INCREASED UK INFLUENCE OVER RECIPIENT STATES

Although rarely sold to the public in this way, governments have described the UK's involvement in the international arms market as a way of retaining a world role. Exports supposedly increase UK influence abroad where it might not otherwise exist<sup>1</sup> although the New Labour government prefers instead to stress the increased "co-operation" which arms exports bring.<sup>2</sup> It is this kind of rationale that encouraged the UK to propel itself into the arms market during the early Cold War years at a time when western arms sales were said to play both an important role in maintaining existing "configurations of power" and in establishing seller states as important world actors. That arms exports still denote a great power status for the UK is clearly based on the expectation that supplier states can still have political influence over recipient states. But whilst the bulk of the existing literature assumes that this should be the case, the reality

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<sup>1</sup> Phythian, *The Politics of British Arms Sales Since 1964*, p. 32-33 (Manchester: Manchester University Press, 2000).

<sup>2</sup> DESO, *Why export defence goods and services?* <<http://www.deso.mod.uk/policy.htm>> Last accessed 30th June 2003.

of the international arms market is that it is more often the recipient state which increases its influence over the seller state.

The problem with the existing arms influence literature is not just that it assumes to know in what ways the supplier state would like to see the recipient state act but also that it is limited.<sup>3</sup> There are no systematic studies considering the possibility of recipient influence on the UK government despite the UK being one of the main suppliers of arms and even though in the post Cold War era the arms industry is so often talked about as a "buyer's market".<sup>4</sup> In 1997, the Indonesian Foreign Minister Ali Alatas claimed "The minute you cannot get [arms] from one source, the other source is already knocking on our door and saying "take ours"."<sup>5</sup> One reason to accept Alatas' claim is that while all the market indicators suggest a reduction in the size of the arms market over the last 20 years, as shown in appendix sixteen, the number of states supplying arms has actually remained constant.<sup>6</sup> To add to this is the dramatic growth of offsets. Some require 100% of the value of the deal to be reinvested in the recipient state by the seller company or state. Although in many cases, this level of offset will never be realized as seen recently in South Africa, sellers very often go beyond the formally declared offset requirement of recipient states because of competition for export orders. All the indications point to a more and more favourable environment for recipients, an environment that undermines the utility of arms transfers as a tool of political influence.

One way to explore this environment in more detail is to examine cases that are drawn on by proponents of the idea that arms bring influence. When asked for specific examples, then Shadow Defence Minister Gerald Howarth offered Saudi

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<sup>3</sup> For examples of the existing arms influence literature see Lewis W. Snider, 'Arms Transfer and Recipient Cooperation with Supplier Policy References: The Case of the Middle East', *International Interactions*, 5: 2&3 (1978), pp. 241-266; John Sislis, 'Arms as Influence: The determinants of successful influence', *Journal of Conflict Resolution*, 38: 4 (1994), pp. 665-689.

<sup>4</sup> Charles Anderton, 'Economics of Arms Trade' in Keith Hartley and Todd Sandler (eds.) *Handbook of Defence Economics: Volume I* (The Netherlands: Elsevier Science, 1995), pp. 523-559, p. 558; Phythian, *The Politics of British Arms Sales Since 1964*, p. 36-40.

<sup>5</sup> As quoted in Phythian, *The Politics of British Arms Sales Since 1964*, p. 296.

<sup>6</sup> Information from SIPRI, *Arms Transfers Database*, supplied on request <<http://www.sipri.se>> Last accessed 26<sup>th</sup> May 2004.



Arabia as an example while the MoD offered Kuwait as an example of "increased co-operation" resulting from equipment sales.<sup>7</sup> Both will be explored below.

### *The UK: Saudi Arabia's flexible friend*

At least two well publicised events of the 1990s cast doubt on the claim that the UK government exercises or wants to exercise any influence over Saudi Arabia - the failure to publish the NAO report and government treatment of asylum seeker and Saudi campaigner Dr Muhammad al-Mas'ari.

The Al Yamamah deals have maneuvered the UK government into a highly dependent relationship with a corrupt and absolutist dictatorship, a relationship that necessarily informs all UK dealings with the Saudi state. During 1989 credible and widespread allegations arose that that £20 billion Al Yamamah programme negotiations had resulted in the Saudi royal family and a series of mediators receiving huge commissions amounting to hundreds of millions of pounds. The allegations triggered an investigation by the NAO, the office that scrutinises government and public body spending on behalf of Parliament and the taxpayer. The report aimed to consider the use of taxpayer's money in relation to the deal. It was widely believed to contain details of what commissions were paid to whom. Although the NAO has published more than 820 reports since it was reformed in 1983, the 1992 report into the largest arms deal ever has been the only report never to be published.<sup>8</sup> It has not only been denied to the public but also to almost every member of the Public Accounts Committee, the Committee that supervises the work of the NAO. The Chair of the Committee, Labour MP Robert Sheldon, simply informed the members that there was "no evidence of fraud or corruption".<sup>9</sup> The head of the NAO in 1992 when the report was written and the man who reportedly made the decision to withhold the report was John Bourne. Before he became Comptroller and Auditor General at the NAO, Bourne was Deputy Under Secretary of State for Defence Procurement at

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<sup>7</sup> Interview, Gerald Howarth with the author, April 2002; E-mail, MoD to author, 11<sup>th</sup> September 2002.

<sup>8</sup> Telephone conversation, NAO Press Officer to author, 8<sup>th</sup> August 2003.

<sup>9</sup> House of Commons, *Hansard*, 13<sup>th</sup> February 2002, Written Answers, column 403.

the MoD<sup>10</sup> where his responsibilities reportedly included the Al Yamamah deal.<sup>11</sup> Martin O'Neill, the then Labour defence spokesperson, promised to re-open the inquiry once Labour was in office.<sup>12</sup> After seven years of Labour government the inquiry has not been re-opened and the report has not been published although the rationale behind this decision has gradually been revealed. In June 1997, Robert Sheldon reportedly explained that "the Saudis would have been upset". Similarly, Gerald Howarth has said that

The kingdom of Saudi Arabia ... is one of Britain's closest allies and I think that they might have been upset by the publication of that and going round gratuitously offending your allies is not a good foreign policy.<sup>13</sup>

In February 2003 Adam Ingram, Minister for the Armed Forces, justified the continuing non-disclosure on the basis that the deal referred to "confidential arrangements... on a programme which is of great significance for UK jobs and exports."<sup>14</sup> But this non-disclosure may not last much longer. In July 2003 the Ombudsman announced that she would investigate the suppression of the report after both the FCO and MoD vetoed a Guardian request to obtain the document under the new open-government scheme.<sup>15</sup> Yet to date, it has been a New Labour government dedicated to "open government" that will not willingly allow the UK taxpayer to know whether and to what extent their money has been used to pay huge bribes. The importance of the Al Yamamah deal has been paramount.

This reaction by the New Labour government to the demands of the UK-Saudi relationship, to the need to appease the Saudis, simply mirrors that of the previous Conservative administration. From those examples available, the case of the Saudi dissident, Dr Muhammad al-Mas'ari, is most illustrative of this. Al-Mas'ari had been arrested and allegedly tortured in Saudi Arabia before he fled

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<sup>10</sup> House of Commons, *Hansard*, 14<sup>th</sup> February 2002, column 364; National Audit Office, 'Contacts' <<http://www.nao.gov.uk/contacts.htm>> Last accessed 8<sup>th</sup> August 2003.

<sup>11</sup> Gerald James, *In the Public Interest* (London: Little, Brown and Company, 1995) p. 139.

<sup>12</sup> Chrissie Hirst, *The Arabian Connection: The UK arms trade to Saudi Arabia* (London: CAAT) <<http://www.caat.org.uk/information/publications/countries/saudi-arabia.php#22>> Last accessed 8<sup>th</sup> August 2003.

<sup>13</sup> Interview, Gerald Howarth with the author, April 2002.

<sup>14</sup> House of Commons, *Hansard*, 12<sup>th</sup> February 2003, Written Answers, column 737.

<sup>15</sup> Rob Evans and David Leigh, 'Inquiry into banned report', *The Guardian*, 28<sup>th</sup> July 2003.

via Yemen to the UK where he claimed asylum in 1994. He was a spokesperson and a founder of the London based Committee for the Defence of Legitimate Rights. Mas'ari and his supporters ran a campaign against the House of Saud, faxing newsletters to other dissidents inside Saudi Arabia and around the world accusing the regime of corruption and calling for limited democratic reform. In January 1996 al-Mas'ari's application for political asylum was refused by the Home Office. The department sought his deportation to Dominica.

The move came after Saudi King Fahd had personally asked John Major, to expel the campaigner in September 1994 and in October 1995. It came after the Saudis threatened UK-based arms producing companies British Aerospace, GEC and Vickers, that lucrative Al Yamamah contracts would be reduced or canceled should the campaigner be allowed to remain within the UK. The companies reacted by collaborating with ministers, Whitehall officials and the CIA to find a solution to the issue, according to a leaked memo printed in the Guardian in January 1996. The document explained how intelligence on Saddam Hussein had been passed to the Saudis to appease them while Mas'ari remained in the UK. The ambassador to Saudi Arabia had told Colin Chandler, then Chief Executive at Vickers, that this had "earned us many plaudits". At the same time Dominica's Prime Minister, Edson James, had reportedly agreed to accept al-Mas'ari during an unexpected meeting in December 1995 with Malcolm Rifkind even though Dominica's lack of police resources and political vulnerability meant that Mas'ari's safety and could not be ensured. The UK government increased the island's bilateral aid from £500,000 in 1994/95 to £2 million in 1996. The money was used to help the faltering banana industry on which Dominica's economy largely depends.<sup>16</sup> This decision to deport al-Mas'ari was finally made at the highest levels during a December 1995 meeting involving John Major, Foreign Secretary Malcolm Rifkind, Defence Secretary Michael Portillo and the President of the Board of Trade Ian Lang.<sup>17</sup>

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<sup>16</sup> Colin Brown, Patrick Cockburn, Steve Crawshaw and Phil Davison, 'Secret deal in arms and bananas that condemned a man to exile', *The Independent*, 5th January 1996.

<sup>17</sup> Colin Brown, Patrick Cockburn, Steve Crawshaw and Phil Davison, 'Secret deal in arms and bananas that condemned a man to exile'.

During January 1996, Conservative Minister Ann Widdecombe, along with the then Home Secretary Michael Howard were justifying the refusal on the grounds that the government had to protect "commercial links" with Saudi Arabia.<sup>18</sup> Widdecombe argued "We have close trade relations with a friendly state which has been the subject of considerable criticism by Mr. Mas'ari."<sup>19</sup> Widdecombe denied that the government had abandoned the principle of free speech because, she argued, "Mr. Mas'ari can say whatever he wants to say - in Dominica."<sup>20</sup>

In March 1996, the deportation order was overturned by the Chief Immigration Adjudicator who ruled that the Home Secretary at the time, Michael Howard, had neither proved that Mas'ari would be safe in Dominica nor had the grounds to refuse to consider properly his case for political asylum. The Adjudicator went on to dismiss Saudi guarantees that their agents would not harm Dr Mas'ari outside Saudi Arabia and found that Howard was trying to circumvent the United Nations Convention on Refugees for "diplomatic and trade reasons".<sup>21</sup> In April 1996 the government decided that al-Mas'ari would be allowed to stay in the UK for four years. During the announcement in the Lords, Minister of State, Baroness Blatch referred repeatedly to the government's concerns that al-Mas'ari "does not put at risk a very special relationship that we have with Saudi Arabia."<sup>22</sup> In the same month, Babcock International blamed the government's failure to export Al-Mas'ari for the loss of an estimated £220 million worth of contracts.<sup>23</sup> This was shortly followed in May 1996 by the Saudi Interior Minister, Prince Nayef warning that "we can find all our needs elsewhere in the world... a true friend does not harm a friend and his interests."<sup>24</sup> Two months later, the UK government was seeking worldwide support for changes to the 1951 UN Convention on Refugees that would allow states to deny asylum to anyone advocating terrorism. Senior officials reportedly explained that the move was "aimed at discouraging future

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<sup>18</sup> Unnamed, 'The silencing of Al Mas'ari', *The Guardian*, 6<sup>th</sup> January 1996.

<sup>19</sup> Unnamed, 'Giving in to blackmail', *The Guardian*, 5<sup>th</sup> January 1996.

<sup>20</sup> Colin Brown, Patrick Cockburn, Steve Crawshaw and Phil Davison, 'Secret deal in arms and bananas that condemned a man to exile'.

<sup>21</sup> Seumas Milne, 'Saudi's victory stuns Howard', *The Guardian*, 6<sup>th</sup> March 1996.

<sup>22</sup> House of Lords, *Hansard*, 29<sup>th</sup> April 1996, column 1401.

<sup>23</sup> Tim Burt, 'Lost orders blamed on UK-Saudi tension', *Financial Times*, 20<sup>th</sup> April 1996.

<sup>24</sup> James Bruce, 'Saudi warns UK again over dissident's asylum', *Jane's Defence Weekly*, 8<sup>th</sup> May 1996.

Mas'aris".<sup>25</sup> All the evidence in the Mas'ari case points to a concerted and coordinated effort by the UK's largest arms companies, intelligence agencies and government, including the Prime Minister, to protect and promote the interests of King Fahd of Saudi Arabia as a direct result of the Al Yamamah deals.

*Kuwait: Giving the UK a run for its money*

Kuwait acts as second example put forward by proponents of the idea that arms sales can bring greater recipient co-operation. Although UK-Kuwaiti relations prior to the Gulf War were favourable, the 1992 Memorandum of Understanding covering arms sales and other services from UK companies and the establishment of the DESO Kuwaiti Programme Office in 1993 have supposedly brought at least two benefits. The MoD claims that the UK has acquired "(1) a strategic involvement with issues in Kuwait and the region in general and (2) a shop window for all UK products" and as such puts Kuwait forward as an example of the political benefits to be derived from exporting arms.<sup>26</sup> But although the evidence is limited, all suggests that whatever increased involvement the UK has enjoyed in the region has been more than matched by other states, particularly America. The largely successful attempts by Kuwait both to secure arms deals on highly favourable terms and its seeming ability to manipulate procurement choices for its own political ends must also play a part in reducing the political capital that the UK has derived from its rearmament relationship with Kuwait.

Given the limited information it is difficult to draw any firm conclusions on the development of the UK-Kuwaiti relationship, on what role arms transfers have played in it and on how this compares to Kuwait's relationship with other arms producing states. The UK did figure in the initial post Gulf War procurement decisions. These initial contracts were used by the Kuwaiti ruling family to both reward those states who acted in its defence and to create political alliances with all the states on the Security Council in order to guarantee Kuwait's future

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<sup>25</sup> Gerald Butt, 'Saudis forgive Britain over Masari affair', *The Daily Telegraph*, 3<sup>rd</sup> July 1996.

<sup>26</sup> The Kuwait Programme Office procures military equipment and services on behalf of the Kuwaiti government from British suppliers. It charges 2% management fee on all contracts it negotiates. E-mail, MoD to the author, 11<sup>th</sup> September 2002.

independence. In this period, it was the UK's place on the Security Council and the role it played in the 1990-1991 Gulf War rather than the UK's ability to export arms that helped to bring any increased bilateral co-operation or "strategic involvement" in the region. But this opportunity would have been constrained by the Kuwaiti policy to form alliances with *all* Security Council members. By 1995, Kuwait had signed defence agreements not only with the UK (February 1992) but also with the US (September 1991), France (August 1992), a ten year agreement relating to joint maneuvers with Russia (November 1993) and with China (March 1995).<sup>27</sup> The relative importance of the UK to the Kuwaitis within this strategy is indicated in a comment made by the Kuwaiti defence minister in 1996. When asked by reporters if the UK or France will win a contract to supply Kuwait with missiles for patrol boats he remarked "It will not matter which of the two allied countries Kuwait signs the contract with, because relations and support with both countries are well secured".<sup>28</sup>

Beyond this initial period, the evidence suggests that the focus for the Kuwaiti government has been on rewarding the Americans for their actions during the 1991 Gulf War with favourable procurement choices and reportedly on the use of procurement choices to persuade powerful states to maintain sanctions on Iraq.<sup>29</sup> In 1992 Kuwait chose to procure the American Abram Tanks above the UK Challenger tank. This came after Dick Cheney reportedly sent a letter including "an oblique threat that should America ever again need to go the defence of Kuwait, it would make operational sense if they were both using the same equipment."<sup>30</sup> A similar level of US influence is suggested in the outcome of the Kuwaiti plan to buy £300 million worth of Chinese PLZ45 self-propelled guns. In 1997 Kuwaiti officials were reportedly privately admitting that for political reasons a Chinese firm would win the contract at the expense of US firm United Defence. China had not yet been offered any significant deals since 1991 and was reportedly threatening to withhold support for Iraqi sanctions when the policy next came under review in October unless Kuwait agreed to award Beijing the

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<sup>27</sup> Phythian, *The Politics of British Arms Sales Since 1964*, pp. 272-273.

<sup>28</sup> Unnamed, 'France Tries to Beat Britain in Missile Sales', *Agence France-Presse International News*, 14<sup>th</sup> January 1996.

<sup>29</sup> Phythian, *The Politics of British Arms Sales Since 1964*, p. 271; Ed Blanche, 'USA urges Kuwait to buy Paladin as Gulf aid debt', *Jane's Defence Weekly*, 30<sup>th</sup> July 1997.

<sup>30</sup> Quoted by Phythian, *The Politics of British Arms Sales Since 1964*, p. 271.

contract.<sup>31</sup> Beijing denied such pressure was applied in July although did subsequently abstain from an October US-UK resolution calling for increased sanctions on Iraq for non-compliance with UN weapons inspectors. The Chinese firm NORINCO was awarded the contract in September despite US pressure including that from US State Department spokesman Nicholas Burns who reminded the Kuwaitis

We saved Kuwait, we saved the royal family and we saved the economy and the structure of society as Kuwait knows it. We assume that Kuwait hasn't forgotten that.<sup>32</sup>

However, the deal was only for 27 of the required 75 guns.<sup>33</sup> Reportedly, under US and European pressure, the Kuwaitis widened the competition to UK firm Vickers and the South African firm LIW. By the end of 1998 the Kuwaiti defence minister announced that the remainder of the initial requirement for 75 would be met by US based firm United Defence and its Paladin M109A6 155mm self-propelled howitzers in the face of stiff Kuwaiti Parliamentary opposition.<sup>34</sup> It is the relationship with America that the Kuwaitis are most eager to maintain.

A second role for Kuwaiti procurement seems to have been to influence supplier states to maintain Iraqi sanctions. A 1993 contract awarded to the Russians for armoured vehicles and an artillery Rocket system was seemingly a reward for Russia pressing other Security Council members to retain a tough stance on Iraqi sanctions. In 1996 BAE Systems was awarded a US\$200 contract to provide Kuwait with Sea Skua anti-ship missiles at the expense of the French, reportedly because the French government were more sympathetic to the lifting of Iraqi sanctions.<sup>35</sup> In 1999 reports emerged that the Kuwaitis were trying to use potential arms purchases from a Russian company, Rosvooruzheni, to persuade Russia not to lend support to the Iraqi regime.<sup>36</sup>

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<sup>31</sup> Ed Blanche, 'USA urges Kuwait to buy Paladin as Gulf aid debt', *Jane's Defence Weekly*, 30<sup>th</sup> July 1997.

<sup>32</sup> Nicholas Burns, Department of State daily press briefing, July 15<sup>th</sup> 1997  
<<http://www.hri.org/docs/statedep/97-07-15.std.html>> Last accessed 14<sup>th</sup> August 2003.

<sup>33</sup> Ed Blanche, 'Kuwait confirms buy of 27 Chinese 155mm SPGs', *Jane's Defence Weekly*, 19<sup>th</sup> November 1997.

<sup>34</sup> Ed Blanche, 'Kuwait secures Paladin guarantee from USA', *Jane's Defence Weekly*, 23<sup>rd</sup> December 1998.

<sup>35</sup> Phythian, *The Politics of British Arms Sales Since 1964*, p. 274.

<sup>36</sup> Nikolai Novichkov, 'Kuwaiti delegation visits Moscow for procurement talks', *Jane's Defence Weekly*, 17<sup>th</sup> February 1999.

But above all the Kuwaitis have been concerned to secure deals favourable to themselves. In February 1998, the manager of the Kuwaiti Finance department's Countertrade and Offset Department announced that by the end of the year at least 23 offset programmes would have been established. Those who have become involved in Kuwaiti offsets include General Dynamics that promised to invest \$300 million in conjunction with its M1A2 tanks contract, British Aerospace which was to invest \$28 million and the American ITT Industries which would invest \$7.8 million. Alongside these are Raytheon which would invest \$98 million in conjunction with a Patriot air defence missile deal, Hughes Aircraft Systems has a \$27.6 million investment obligation and GKN has a \$28.5 million obligation in a water proofing plant in conjunction with its \$700 1993 armoured vehicle contract. By March 1998 the total value of offsets was reportedly an impressive \$1.5 billion.<sup>37</sup>

Overall, it is likely that given the role of the US, the importance to Kuwait of maintaining Iraqi sanctions and the impressive levels of offsets that Kuwait has secured, the UK and UK-based arms producing companies have been playing a more minor role in the region than the MoD implies.

Other political influence attempts have resulted in clearer outcomes. Despite the sale of weapons to Argentina and Iraq in the 1980s, the UK found itself at war with both. Douglas Hurd, then a Foreign Office minister attempted to sell Saddam Hussein a complete BAE Systems air defence system in 1981. He was followed by others. Trade minister Alan Clark (1986) and Foreign Office minister David Mellor (1988) also visited Iraq after the UK had officially banned the sale of arms to the state.<sup>38</sup> Further secret, illegal transfers of arms, the sale of chemicals including three tonnes of nerve gas antidotes along with plutonium and export credits (the latter of which amounted to £3.5 billion from 1980 until 1990)<sup>39</sup> did nothing to increase the influence of western governments over Iraq. Arms exports did nothing to stop Iraq using poisoned gas in 1983 and 1984 against

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<sup>37</sup> Ed Blanche, '\$340m offset projects set up by Kuwait', *Jane's Defence Weekly*, 4<sup>th</sup> March 1998.

<sup>38</sup> John Pilger, *Hidden Agendas* (London: Vintage, 1999), pp. 125-126.



Iranians.<sup>40</sup> They did nothing to prevent the use of poisoned gas at the Kurdish village of Halabja in 1988 that killed 5,000 people. The government's now well documented reaction to this mass killing - relaxing export guidelines and sending trade minister Tony Newton to offer Saddam Hussein a further £340 million in export credits - more than suggests that the government of the day were not interested in influencing Iraq on human rights issues.<sup>41</sup> But these kind of events did embarrass a UK government which had identified Iraq as the "biggest prize" in the arms export market in the 1980s<sup>42</sup> especially when those exports were used against UK troops in the 1991 Gulf War. The 1992 National Audit Office report on the Al Yamamah deal is still being kept secret because, according to the Office's Chairperson, "the Saudis would have been upset".<sup>43</sup> In 2000, Qatar suspended trade talks with the UK after investigators in Jersey began looking into an alleged payment of £100 million in "sweeteners" by arms-producing companies, including BAE Systems, to Qatar's ruling family, an investigation later dropped amid suspicion of government pressure.<sup>44</sup> There was almost no support from any Middle Eastern state for a unilateral attack on Iraq despite the levels of UK and western arms exports to the region. In March 2002, to the embarrassment of the UK government, the Israeli government confirmed the use of UK sold Centurion tanks against Palestinians in the Occupied Territories in breach of end user assurances.<sup>45</sup> Again, to the embarrassment of the UK government, Indonesia was seen to be using Alvis Scorpion tanks against demonstrators in Jakarta in May and November 1998 during demonstrations in which 18 protesters were killed. The government went on to use Alvis Saladins against protesters in Ambon in December 1999 and July 2000.<sup>46</sup>

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<sup>39</sup> Mark Curtis, *Web of Deceit: Britain's real role in the world* (London: Vintage, 2003) p. 33-35.

<sup>40</sup> Mark Curtis, *Web of Deceit*, p. 33.

<sup>41</sup> John Pilger, *Hidden Agendas*, p. 126.

<sup>42</sup> John Pilger, 'Foreword', pp. ix-xv in Mark Curtis, *Web of Deceit*.

<sup>43</sup> The Chairperson's comments were reported in *The Independent*, 23<sup>rd</sup> June 1997 as quoted in a CAAT memorandum submitted to the Select Committee on International Development, September 2000 <<http://www.caat.org.uk/information/issues/corruption-submission-0900.php>> Last accessed 17<sup>th</sup> August 2003.

<sup>44</sup> Conal Walsh and Anthony Barnett, 'BAE in Spotlight as 'Sweeteners' Turn Sour', *The Observer*, 13<sup>th</sup> October 2002 and 'Riddle of Sheik's GDP 100m Secret Fund', *The Observer*, 2<sup>nd</sup> June 2002.

<sup>45</sup> David Mepham, 'We've Given in to the Arms Lobby', *The Guardian*, 24<sup>th</sup> July 2002; House of Commons, *Hansard*, 11<sup>th</sup> March 2002, Written Answers, column 689.

<sup>46</sup> Nicholas Gilby, 'Labour, Arms and Indonesia - Has anything changed?' (London: CAAT, 2001) <<http://www.caat.org.uk/information/publications/countries/labour-indonesia-0701.php>> Last accessed 7<sup>th</sup> August 2003.

But the argument goes further. It is not only that the buyers' market diminishes supplier influence over the recipient. The reality is that UK involvement in the arms market has added to the need for successive UK governments to become public apologists for some of the worst abusers of human rights. This is a need which has run right through UK involvement in the arms market, a need which has not been interrupted by the New Labour government's rise to power.

Margaret Thatcher was aware of this when, following a meeting with Suharto at the height of her arms sales drive in 1985, she said that East Timor "was not a matter for Britain". The Indonesian Foreign Minister at the time, Mochtar Kusumaatmadja, confirmed that the situation was not

even an irritant in the relationship between our countries. We understand that the British can not do more than abstain [on the East Timor vote at the UN], and they understand what happened.<sup>47</sup>

After the 1991 massacre of over 400 East Timorese the UK government resisted calls for trade sanctions, failed to support the idea of an EU or UN arms embargo and in 1993 went on to suggest that some of the atrocities "have been exaggerated."<sup>48</sup> In 1985 a member of the South East Asian department wrote in response to a letter on Indonesian activities in East Timor,

The photographs enclosed with your letter, apparently taken some eight years ago, do not, in our view, show the [British armoured] vehicles engaged in combat in a meaningful sense of the term. Moreover, the temporary holding of an arrested person on an armoured car, or other vehicle, in itself scarcely constitutes conclusive proof of its use for "internal repression".<sup>49</sup>

This apologist agenda is particularly relevant for the Labour government which, during the first two years of power, included amongst its top 15 arms customers persistent human rights abusers including Saudi Arabia, Qatar, Malaysia, Kuwait, Brazil, Oman, South Korea, Turkey, America, China, and Indonesia. This agenda has been evident throughout Labour's two terms in office. Tony Blair pledged support for maintaining Indonesia's territorial integrity following continued

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<sup>47</sup> Phythian, *The Politics of British Arms Sales Since 1964*, p. 154.

<sup>48</sup> House of Commons, *Hansard*, 10<sup>th</sup> February 1993, column 978.

<sup>49</sup> Phythian, *The Politics of British Arms Sales Since 1964*, pp. 151-152.

atrocities in West Papua and Aceh in 2000.<sup>50</sup> After a stream of evidence throughout the 1980s and 1990s that Indonesian Forces used BAE Systems Hawks to kill East Timorese civilians<sup>51</sup> the government was still arguing in 2002 that whilst Hawks had flown over East Timor in 1999 they "have never been used in a ground-attack or offensive role anywhere in Indonesia."<sup>52</sup> After a four-year major Turkish offensive against the Kurdish people, Defence Secretary George Robertson hoped in 1998 that the Turkish government "be as generous and humanitarian to the Kurds as they have been in the past."<sup>53</sup> Indonesian General Probowa, reportedly demoted after "disappearances" in Jakarta in 1998 and now an important figure in Indonesian procurement was described as "enlightened" by George Robertson, then at the MoD.<sup>54</sup> Blair has refused to identify Israel as the prime aggressor against the Palestinians, has refused to disrupt arms exports to a country that the UN has condemned as committing crimes against humanity<sup>55</sup> and it was the UK which broke ranks with all other EU states in failing to support a proposed December 2001 UN Resolution condemning Israeli actions.<sup>56</sup>

The claim made by the government that arms bring the UK increased influence in the world is impossible to reconcile with the nature of the international arms market, with the history of recipient states embarrassing the UK government and especially difficult to reconcile with the government's apologist response to rights abuses carried out by those recipients. But one area where arms sales do deliver increased UK influence, over international events, albeit a more dangerous influence, is through their supply to and use in conflict-vulnerable areas or to states experiencing conflict

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<sup>50</sup> John Aglionby, 'Indonesian army drives rich region into rebels' arms', *The Guardian*, 11th March 2000.

<sup>51</sup> See for example John Pilger, *Hidden Agendas*, p. 119-120, 140-141; 'Flying the Flag: Arming the World', Carlton Television, 1994; 'Death of a Nation: The Timor Conspiracy', Carlton Television, January 1999.

<sup>52</sup> House of Commons Quadripartite Committee, *Second Joint Report: Strategic Export Controls: Annual Report for 2001, Licencing Policy and Parliamentary Scrutiny*, 20<sup>th</sup> May 2003, HC 474, appendix 6.

<sup>53</sup> House of Commons, *Hansard*, 9<sup>th</sup> February 1998, column 11.

<sup>54</sup> Alan McLaughlin and Kevin Mullen, 'Dealing in Destruction', *The Guardian*, 23<sup>rd</sup> August 2000.

<sup>55</sup> United Nations High Commissioner for Human Rights, 19<sup>th</sup> October 2000

<<http://www.unhchr.ch/Huridocda/Huridoca.nsf/TestFrame/0eabc4d2d0ce097bc1256985004fd471?Opendocument>> Last accessed 17<sup>th</sup> August 2003.

<sup>56</sup> The Council for the Advancement of Arab-British Understanding, Press Release, 17<sup>th</sup> December 2001 <<http://www.caabu.org/press/releases/us-veto.html>> Last accessed 17<sup>th</sup> August 2003.

## UK ARMS EXPORTS HAVE NOT BECOME A WAY OF PREVENTING CONFLICT

The rationale that arms exports can prevent conflict was put forward by Foreign Secretary Jack Straw in February 2003 to justify the use of the government's "global conflict prevention pool" to buy two Mi-17 helicopters on the open market and export them, with other military equipment to the Nepalese army. He went on to argue

I think that it is accepted that in order to prevent conflict, you have to use force in many circumstances, and that is certainly true in Nepal.<sup>57</sup>

When plans to gift two further aircraft to the Nepalese Army were announced in January 2004, again funded through the conflict prevention fund, Straw argued

sometimes you have to prevent conflict and its scale by making use of military action.<sup>58</sup>

Those circumstances must be relevant to many of Labour's arms recipients since 23% of the value of standard licences and 471 new open licences approved during 2001 and detailed in the Strategic Export Report were approved for states experiencing conflict. 20% of the value of standard licences approved during 2001 allowed arms exports to states experiencing low intensity conflict (mainly Turkey, South Africa and Tanzania) and 9% allowed exports to states experiencing high levels of conflict (mainly India, Indonesia, Russia and Israel).<sup>59</sup> During 2002 18% of the value of standard licences and a total of 582 new open licences were approved for states experiencing conflict. 13% of the value of standard licences approved during 2002 were for states experiencing intense conflict and 15% for those experiencing low intensity conflict.<sup>60</sup> Licences

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<sup>57</sup> House of Commons Quadripartite Committee, *Second Joint Report: Strategic Export Controls: Annual Report for 2001, Licencing Policy and Parliamentary Scrutiny*, question 64.

<sup>58</sup> House of Commons Quadripartite Committee, *First Joint Report: Strategic Export Controls - Annual Report for 2002, Licencing Policy and Parliamentary Scrutiny*, 18<sup>th</sup> May 2004, HC 390, paragraph 76.

<sup>59</sup> These two percentages figures (20% and 9%) do not add up to 23%, the percentage of standard licences approved for states in conflict, because many states experiencing high intensity conflict also experience low intensity conflict.

<sup>60</sup> Again, the split figures given for intense and low intensity conflict will not add up to the total approved for conflict states because many states experience both low and high intensity conflict so are included twice in the split figures. 'Low intensity conflicts' are those which have caused from 100 to 1,000 deaths from mid-2000-mid-2001 while 'High intensity conflicts' are those large scale armed conflicts which have caused more than 1,000 deaths from mid-2000-mid-2001. This

approved to such states since 1999 are shown in greater detail in appendixes two and three.

An academic literature has built up looking at the impact of arms exports to areas of conflict. Work has been undertaken to look at the use of arms exports to reduce tension or even avert conflict via deterrence or via reestablishing the balance of power. Work has also been undertaken to look at the easy availability of cheap weapons, especially small arms, in a flooded market in encouraging political disagreement to turn into conflict, especially preemptive attack, and for that conflict to be more intense. A summary is shown in appendix seventeen. It is difficult to establish clear connections between arms transfers and conflict because the stabilising or destabilising effects of arms is dependent on a number of variables. These including the types and amounts of weapons transferred, the intensity and cause of the conflict and the response of surrounding states and larger powers. To date, little systematic research has been undertaken to establish under what conditions arms transfers might prevent or encourage conflict.

Exploring the rationale that UK arms exports can prevent conflict is made more difficult because, apart from the Nepalese example, the FCO have failed to name cases where UK arms exports have acted as a deterrence or otherwise averted conflict. The Nepalese example is itself problematic for a least two reasons. First, the use of £4 million worth of the global conflict prevention pool, of which £2.6 million will be used to pay for the helicopters gifted in 2003, is a departure from the normal use of the fund which was established to restore civil society in conflict torn areas. Although the Nepalese army has assured the UK government that the helicopters will be restricted to medical and other humanitarian tasks, Jack Straw has admitted that they will add to the combat capability of the Royal Nepalese Army. The all party Quadripartite Committee has criticised the use of the fund to gift both the 2003 helicopters and the 2004 aircraft observing that "conflict prevention seems to have a rather looser meaning within Government

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definition follows that given by the Interdisciplinary Research Programme on Causes of Human Rights Violations (PIOOM) World Conflict Map 2001-2002  
<[http://www.goalsforamericans.org/publications/pioom/atf\\_world\\_conf\\_map.pdf](http://www.goalsforamericans.org/publications/pioom/atf_world_conf_map.pdf)> Last accessed 12<sup>th</sup> August 2003.

than it does in the wider world."<sup>61</sup> Second, although the government has argued that "In some cases, the use of force by a Government within its own borders ... is legitimate in some cases, for example to preserve law and order against terrorists" this applies where force is used "only in accordance with international human rights standards."<sup>62</sup> But Nepalese authorities have a consistent record of acting outside of international human rights standards. A December 2002 press release by Amnesty reported the Nepalese government confirming that between November 2001 and the end of October 2002 its armed conflict with the Communist Party of Nepal had claimed another 4,366 lives. Amnesty believes that at least half of these deaths were unlawful, the vast majority as a result of the Nepalese authorities believing that the civilians had supported the Communist Party. Amnesty also reported widespread torture and disappearances within Nepal.<sup>63</sup> The FCO's own 2002 human rights report highlights that "there is now widespread anxiety about the level and brutality of abuses and violations by both sides to the conflict."<sup>64</sup> The inappropriate use of the conflict prevention fund and Nepal's record on observing internationally agreed human rights standards makes this a poor case for the UK government to put forward to defend the rationale that arms exported from the UK can prevent conflict.

It is difficult to see which other cases New Labour could put forward to defend their rationale since the UK government has not only consistently sold arms to states where equipment and components *have* been used in existing conflicts but has adopted a deliberate policy of targeting conflict-vulnerable, often rival states as its arms recipients, frequently increasing sales at times of greatest tension. It is because of these motivations that any substantive study on the impact of New Labour's arms sales similar to those in table 3.2 would most likely find a detrimental affect on conflict avoidance, scale and duration. The supply of

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<sup>61</sup> House of Commons Quadripartite Committee, *Second Joint Report: Strategic Export Controls: Annual Report for 2001, Licensing Policy and Parliamentary Scrutiny*, paragraph 90, House of Commons Quadripartite Committee, *First Joint Report: Strategic Export Controls - Annual Report for 2002, Licensing Policy and Parliamentary Scrutiny*, paragraph 76.

<sup>62</sup> House of Commons, *Hansard*, 28<sup>th</sup> July 1997, Written Answers, column 28.

<sup>63</sup> Amnesty International, '2003 UN Commission on Human Rights: A time for deep reflection', Press release IOR 41/025/2002, 1<sup>st</sup> December 2002 <[web.amnesty.org/aidoc/aidoc\\_pdf.nsf/Index/IOR410252002ENGLISH/\\$File/IOR4102502.pdf](http://web.amnesty.org/aidoc/aidoc_pdf.nsf/Index/IOR410252002ENGLISH/$File/IOR4102502.pdf)> Last accessed 12<sup>th</sup> August 2003.

arms is neither interrupted by increases in regional tension nor the possibility of an imminent outbreak of war, characteristics of UK involvement in the arms market that the remainder of this chapter will examine in some detail. The well-documented cases of Israel and Indonesia are particularly illustrative of UK arms exports to areas experiencing increased tension. Exports to India and Pakistan together with the states involved in the Democratic Republic of Congo war are particularly illustrative of UK arms exports to states on the brink of, or involved in conflict. As such, all are worth examining further.

*Sticking to its guns: The UK's persistent supply of arms to Israel and Indonesia*

Since New Labour came to power it has authorised licences to Israel which have allowed for the export of machine guns, tear gas/irritant ammunition, military explosives, components for combat aircraft, stun grenades, anti-tank missiles, anti-armour missiles, assault rifles and armoured vehicles.<sup>65</sup> Not only have these exports been in contravention of 1991 UN Resolution 687 that calls for the "comprehensive control of armaments in the [Middle East] region",<sup>66</sup> not only have exports increased during times of greatest conflict but much of the equipment has been used in a way which is in contravention of Israeli end-use assurances. The response of the UK government has been to increase arms exports to Israel.

During 2000 £12.5 million worth of standard licences were approved for arms exports to Israel along with 18 new open licences despite the outbreak of the al-Aqsa Intifada in September of that year.<sup>67</sup> During 2001 Ariel Sharon came to power denouncing the Oslo peace accords and the Intifada. Israeli military activities intensified in the Occupied Territories. The response of the UK government was to approve £22.5 million worth of licences, almost double that of the previous year as well as 20 new open licences.<sup>68</sup> Throughout 2000 and 2001, the UK government was assuring the public of Israeli promises that

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<sup>64</sup> FCO, *Human Rights Annual Report 2002*, p. 101 <<http://www.fco.gov.uk>> Last accessed 15<sup>th</sup> July 2003.

<sup>65</sup> FCO, *Human Rights Annual Reports 1999-2002*.

<sup>66</sup> UN Resolution 687 (1991), 3<sup>rd</sup> April 1991, <<http://www.un.org>> Last accessed 12<sup>th</sup> August 2003.

<sup>67</sup> FCO, *Strategic Export Controls Report 2000*.

<sup>68</sup> FCO, *Strategic Export Control Report 2001*.

No UK originated equipment nor any UK originated systems/sub-systems/components are used as part of the Israel Defence Force's activities in the Territories.<sup>69</sup>

But in August 2001 a "senior Israeli defence ministry source" told BBC Radio four's World at One programme that this was not the case. UK sold transit vans, Land Rovers, helicopter parts and components of an anti-missile system had been used in the Occupied Territories.<sup>70</sup> The UK has almost certainly exported vital parts for American supplied helicopter gunships, the same gunships that have been shown in news reports firing into civilian areas.<sup>71</sup> The response of Ben Bradshaw, then a foreign Office Minister and a member of the "Labour friends of Israel" group explained that the UK government took "on trust" Israeli assurances that UK sources equipment would not be used in the Occupied Territories.<sup>72</sup>

In 2002, 27 new open licences were approved alongside £10 million worth of standard licences.<sup>73</sup> Of these, twenty standard licences were approved in March 2002, the month that Israel invaded the West Bank and the month that the government revealed to the House that Centurion Tanks exported to Israel between 1958 and 1970 have been turned into armored personnel carriers in apparent contradiction of Israeli end-use assurances.<sup>74</sup> At the end of March Israel formally responded to Foreign Office inquiries into the use of the tanks by arguing that the use of the armoured personnel carriers was in response to operational needs. The Israel government went on to argue that their use was not in breach of the assurances given in November 2000, repeating that no UK-originated equipment would be used in the Territories before adding that it would not stop using the armoured personnel carriers in this way. Jack Straw admitted "We also have questions about other possible breaches of the assurances with regard to equipment supplied under previous administrations". Still a further five standard licences were approved in April 2002.<sup>75</sup> In May 2002 it was revealed

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<sup>69</sup> House of Commons, *Hansard*, 11<sup>th</sup> March 2002, Written Answers, column 689.

<sup>70</sup> Richard Bingley, 'The UK's Role: a friend of Israel?', *CAAT News*, October-December 2001 <<http://www.caat.org.uk/information/magazine/1001/israel.php>> Last accessed 12<sup>th</sup> August 2003.

<sup>71</sup> John Pilger, 'Salesman of Death' 27<sup>th</sup> May 2002 <[http://www.medialens.org/articles\\_2002/jp\\_salesmen.html](http://www.medialens.org/articles_2002/jp_salesmen.html)> Last accessed 12<sup>th</sup> August 2003.

<sup>72</sup> Richard Norton-Taylor, 'No ban on British arms to Israel', *The Guardian*, 17<sup>th</sup> August 2001.

<sup>73</sup> FCO, *Strategic Export Controls Report 2002*.

<sup>74</sup> House of Commons, *Hansard*, 15<sup>th</sup> April 2002, Written Answers, column 721.

<sup>75</sup> House of Commons, *Hansard*, 19<sup>th</sup> June 2002, Written Answers, column 344.



that cooling systems exported from the UK up to 1996 had been used in Israeli Merkava Tanks. It was also revealed that UK originated components, like missile trigger systems, are incorporated into American Apache helicopters.<sup>76</sup> Merkavas and Apaches are reportedly the two main weapons used against Palestinians in the Occupied Territories.<sup>77</sup> The response from the UK government was to approve a further eight standard licences in May and to approve the export of BAE Systems Head-Up Displays for American F16s bound for Israel in July 2002. It has been widely reported that F16s have been used by the Israeli Defence Force to attack Palestinian civilian areas.<sup>78</sup> At their annual general meeting in April 2003, BAE Systems Chair Dick Evans denied that Israeli F16 jets were fitted with BAE Systems Head-Up Displays. But during the reception after the meeting, Mike Turner, Chief executive of BAE Systems admitted to campaigners that BAE Systems was negotiating with Lockheed to provide the Head-Up Displays for the Israeli planes.<sup>79</sup>

Even if the UK government was concerned about the end use of the equipment and of the parts whose export they licence, there are no specific systems designed to monitor their end use and no clear guidelines as to the circumstances when end-use monitoring should occur. The government has argued that

We do not consider that it is either practical or useful to monitor the end use of all military goods exported from the UK over their lifetime with the end user, particularly where we have already satisfied ourselves of the end user's integrity before issuing a licence.<sup>80</sup>

Specifically with regard to Israel, the FCO's Baroness Amos has argued that although information from the Embassy and NGOs is, she claims, monitored,

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<sup>76</sup> Richard Norton-Taylor, 'UK equipment being used in Israeli attacks', *The Guardian*, 29<sup>th</sup> May 2002.

<sup>77</sup> Mandy Turner, 'Arming the Occupation: Israel and the Arms Trade', October 2002 <<http://www.caat.org.uk/information/publications/countries/israel-1002.php>> Last accessed 17<sup>th</sup> August 2003.

<sup>78</sup> Mandy Turner, 'Arming the Occupation: Israel and the Arms Trade'.

<sup>79</sup> E-mail, Chris Cole, CAAT, to the author, 30<sup>th</sup> April 2003.

<sup>80</sup> House of Commons Quadripartite Committee, *Second Joint Report: Strategic Export Controls: Annual Report for 2001, Licencing Policy and Parliamentary Scrutiny*, paragraph 118.

British Embassy Staff in Tel Aviv do not undertake physical checks on the end-use of UK licenced equipment, components and spare parts supplied by the UK to Israel. They do not have the resources to do so.<sup>81</sup>

These are faults which were never rectified by the 2002 Export Control and Non-Proliferation Act, an omission which has been criticised by the House Quadripartite Committee,<sup>82</sup> a committee that concluded in May 2004 that "end-use assurances are not worth the paper they are written on."<sup>83</sup>

UK exported equipment and parts have consistently been used by the Israeli forces in the Occupied Territories despite end-use assurances from the Israeli government. The UK government's response has been to continue to arm the Israeli forces, increasing their supply in times of greatest conflict in an environment with little end use controls. Far from preventing conflict, UK arms exports and the tacit consent for Israeli activities that their continued export imply have helped to maintain conflict.

The type of relationship seen between the UK as a supplier to a state in an area of increasing regional tension has not been restricted to the Middle East. This relationship has been mirrored by the UK-Indonesian relationship where the UK government has again seen a recipient state persistently use UK exported arms in conflict, again contrary to end-use assurances and again the response of the UK government has been to continue or to increase arms deliveries.

When the new Labour government came to power in 1997 it famously refused to revoke a series of 1996 licences agreed by the previous Conservative administration. The licences allowed for the export of a range of components and military equipment including 16 BAE Systems Hawks, 50 Alvis Scorpion armoured vehicles and seven GKN Tactica water cannon. The decision was made even though in April 1996 the Indonesian government had used UK exported Scorpion armoured vehicles fitted with 90mm howitzers and mounted

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<sup>81</sup> House of Commons, *Hansard*, 7<sup>th</sup> March 2002, Written Answers, Columns 30-31.

<sup>82</sup> House of Commons Quadripartite Committee, *Second Joint Report: Strategic Export Controls: Annual Report for 2001, Licencing Policy and Parliamentary Scrutiny*, paragraphs 116-122.

<sup>83</sup> House of Commons Quadripartite Committee, *First Joint Report: Strategic Export Controls - Annual Report for 2002, Licencing Policy and Parliamentary Scrutiny*, paragraph 99.

machine guns against students protesting at the Islamic University of Indonesia in Sulawesi. Three students were killed and a number were injured. UK exported Tactica water cannons were then used against students protesting against the deaths in Sulawesi in June 1996 in the University of Bandung in Java. Ammonia was reportedly used in the cannons.<sup>84</sup> In July 1996 Tactica water canons were used against an opposition election march. Five people were killed. Dye was used in the canons so that activists could be identified and punished later.<sup>85</sup> The Labour government justified its decision to allow the 1996 contracts to continue by citing the importance of maintaining the reputation of UK-based arms companies and their lack of legal authority to revoke the existing licences although the latter has since been widely discredited. Robin Cook also cited assurances from Indonesia that UK exported arms would not be used for internal repression. But in 1998, Indonesian Colonel Halim reportedly told Channel Four's Mark Thomas that UK made Saracens and Saladin armoured vehicles were being used in East Timor.<sup>86</sup> In December 1999 and in July 2000 Saladins were used in Ambon where a number of civilians were killed.<sup>87</sup> Scorpions were used again against protesting students in May 1998 at Trisakti University during which six people were killed and in November in Jakarta during which twelve people were killed.<sup>88</sup> In the same month Derek Fatchett confirmed that the Foreign Office had received "many disturbing reports about disappearances, detentions and clashes between the Indonesian security forces and students."<sup>89</sup> Despite this, during 1998 41 standard licences covering military goods like air rifles, military vehicles, missile launching equipment, projectile launchers and thermal imaging equipment were authorised by the government. Only one for "small arms, machine guns or accessories" was refused.

At the same time, a similar level of continuity between Labour and the previous administration existed in policy towards East Timor. Bishop Carlos Belo, who

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<sup>84</sup> Unnamed, 'Light tanks and armoured vehicles', *The Guardian*, 25<sup>th</sup> January 1999.

<sup>85</sup> Unnamed, 'Human rights or trade?', *BBC News Online*, 1997

<<http://www.bbc.co.uk/politics97/issues/humanrights.shtml>> Last accessed 12<sup>th</sup> August 2003.

<sup>86</sup> Nicholas Gilby, *Arms Exports to Indonesia*, (London: CAAT, 1999)

<<http://www.caat.org.uk/information/publications/countries/indonesia-1099.php>> Last accessed 17<sup>th</sup> August 2003.

<sup>87</sup> Nicholas Gilby, *Labour, Arms and Indonesia - Has anything changed*.

<sup>88</sup> Nicholas Gilby, *Arms Exports to Indonesia*.

<sup>89</sup> House of Commons, Hansard, Written Answers, 13<sup>th</sup> May 1998, column 139.

shared the 1996 Nobel Peace Prize with fellow East Timor campaigner Jose Ramos-Horta, said during a 1997 speech in London

Please, I beg you, restrict still further the conditions under which such trade is permitted. Do not sustain any longer a conflict which without these sales could never have been pursued in the first place, nor for so very long.<sup>90</sup>

Of most concern was the alleged use of BAE Systems Hawks by the Indonesia forces in East Timor. Responding to continuing allegations of this nature, the FCO Minister responsible for Indonesia, the late Derek Fatchett, concluded in 1998 that

We have studied all the information available about allegations of Hawks being used in East Timor. We are confident that UK supplied Hawk aircraft have not been used in East Timor or, indeed, in a counter-insurgency role in Indonesia.<sup>91</sup>

Just over a year later, in August 1999, the government was forced to admit for the first time that Hawks had indeed been used in East Timor. Still, the government-authorized invitation to the Indonesia government to attend an arms fair held the following month stood.<sup>92</sup> The UK finally agreed to an arms embargo against Indonesia in response to the East Timorese situation. The embargo came into force from 16<sup>th</sup> September 1999 until 16<sup>th</sup> January 2000. All licences were suspended but 123 days, the duration of the embargo, were added to their validity so that on 17<sup>th</sup> January business effectively carried on as usual. During 1999 and 2000 32 new open licences were approved alongside £4 million worth of standard licences covering equipment including components for combat aircraft and anti-tank ammunition. The low value of standard licences was probably because of the financial crisis in Indonesia rather than any tightening up of the application of criteria. Only one open licence was amended to exclude Indonesia and only one standard licence application was refused in 1999 while two standard licences were refused in 2000, no more than any other year.<sup>93</sup>

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<sup>90</sup> Bishop Belo, 'A Time for Justice', July 1997. Transcript available at <<http://www.etan.org/timor/bello797.htm>> Last accessed 1<sup>st</sup> July 2003.

<sup>91</sup> House of Commons, *Hansard*, 12<sup>th</sup> May 1998, Written Answers, column 108.

<sup>92</sup> Unnamed, 'British Hawks flown over East Timor', *BBC News Online*, 31<sup>st</sup> August 1999, <[http://news.bbc.co.uk/1/hi/english/uk/newsid\\_434000/434201.stm](http://news.bbc.co.uk/1/hi/english/uk/newsid_434000/434201.stm)> Last accessed 12<sup>th</sup> August 2003.

<sup>93</sup> FCO, *Strategic Export Controls Reports 1999-2000*; *Strategic Export Controls Reports 2000*.

During 2001, the government was again emphasising Indonesian end-use assurances. In August 2001 Foreign Office Minister Ben Bradshaw confirmed that UK exported equipment would not be used for internal repression saying, "The assurances they [Indonesian Forces] gave us are reliable".<sup>94</sup> The same "reliable" forces had guaranteed security for the process of self-determination in East-Timor but instead committed crimes against humanity and were continuing to commit acts of gross human rights abuses elsewhere. In November 2001, Richard Bingley from Campaign Against Arms Trade asked a Foreign Office Official whether reports of 30 palm oil plantation workers and nine men and boys aged from 13 being massacred by Indonesian armed forces in Aceh were true. The Official said that to the best of his knowledge the reports were true and went on to estimate that 1,500 people, mostly civilian had died in conflicts in Indonesia that year alone.<sup>95</sup> During that year, the value of standard licences approved by the government rose from £2 million in 1999 to £15.5 million and the number of new open licences approved rose from none in 1999 to six in 2001.<sup>96</sup>

In 2002 the government decided to relax its policy towards the use of UK sourced equipment in Aceh. Before August 2002, the Indonesian Government was bound by an undertaking not to use UK equipment in the province and to provide advanced warning of any possible deployment. During that month the Indonesian government informed the UK government that they would be deploying UK-built military equipment in Aceh against previous assurances but promised that the equipment would not be used to infringe human rights. In response the UK government accepted Indonesia's new assurances and assured Indonesia that it no longer required any advance warning of the deployment of UK sources equipment in Aceh. Parliament was informed of this change of policy some nine months later.<sup>97</sup> 2002 also saw the number of new open licences approved rise to 15 and the value of standard licences increase again to £41 million, a twenty-fold increase compared to the value of those approved in 2000. Licences included those for aircraft cannons and components

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<sup>94</sup> Unnamed, 'Britain ready to resume arms exports', *The Jakarta Post*, 29<sup>th</sup> August 2001 <[http://www.iansa.org/oldsite/news/2001/aug\\_01/brit\\_ready.htm](http://www.iansa.org/oldsite/news/2001/aug_01/brit_ready.htm)> Last accessed 12<sup>th</sup> August 2003.

<sup>95</sup> Richard Bingley, 'An ethical blindspot', *The Observer*, 11<sup>th</sup> May 2003.

<sup>96</sup> FCO, *Strategic Export Controls Report 2001*.

<sup>97</sup> House of Commons Quadripartite Committee, *First Joint Report: Strategic Export Controls - Annual Report for 2002, Licencing Policy and Parliamentary Scrutiny*, paragraph 81-83.

for air to air and air to surface missiles. These details were revealed in the FCO's Annual Report in May 2003, the same week as 36 Scorpion armoured vehicles and Hawks were deployed in Aceh to suppress the internal conflict in the province. 28,000 Indonesian troops had assembled on the Island by this time and martial law declared after peace talks to resolve the 26-year conflict that has caused the death of over 10,000 people, failed to restart. The Indonesian government had assured the UK government in August 2002 that whilst UK Built armoured personnel carriers had been transferred to Aceh, they would be used for casualty evacuation and logistical support, not to infringe human rights.<sup>98</sup> But the senior military spokesperson in Aceh reportedly claimed that Scorpion armoured vehicles "will become a key part of our campaign to finish off the separatists ... Maybe later the UK foreign minister will have a fit."<sup>99</sup> In January 2004 Indonesian television had reportedly showed, several times, machine guns mounted on Scorpions firing at separatists.<sup>100</sup> A second military spokesperson reportedly said of the Hawks "Sure. They could well be used [in a direct attack role] if we wanted to ... But we haven't decided to do that yet."<sup>101</sup> On 12<sup>th</sup> June the government admitted that the Indonesian government had confirmed the use of UK-supplied Hawks in Aceh on 19<sup>th</sup> May<sup>102</sup> although the Indonesians said that the Hawks had not been used "offensively".<sup>103</sup>

Once again, arms exported from the UK have been persistently used in conflict situations, against end-use assurances and the response from the UK government has been to maintain or increase exports. This suggests that at least in the case of Israel and Indonesia, far from UK arms being used to prevent conflict, the UK government has been simply unconcerned about the impact of UK-exported arms in the development, maintenance and intensity of violence.

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<sup>98</sup> House of Commons Quadripartite Committee, *Second Joint Report: Strategic Export Controls: Annual Report for 2001, Licencing Policy and Parliamentary Scrutiny*, appendix 1: Letter to the Chairman from the Secretary of State for Foreign and Commonwealth Affairs: Indonesia.

<sup>99</sup> John Aglionby and Richard Norton-Taylor, 'Scorpions move in on rebels as Indonesia reneges on weapons pledge to Britain', *The Guardian*, 24<sup>th</sup> June 2003.

<sup>100</sup> House of Commons Quadripartite Committee, *First Joint Report: Strategic Export Controls - Annual Report for 2002, Licencing Policy and Parliamentary Scrutiny*, paragraph 95.

<sup>101</sup> John Aglionby, 'Indonesia uses UK Hawks in Aceh offensive', *The Guardian*, 20<sup>th</sup> May 2003.

<sup>102</sup> House of Commons, *Hansard*, 12<sup>th</sup> June 2003, Written Answers, column 1039.

<sup>103</sup> House of Commons Quadripartite Committee, *First Joint Report: Strategic Export Controls - Annual Report for 2002, Licencing Policy and Parliamentary Scrutiny*, paragraph 88.

Buy the argument here is not just that the delivery of arms is uninterrupted by increases in regional tension. The argument is also that UK deliveries continue despite the possibility of an imminent outbreak of war and beyond this, that evidence exists to suggest the government has deliberately targeted states on the brink of conflict, again, increasing sales at times of greatest tension. From the examples available two will be looked at in further detail: UK arms exports to both India and Pakistan and UK arms exports to the states involved on both sides of the war in the Democratic Republic of Congo (DRC). India is one of the UK's largest recipients of arms whilst the war in the DRC has been particularly brutal and under reported in the mainstream media.

#### *The "calming influence" of UK arms sales on India and Pakistan*

In June 2000, the British Defence Manufacturers Export Licensing Group claimed that both India and Pakistan "have been identified by the MoD (United Kingdom's) Defence Export Services Organisation (DESO) as highly valuable priority markets for United Kingdom Industry to target".<sup>104</sup> This goes some way to explain the government's approach to exporting to the two nuclear states.

In 1998 India conducted five nuclear tests provoking international outrage, economic sanctions and Pakistani underground nuclear tests. Although America implemented sanctions against both states, 1998 saw the UK government approve 633 licences for goods on the military list to India including anti-riot guns, combat aircraft components and crowd control ammunition. Only two were refused. The UK government also approved 99 licences for goods on the military list to Pakistan, including those covering components for small arms, components for machine guns and small arms ammunition. None were refused.<sup>105</sup>

During 1999 the government authorised 71 new open licences and £57.5 million worth of standard licences to India covering armoured fighting vehicles, heavy gun components, combat aircraft and combat helicopter components,

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<sup>104</sup> House of Commons Select Committee on Foreign Affairs, *Seventh Report: Strategic Export Controls: Further report and prior Parliamentary scrutiny*, 25<sup>th</sup> July 2000, HC 467, appendix 7.

submachine guns, surface to air missile components, small arms ammunition and tank spares.<sup>106</sup> In response to a letter from MP Edward Garnier, Foreign Office minister Peter Hain wrote "While there is a theoretical risk that India might use tanks offensively in the future, the Criteria make clear that this is not sufficient grounds to refuse an application."<sup>107</sup> Reportedly the tanks were later used on the border with Pakistan.<sup>108</sup> For Pakistan itself, from January to October 1999, £11.5 million worth of licences were authorised including those covering air missile control equipment, aircraft head up display components, components for combat aircraft and helicopters, armoured personnel carriers and fragmentation grenades. None were refused. On 12<sup>th</sup> October the Pakistan military coup, which saw the overthrow of the democratically elected government, led the UK government to implement unofficial arms restrictions on military exports to Pakistan. In May 2000 Peter Hain defended this policy following criticism from the Defence Manufacturers Association by arguing that

I do not think it would be responsible for us prematurely to make a decision when the situation is so fluid, especially over such a tinderbox as Kashmir in a situation where there are pretty heavy arms in the region ... anything we did supply, if we did, could be used for terrorist purposes in Kashmir or elsewhere. It is a very dangerous place.<sup>109</sup>

Just two months after Hain described the Kashmir situation as "a tinderbox", in July 2000, the government lifted most restrictions on exporting to Pakistan, implemented after the military coup in October 1999. This was a change in policy that brought international criticism. Robin Cook later admitted "We remain concerned about defence exports to Pakistan, in the light of the incursion at Kargil, the coup, the possibility of diversion to undesirable end-users and continued regional tensions".<sup>110</sup> Although the export of small arms remained blocked, 88 standard export licences were approved between July and

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<sup>105</sup> FCO, *Strategic Export Controls Report 1998*.

<sup>106</sup> FCO, *Strategic Export Controls Report 1999*.

<sup>107</sup> Simon Kearns and Robin Oakley, 'DSEi 2001: Putting aside differences for a week of retail therapy', *CAAT news*, August-September 2001

<<http://www.caat.org.uk/information/magazine/0801/dsei.php>> Last accessed 22<sup>nd</sup> April 2004.

<sup>108</sup> Kearns and Oakley, 'DSEi 2001: Putting aside differences for a week of retail therapy'.

<sup>109</sup> House of Commons Foreign Affairs Select Committee, *Seventh Report: Strategic Export Controls: Further Report and Parliamentary Prior Scrutiny*, 25<sup>th</sup> July 2000, HC 467, Minutes of Evidence question 56 and 65.

<sup>110</sup> Ewan MacAskill, 'Britain lifts ban on Pakistan arms sales', *The Guardian*, 6<sup>th</sup> July 2000.



December 2000 amounting to £6 million worth of equipment including military training aircraft, aircraft radar and combat helicopter components. During the same year the government approved 34 new open licences and £64.5 million worth of standard licences for exports to India covering air to surface missile and surface to air missile components, military helicopter components, military communications equipment and tear gas/riot control agent.<sup>111</sup>

As the situation in Kashmir deteriorated during 2001 the government authorised a further 66 open licences and £62.5 worth of standard licences for India alongside 20 open licences and £14 million worth of standard licences for Pakistan. The latter included those covering components for combat aircraft and combat helicopters, military utility vehicles, components for torpedo launching equipment, military communications equipment and components for large calibre artillery. When questioned about the large calibre artillery Pakistan licence, Jack Straw assured the House Quadripartite Committee that the FCO "assessed there to be no clear risk of aggressive use" of the equipment.<sup>112</sup> He later added "approving these exports was not going to make any difference at all to the degree of tension or the resolution of dispute".<sup>113</sup> His colleague, Tim Dowse added that at the time of the decision on this licence, the artillery being fired across the boarder was only small arms, not artillery.<sup>114</sup> The committee highlighted that artillery exchanges were widely reported in both 2000 and in 2002.<sup>115</sup> In October 2001 Kashmir's state Parliament was bombed. 40 people were killed. In December 2001 tension rose between the two states when 14 were killed in the Indian Parliament allegedly by Kashmiri separatists sponsored by Pakistan.

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<sup>111</sup> FCO, *Strategic Export Controls Report 2000*.

<sup>112</sup> House of Commons Quadripartite Committee, *Second Joint Report: Strategic Export Controls: Annual Report for 2001, Licencing Policy and Parliamentary Scrutiny*, paragraph 57.

<sup>113</sup> House of Commons Quadripartite Committee, *Second Joint Report: Strategic Export Controls: Annual Report for 2001, Licencing Policy and Parliamentary Scrutiny*, minutes of evidence, question 85.

<sup>114</sup> House of Commons Quadripartite Committee, *Second Joint Report: Strategic Export Controls: Annual Report for 2001, Licencing Policy and Parliamentary Scrutiny*, minutes of evidence, question 87.

<sup>115</sup> House of Commons Quadripartite Committee, *Second Joint Report: Strategic Export Controls: Annual Report for 2001, Licencing Policy and Parliamentary Scrutiny*, paragraph 57.

In response Indian defence spending reportedly increased by 28% between 2000 and 2002.<sup>116</sup> In January 2002 a spokesperson at the Pakistani High Commission said that Pakistan was "very concerned" at India's arms purchases, that "any build-up of Indian equipment will aggravate the situation, as it will tilt the balance even more in favour of India and encourage aggression."<sup>117</sup> The same month saw one million troops massed along Kashmir's line of control. The head of the Indian army admitted that the build up of troops along the boarder had brought India and Pakistan "quite close to an actual war".<sup>118</sup> Later the Indian Defence minister warned "we are eyeball to eyeball".<sup>119</sup> As tensions increased further between India and Pakistan Blair warned during a January 2002 visit

This is obviously a very tense, a very difficult situation. If a conflict were to escalate out of control then it would have serious consequences not just for India and Pakistan but for the whole of this region and for the wider world. So in so far as we can, a calming influence is what we should exert.<sup>120</sup>

Still, Blair continued to discuss a proposed £1 billion Hawk deal with India during his "peace mission".<sup>121</sup> The Hawks are technically training aircraft although can be use as ground attack jets. There is no evidence to suggest that the government has sought assurances from India that should the sales of Hawk deal proceed, they would not be used in combat.<sup>122</sup>

Six weeks after Blair's departure, two UK trade missions arrived. A group from the Society of British Aerospace Companies hosted by the UK trade office in Bangalore and a groups of UK arms manufacturers hosted by the UK high commission in Delhi were visiting the "DEFEXPO" arms fair sponsored by the Indian government. The organisers of the fair were eager to highlight how arms manufacturers can access newly open markets arising from the Kashmir and Afghan conflicts. Official support for such missions, where the UK had one of the

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<sup>116</sup> Richard Norton-Taylor and Ewen MacAskill, '£1 bn arms push to India', *The Guardian*, 12<sup>th</sup> January 2002.

<sup>117</sup> Norton-Taylor and MacAskill, '£1 bn arms push to India'.

<sup>118</sup> Norton-Taylor and MacAskill, '£1 bn arms push to India'.

<sup>119</sup> 'Addicted to Arms: A Will Self Investigation' *Correspondent*, BBC Television, April 2002.

<sup>120</sup> 'Addicted to Arms: A Will Self Investigation'.

<sup>121</sup> John Pilger, 'Salesman of Death'.

<sup>122</sup> House of Commons Foreign Affairs Select Committee, *Second Joint Report: Strategic Export Controls. Annual Report for 2001, Licencing Policy and Parliamentary Scrutiny*, paragraph 56.

largest pavilions, reflects the priority given to both the Indian and Pakistan markets. No mention was made of UK arms being used to avoid conflict.

By May 2002 the UK government was under pressure to announce an arms embargo on both states but it later emerged that during April and May 2002 alone, 140 further standard arms licences were issued for India and 15 for Pakistan. It also emerged that from December 2001 to April 2002, the period of greatest regional tension, 101 standard licences for aircraft and related equipment were issued for India and 30 for Pakistan. An all-party committee was not impressed, arguing that

If the situation in India and Pakistan in the Spring of this year did not fully engage Criterion Four [preservation of regional peace, security and stability], it is difficult to conceive of circumstances short of all out war which would do so.<sup>123</sup>

By June the government advised all UK nationals to leave India and Pakistan because of growing fears that either side might mount a nuclear strike. October 2002 saw further missile tests as one million border troops were put on a war footing. Still the UK approved 62 open licences and £118 million worth of standard licences for India during the year including those covering aircraft cannons, combat aircraft and combat helicopters, military training aircraft, munitions launching equipment. The government also authorised 13 open licences and £15 million worth of standard licences for Pakistan during 2002 covering air to air missile components, combat aircraft components.<sup>124</sup> The tensions have continued into 2003 which, in March, saw 24 Hindus murdered by suspected Islamic militants in Kashmir. Three days later both India and Pakistan test fired nuclear capable missiles.

All the evidence shows that far from helping to prevent conflict, UK arms exports to two nuclear states, highlighted by DESO as "highly valuable priority markets", which UK-based arms-producing companies have especially targeted at times of greatest tension have exacerbated the potential for conflict. This potential has

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<sup>123</sup> House of Commons Select Committee on Foreign Affairs, Eighth Report from the Foreign Affairs Committee, First Joint Report of the Defence, Foreign Affairs, International Development and Trade and Industry Committees, *Strategic Export Controls: Annual Report for 2000, Licencing Policy and Prior Parliamentary Scrutiny*, 19<sup>th</sup> July 2002, HC 718, paragraph 61.

been fully realised in the Democratic Republic of Congo (DRC) to which this chapter will now turn.

*The UK's contribution to the "blight" of the Congolese civil war*

During Blair's 2001 Party Conference Speech he called on the international community to

sort out the blight that is the continuing conflict in the Democratic Republic of the Congo, where three million people have died through war or famine in the last decade.<sup>125</sup>

The DRC (formerly Zaire) has suffered ethnic conflict since May 1997 when rebel leader Kabila toppled the government of Mobutu. Kabila's regime was then attacked by militia sponsored by Rwanda and Uganda in September 1998 although troops from Chad, Zimbabwe, Angola, Namibia and the Congo all intervened to support Kabila.<sup>126</sup> Control of the state's vast natural wealth has been a motivating factor. A cease-fire was signed in July 1999 and a peace deal was agreed between the DRC and Uganda and Rwanda in 2002 but fighting and gross human rights abuses continue in the eastern provinces. What Blair failed to mention in his speech was that, this conflict has, at times, been fought between states which in themselves are armed, in part, by UK-based companies via export licences authorised by UK governments and by states whose forces have, in part, been trained by the MoD.

During 1997, the year that the conflict began, the UK government authorised licences covering military trucks to Angola, armoured four-wheel drive vehicles to Rwanda and shotgun / rifle ammunition to Uganda. The UK government has no way of knowing what the end use of these weapons will be once they have been delivered.

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<sup>124</sup> The Foreign and Commonwealth Office, *Strategic Export Control Report 2002*.

<sup>125</sup> Tony Blair, 2<sup>nd</sup> October 2001

<<http://politics.guardian.co.uk/speeches/story/0,11126,590775,00.html>> Last accessed 7<sup>th</sup> July 2003.

<sup>126</sup> CIA, *The World Fact-Book 2002* <<http://www.cia.gov/cia/publications/factbook/geos/cg.html>> Last accessed 7<sup>th</sup> July 2003.

During 1998 the government passed licences which allowed for the export of military cargo vehicles to Uganda, a state sponsoring Kabila's attackers. At the same time arms licences were authorised covering armoured vehicles and body armour to Angola and rifles, gun silencers and communications equipment to Namibia, both fighting in support of Kabila. Angola and Namibia were later joined by Zimbabwe. A standard recipient of UK arms throughout the 80s and 90s, Zimbabwe finally began direct military intervention in the DRC in August 1998 although was steadily supplying Kabila's militia with North Korean weapons from the mid 1990s.<sup>127</sup> Until 1998, the UK government had been licencing equipment including helicopter spares, submachine guns and ammunition, which was, in Hain's words "clearly equipment that could be used not just for defensive purposes but aggressive purposes."<sup>128</sup> During 1998, further licences were approved for Zimbabwe that allowed for the export of assault rifles, components for combat aircraft, military detonators, night vision goggles, rifles, pistols, shotguns and submachine guns.<sup>129</sup>

After Zimbabwe's intervention in August 1998 and until February 2000 the position of the UK government was that it "did not actually refuse licences to Zimbabwe for helicopter spares and sub machine guns during this period; rather, it did not issue any, because no such applications were received."<sup>130</sup> The government did, in fact, refuse one licence during that period but it also authorised licences to Zimbabwe for military use signal equipment spares (October 1998), components for Canberra, Hawk, Hunter and Islander aircraft (November 1998), components for military vehicles (May 1999) and military air traffic control radar (June 1999). The House Foreign Affairs Committee

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<sup>127</sup> Emily Mitchell, 'UK Arms Exports to Zimbabwe', September 2000, <<http://www.caat.org.uk/information/publications/countries/zimbabwe-0900.php>> Last accessed 18<sup>th</sup> July 2003.

<sup>128</sup> House of Commons Foreign Affairs Select Committee, *Seventh Report: Strategic Export Controls: Further Report and Parliamentary Prior Scrutiny*, 25<sup>th</sup> July 2000, HC 467, minutes of evidence question 11.

<sup>129</sup> FCO, *Strategic Export Controls Report 1999*.

<sup>130</sup> House of Commons Select Committee for International Development, *Seventh Report: Strategic Export Controls: Further Report and Parliamentary Prior Scrutiny*, 25<sup>th</sup> July 2000, HC 467, Appendix 5: Memorandum submitted by the department for Trade and Industry and the Foreign and Commonwealth Office.

concluded, "these licences may well have been used to supply spares for military equipment used for intervention in the DRC".<sup>131</sup>

In 1999, the first year where the value of approved export licences and number of open licences are reported, the government issued 7 open licences and £3 million worth of standard licences to Angola including those covering body armour and military helmets. The government also approved 4 open licences covering the export of military equipment to Uganda as well as a standard licence authorising the export of military utility vehicles. Although the Lusaka Peace Accords were signed in 1999, fighting between the African states in the DRC continued. The EU's response came in June 1999. The European Declaration on arms exports to the Great Lakes region stated

Member States will not allow exports which would provoke or prolong armed conflicts or aggravate existing tensions or conflicts in the country of final destination. Furthermore, Member States will not issue an export licence if there is a clear risk that the intended recipient would use the proposed export aggressively against another country or to assert by force a territorial claim.

The House Foreign Affairs Committee noted that the EU Declaration "does not in any event seem to have led to any substantial change in UK policy towards licencing of arms for Zimbabwe."<sup>132</sup> By the end of 1999 Zimbabwe had 11,000 troops fighting in the DRC<sup>133</sup>

In response to the continuing crisis Blair announced on 9<sup>th</sup> February 2000 that the government would not issue licences to any country involved in the DRC conflict if "there is a clear risk that it would be used in the DRC."<sup>134</sup> But two weeks later, on 24<sup>th</sup> February 2000, the government announced that seven licences to Zimbabwe for Hawk spare parts would be allowed. No end-conditions were specified for the planes benefiting from these parts. It has been widely reported that at least two jets would not have been able to operate without the

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<sup>131</sup> House of Commons Foreign Affairs Select Committee, *Seventh Report: Strategic Export Controls: Further Report and Parliamentary Prior Scrutiny*, 25<sup>th</sup> July 2000, HC 467, paragraph 14.

<sup>132</sup> House of Commons Foreign Affairs Select Committee, *Seventh Report: Strategic Export Controls: Further Report and Parliamentary Prior Scrutiny*, paragraph 16.

<sup>133</sup> Mitchell, 'UK Arms Exports to Zimbabwe'.

<sup>134</sup> House of Commons, *Hansard, Written Answers*, 9<sup>th</sup> February 2000, column 184.

spares. These spares were authorised even though just seven weeks later Peter Hain, then Minister at the Foreign Office, admitted that some would be used to service Hawks in service in the Congo war.<sup>135</sup> The Chair of the Foreign Affairs Committee, Ted Rowlands, asked Peter Hain shortly after this admission in May 2000 "would you accept that it is not an unreasonable conclusion to draw that the granting of these licences was a clear breach of the terms of the European Union Declaration of June 1999?" Hain replied "I think that might be one interpretation of it; I am conceding that point." The Foreign Affairs committee concluded that the need to retain BAE Systems' reputation had outweighed the need to stop arming Zimbabwe.<sup>136</sup> Hain argued that it was the need to fulfill the contractual obligation between Zimbabwe and BAE Systems under licences agreed under the previous government that lay behind the export of the Hawk spares.<sup>137</sup> The government's argument that there is a legal or contractual obligation to continue to supply parts for equipment agreed by the Conservative government changes from state to state and over time. In May 2000, the UK government imposed an arms embargo on Zimbabwe after increased violence against farmers, farm workers and opponents of the Mugabe regime. All existing contracts were revoked despite the government's previous claims that it was under a legal obligation to continue supplies.

In the same year, 2000, £1 million worth of licences to Angola were passed covering, amongst other items, military communications equipment and military vehicles. A licence allowing military cargo vehicles to be exported to the DRC was also issued. The government revoked seven open licences previously approved for Namibia but allowed £1 million worth of standard licences which covered the export of assault rifles and submachine guns. Three open licences covering exports to Uganda were also revoked although standard licences allowing the export of military vehicles were authorised.<sup>138</sup>

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<sup>135</sup> House of Commons, Foreign Affairs Committee, 6<sup>th</sup> November 2000, Minutes of Evidence for Tuesday 18<sup>th</sup> April 2000, HC 447-I, Questions 90-94.

<sup>136</sup> House of Commons Foreign Affairs Select Committee, *Seventh Report: Strategic Export Controls: Further Report and Parliamentary Prior Scrutiny*, paragraph 21.

<sup>137</sup> House of Commons Foreign Affairs Select Committee, *Seventh Report: Strategic Export Controls: Further Report and Parliamentary Prior Scrutiny*, minutes of evidence questions 6-9.

<sup>138</sup> FCO, *Strategic Export Controls Report 2000*.

In 2001 the government issued four open licences alongside £8 million worth of standard licences to Angola covering military aircraft equipment and armoured vehicles. The government later claimed that they "assessed there to be no clear risk that goods licenced for export to Angola would be used in the Democratic Republic of the Congo" and that much of the exports are destined for the oil industry.<sup>139</sup> The government also authorised licences that allowed armoured vehicles to be exported to Uganda (although the government claims that these were for peacekeeping operations). The UK army had been training members of the Zimbabwe army up until at least February 2001 when the team withdrew in protest at the repressive actions of Mugabe.<sup>140</sup> But representatives from opposing sides in the war, Uganda and Angola were invited to attend the DSEI arms exhibition in September 2001.<sup>141</sup> During 2002 the government passed seven open licences and £14 million worth of standard licences for Angola covering armoured vehicles, military communications equipment, military cargo vehicles and body armour.<sup>142</sup>

In 2003, the war was centered on the eastern provinces of the DRC where militia, armed, supplied and trained by the governments of the DRC, Uganda and Rwanda, continue to carry out the most appalling human rights abuses. By April 2003, a leading US aid agency estimated that the number of deaths directly resulting from the war in the DRC over the last four and a half years, a war barely mentioned in the mainstream media, stood at between 3 million and 4.7 million. The deaths mainly resulted from starvation and disease associated with the conflict<sup>143</sup> although there have been repeated reports of genocide, mutilations, widespread rape and murder. In March 2003 there were reports of a massacre on the Ugandan boarder in which between 250 and 467 people were

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<sup>139</sup> House of Commons Quadripartite Committee, *Second Joint Report: Strategic Export Controls: Annual Report for 2001, Licencing Policy and Parliamentary Scrutiny*, appendix 6: Government memorandum in response to questions from the Quadripartite Committee relating to the 2001 Annual Report on strategic export controls.

<sup>140</sup> Tim Butcher and David Blair, 'Britain will pull military trainers out of Zimbabwe', *The Daily Telegraph*, 20<sup>th</sup> February 2001.

<sup>141</sup> Catherine Brown, Nick Gilby and Simon Kearns, 'Arms to Africa', *CAAT news*, December 2001 <<http://www.caat.org.uk/information/magazine/1201/africa.php>> Last accessed 18<sup>th</sup> July 2003.

<sup>142</sup> FCO, *Strategic Export Controls Report 2002*.

<sup>143</sup> International Rescue Committee, 'Mortality in the Democratic Republic on Congo: Results from a Nationwide Survey' at <<http://www.theirc.org/mortality/>> Last accessed 14<sup>th</sup> July 2002.



killed.<sup>144</sup> Still, Uganda and Rwanda remain involved. In August 2003, a Channel four documentary reported that Thomas Lubanga, leader of one of the main militia groups, the Union of Congolese Patriots, has received arms and training from Uganda and later from Rwanda.<sup>145</sup> In May 2003 Blair announced that he was considering a request from the UN to send UK troops to the Congo as part of a peacekeeping operation.<sup>146</sup>

Although very little information exists as to the end-use of arms exported to the states involved in the DRC war since 1997, it is difficult to believe that none were used in the DRC. Given this, and the case of the Hawks, which were almost certainly used in the DRC, it is difficult to believe that UK arms exports have contributed to conflict avoidance and stability in a war which has seen the deaths of up to 4.7 million people.

To add to this are the cases of Israel, Indonesia, India/Pakistan and states fighting in the DRC the case of Columbia. The government approved 68 open licences between 1999 and 2002 as well as £2 million worth of standard licences covering military communications equipment, military aero-engines, smoke hand grenades and stun grenades. The government also approved 52 open licences to Sri Lanka between 1999 and 2002 as well as £8 million worth of standard licences in 2000 and £15.5 million in 2001 covering heavy machine guns, armoured vehicles, grenade launchers, semi-automatic pistols and submachine guns.<sup>147</sup> Both Columbia and Sri Lanka are engaged in protracted internal conflicts. In July 1999, Royal Ordnance (now part of BAE Systems) began refurbishing 30 large field guns in Morocco after a licence was approved. Reportedly the guns are now used on the front line of the 27-year-old conflict over the Western Sahara region.<sup>148</sup> To add to this are signs that the government has no plans to reassess their response to the use of UK exported arms in conflict situations. Since September 2001, the government has emphasised the

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<sup>144</sup> House of Commons, *Hansard*, 6<sup>th</sup> March 2003, columns 359-360.

<sup>145</sup> 'Congo's Killing Fields', *Dispatches*, Channel Four Television, 17<sup>th</sup> August 2003.

<sup>146</sup> House of Commons, *Hansard*, 22<sup>nd</sup> May 2003, column 974.

<sup>147</sup> FCO, *Strategic Export Controls Report 2000*.

<sup>148</sup> Paul Eavis, 'Analysis arms trade - A question that won't go away for Labour - is it ethical to sell arms to countries at war?', *The Independent*, 28 May 2002.

right of every state to eliminate terrorist activities from within its borders. During a Labour Party Conference fringe meeting, the then Foreign Office Minister responsible for arms exports, Ben Bradshaw, challenged the idea of refusing export licences to Indonesia, Algeria and Sri Lanka since all are run by democratically elected governments facing internal terrorist threats.<sup>149</sup>

The points of concern identified above - the use of UK sourced arms in conflict, their increased availability in times of crisis and the way that they are funneled to rival states - are persistent characteristics of UK involvement in the international arms market. UK arms exports are supplied to states in conflict vulnerable situations or already engaged in conflict all the time. The government claim that the arms exports it authorises help to avert conflict is simply inconsistent with this.

## CONCLUSION

The government finally claims that exporting arms brings political benefits - they buy the UK political influence over recipient states and facilitate international peace and stability.<sup>150</sup> Yet all the evidence points to how, in a buyers' market, seller states are forced to offer increasingly favourable deals to recipient states, a necessity that underlies the need for successive UK governments to become public apologists for some of the worst abusers of human rights. This need is particularly relevant for a Labour government which, during the first two years of power, included amongst its top arms customers persistent human rights abusers. As part of New Labour's contribution to international peace, it has approved export licences to states experiencing conflict. It has consistently sold arms to states where UK sourced equipment and components have been used in existing conflicts. It has seemingly adopted a deliberate policy of targeting conflict-vulnerable, often rival states as its arms recipients, frequently increasing sales at times of greatest tension sometimes just weeks after concerns over regional tension have been expressed at the highest level. In particular, the UK

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<sup>149</sup> House of Commons, Foreign Affairs Select Committee, *Second Report: British-US Relations*, 18<sup>th</sup> December 2001, HC 327, appendix 5: Memorandum from Saferworld.

government has supplied arms to Israel, Indonesia, India, Pakistan and to states who became involved in the Democratic Republic of Congo war, often after the use of equipment in contravention of end-user assurances.

These first three chapters have examined the rationales offered by the New Labour government to justify continued support for arms exports. They have found the economic, strategic and political justifications offered to be either unproven or unsustainable. If arms exports are about pursuing the UK's economic and strategic interests whilst buying political influence and contributing to international peace, the government's case does not hold up. What has held up however is the unique relationship between government and the UK-based arms industry, a relationship that the remainder of this report will examine.

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<sup>150</sup> See House of Commons Defence Select Committee, *Second Report: The Appointment of the New Head of Defence Export Services*, 31<sup>st</sup> March 1999, HC 147, paragraph 10; House of Commons, *Hansard*, 28th July 1997, Written Answers Col. 26.

## PART TWO

# Why New Labour Support Arms Exports: The Real Reasons

### INTRODUCTION

The problem does not lie itself in the arms industry trying to engage with and influence government. Arms-producing companies, like all corporations and other interests groups, have a democratic right to do so. Company directors are, in fact, under a legal obligation to establish and foster a corporate friendly environment within government as a result of their legal obligation to "act in the best interests of the company as a whole" widely interpreted in UK courts as in the best interests of shareholders.<sup>1</sup> The problem is that the levels of influence enjoyed by military industry over government are highly disproportionate to the requirements of the UK public interest. The second part of this thesis puts forward the claim that the industry enjoys this influence because of its political power, rather than just its democratic right. There exists a self-serving, mutually reinforcing relationship between government and a politically powerful industry which enjoys a level of influence disproportionate to that enjoyed by the non-corporate constituency and which appears disproportionate to that enjoyed by other industrial sectors. This part of the thesis explores by what means military industry has attained and retained this power under the New Labour government by looking at the impact of a variety of different mechanisms through which the industry is linked to New Labour. It begins, in chapter four, with an attempt to map out, in-depth, how arms-producing companies are linked to the Labour Party, primarily to consider whether there might exist a mutually beneficial relationship between the two. Chapter five outlines the relationship between the MoD and the DTI on the one hand and current or former arms-producing

company employees on the other. This is undertaken primarily to consider whether military industry enjoys influence disproportionate to the non-corporate sector or to other industries and whether the two are so deeply interconnected that this amounts to a situation whereby military industry is increasingly able to integrate itself with those on the inside of government. Chapter six considers new elements in government industry relations. It asks whether the use of Labour linked think tanks, domestic lobbying groups, international corporate pressure groups and Labour initiated privatisation schemes also point to the same themes - a mutually beneficial relationship, disproportionate influence and the existence of an integrated elite. Corporate involvement in these aspects of governance is nothing new and each link may not in itself be objectionable but what can be assumed is that there is a cumulative impact of all this activity and particularly, a cumulative impact on the way in which the interests of industry and the state interplay.

This part of the thesis begins with a consideration of how the links between arms-producing companies and the Labour Party might impact on the political power of the industry.

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<sup>1</sup> Rebecca Spencer, 'Corporate Law and Structures: Exposing the roots of the problem' <<http://www.corporatewatch.org.uk>> Last accessed 1<sup>st</sup> May 2004.

# **CHAPTER FOUR: LINKS BETWEEN ARMS-PRODUCING COMPANIES AND THE LABOUR PARTY**

## **INTRODUCTION**

The aim of this chapter is to look at what kind of relationships exist between arms-producing companies and the Labour Party. The chapter looks first at the relationship between arms companies and Labour MPs, specifically at MPs who have registered interests with arms-producing companies and at whether those Members have the potential to be significant to arms export policy. It then compares this to the situation in the Lords as the links between arms companies and Labour Peers are mapped out. The chapter then turns to the Labour Party itself with a focus on the overt and more covert ways in which arms companies have funded the party. The chapter concludes on a wider note, with a discussion of the importance of corporate funding for the party in the last two decades and the potential for this importance to have affected Labour's attitude to big business in general.

## **CONTINUING ARMS INDUSTRY INVESTMENT IN MPs**

One of the most obvious places to start looking for an understanding of government-industry relations is at MPs and at the interests that they have in arms-producing companies. But the Commons appears to lack effective democratic controls over military policy. MPs are able to question Ministers and scrutinise government via Select Committees but the budget and activities of departments most involved in determining export subsidies are largely outside the control of MPs. These MPs do not enjoy prior parliamentary scrutiny of arms export licencing decisions, parliamentary debate is often stifled by governments withholding information on arms exports on the basis of commercial confidentiality, they have no voice in deciding whether to impose or lift

international arms embargoes or on their severity. To add to this is Blair's typically presidential style of leadership and the scope for MPs to make a real impression in export policy appears minimal.

Equally minimal are the numbers of MPs who register interests with arms-producing companies. The Observer's Nick Cohen was wrong when he wrote "the registers of members' interests are peppered with MPs ... who are directors of defence companies or recipients of their hospitality."<sup>2</sup> They are not. Appendix eighteen shows at that time, from 659 MPs, only five registered interests with such companies and only one of these was a Labour MP.<sup>3</sup> This pattern is very typical of the registers since Labour came to power. When it comes to constituency instead of personal interests, research has shown that 124 Labour MPs from a total of 410 have BAE Systems sites within 20 miles of their constituencies. Yet this group are neither over represented amongst MPs with government jobs, nor amongst MPs signing Early Day Motions in favour of the arms industry.<sup>4</sup> More substantive links between government and industry are likely to be found elsewhere but those between the arms industry and MPs cannot be dismissed

Arms-producing companies clearly think that MPs are worth investing in. Barry Jones MP, Labour MP until 2001 for Alyn & Deeside, which includes the BAE Systems Broughton factory and a Raytheon Systems plant, visited Toulouse in 1998 as a guest of British Aerospace.<sup>5</sup> In 2000 Jones, and his wife, were also guests of BAE Systems at the Royal Opera House in London.<sup>6</sup> Jones, who was the Shadow Secretary of State for Wales (1983-92)<sup>7</sup> had lobbied for both Government launch investment loans for civilian BAE Systems projects and for the MoD to buy Raytheon air-to-air missiles to equip the Eurofighter.<sup>8</sup> In the same

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<sup>2</sup> Nick Cohen, 'Our sky-high arms fiasco', *The Observer*, 22<sup>nd</sup> September 2002.

<sup>3</sup> House of Commons, *The Register of Members' Interests* as at November 2001 <<http://www.parliament.the-stationery-office.co.uk>> Last accessed 26<sup>th</sup> June 2004.

<sup>4</sup> Judith Rattenbury, *BAe Systems and MPs*, Campaign Against Arms Trade internal report, March 2004

<sup>5</sup> House of Commons, *The Register of Members' Interests* as at 2<sup>nd</sup> December 1998.

<sup>6</sup> House of Commons, *The Register of Members' Interests* as at 14<sup>th</sup> May 2001.

<sup>7</sup> BBC Wales, *Lord Barry Jones*

<[http://www.bbc.co.uk/wales/northeast/guides/halloffame/public\\_life/lord\\_barry\\_jones.shtml](http://www.bbc.co.uk/wales/northeast/guides/halloffame/public_life/lord_barry_jones.shtml)> Last accessed 26<sup>th</sup> June 2004.

<sup>8</sup> House of Commons, *Hansard*, 28<sup>th</sup> June 2000, column 895.

year Labour backbencher, David Borrow MP, declared a January trip to Airbus Industrie in Toulouse. His return flights from Chester were paid for by British Aerospace. In June 1999, British Aerospace also paid for Borrow's trip to the Paris Air Show.<sup>9</sup> The company has a large plant at Samlesbury within Borrow's constituency, South Ribble, in the Northwest of England.<sup>10</sup> Also in 1998 Labour's Gordon Marsden MP left his Blackpool constituency, which includes many employees of BAE Systems' Warton plant, to attend an EU enlargement conference in Slovenia at the expense of British Aerospace.<sup>11</sup> The BAE Systems plant at Warton has benefited from the Eurofighter programme.<sup>12</sup> In January 2001 BAE Systems provided Dr John Reid MP with a helicopter to fly to a shipyard in Glasgow. He was upgraded to the Chair's private jet for the return journey to Northolt.<sup>13</sup> Reid, who was Secretary of State, Scotland Office at the time had been Junior Minister of Defence (1997-1998) and is currently Secretary of State for Health.<sup>14</sup> A few months later Labour MP for Nottingham North, Graham Allen, was sponsored in part by Rolls Royce as a representative of the UK and Irish Parliamentary Rugby Team to play the Australian Parliament Rugby Team.<sup>15</sup> Sport was also on the agenda for the Secretary of State for Trade and Industry, Patricia Hewitt MP, who attended the Wimbledon ladies tennis finals in July 2003 as a guest of Boeing UK, part of the American arms giant Boeing.<sup>16</sup>

Arms-producing companies have also shown interest in Parliamentary Groups. Part of the expenses incurred by former Prescott and Blair policy advisor Roger Casale MP in the course of his work for the All-Party British Italian Parliamentary Group have been paid by the groups' sponsors - military helicopter manufacturer GKN.<sup>17</sup> In this capacity GKN also made a contribution to the expenses of Bruce

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<sup>9</sup> House of Commons, *The Register of Members' Interests* as at 2<sup>nd</sup> December 1998 and 31<sup>st</sup> January 2000.

<sup>10</sup> BAe Systems, *Locations and Links* <<http://www.jobsatbaesystems.co.uk/air/main.htm>> Last accessed 26<sup>th</sup> June 2004.

<sup>11</sup> House of Commons, *The Register of Members' Interests* as at 2<sup>nd</sup> December 1998.

<sup>12</sup> House of Commons, *Hansard*, 10<sup>th</sup> January 2001, Written Answers, column 544.

<sup>13</sup> House of Commons, *The Register of Members' Interests* as at 14<sup>th</sup> May 2001.

<sup>14</sup> Guardian Unlimited: Ask Aristotle biography search engine at <<http://politics.guardian.co.uk/person/parliament/0,9307,-4372,00.html>> Last accessed 26<sup>th</sup> June 2004.

<sup>15</sup> House of Commons, *The Register of Members' Interests* as at 14<sup>th</sup> May 2002.

<sup>16</sup> House of Commons, *The Register of Members' Interests* as at 21<sup>st</sup> May 2004.

<sup>17</sup> House of Commons, *The Register of Members' Interests* as at 4<sup>th</sup> December 2003.



George MP during a 1999 trip to Italy.<sup>18</sup> George has been Chair of the Select Committee on Defence since 1997.<sup>19</sup> A fellow Defence Committee member and former Parliamentary Private Secretary to Stephen Byers MP, Rachel Squire MP who visited Barrow in Furness in March 2004 at the expense of BAE Systems also received remuneration from GKN for travel expenses to Italy.<sup>20</sup> In total, the British-Italian Parliamentary Group receives £10,000 p.a. from the company.<sup>21</sup> It is one of only nine all-Party country specific Parliamentary Groups registering receipt of external financial support from a total of 114 in June 2004. Another is the All-Party Parliamentary Group on Japan that registered £500 from Rolls Royce although BAE Systems was sponsoring the All-Party Group on Iran £2,000 until at least October 2003.<sup>22</sup>

The members of the parliamentary group on Iran, along with all MPs until at least June 2001, also had a more personal interest in BAE Systems. MPs were holding an undisclosed amount of BAE Systems shares in their pension fund until at least June 2001 according to the BBC. The trustees of the Parliamentary pension fund are legally bound to invest in firms that offer the best return and as such do not take account of ethical issues.<sup>23</sup> Their value went up after NATO began bombing Serbia in 1999 and after September 11th.<sup>24</sup>

MoD activities in these conflicts and more generally are scrutinised by the Select Committee on Defence. Michael Mates, former Chair of the Committee (1987-1992) is now an advisor on military matters to ABS Aircraft AG, a Swiss company manufacturing hovercraft and to Matra Hachette. Little information is available on ABS Aircraft but Matra is a French company involved in "defence co-operation" with the UK. As Chair of the Defence Committee, Mates was reportedly

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<sup>18</sup> House of Commons, *The Register of Members' Interests* as at 10<sup>th</sup> November 2000.

<sup>19</sup> DoD, *MP's Biographies - Bruce George* <<http://www.politicallinks.co.uk>> Last accessed 26<sup>th</sup> May 2004.

<sup>20</sup> House of Commons, *The Register of Members' Interests* as at 10<sup>th</sup> November 2000; House of Commons, *The Register of Members' Interests* as at 21<sup>st</sup> May 2004.

<sup>21</sup> House of Commons, *The Register of all Party Groups* as at 25<sup>th</sup> June 2004 <<http://www.publications.parliament.uk/pa/cm/cmparty/040625/memi01.htm>> Last accessed 6<sup>th</sup> July 2004.

<sup>22</sup> House of Commons, *The Register of all Party Groups* as at 24<sup>th</sup> October 2003.

<sup>23</sup> Unnamed, 'Commons pension fund under fire', *BBC news online*, 24<sup>th</sup> June 2001 <[http://news.bbc.co.uk/1/hi/uk\\_politics/1404629.stm](http://news.bbc.co.uk/1/hi/uk_politics/1404629.stm)> Last accessed 3<sup>rd</sup> December 2003.

<sup>24</sup> CAAT, *BAe Systems 2002: Alternative Report* (London: CAAT, 2002) <<http://www.caat.org.uk>> Last accessed 3<sup>rd</sup> December 2003.

financially linked to a military consultancy that dealt with the government, a conflict of interest which came to light when Jonathon Aitken leaked information about Mates.<sup>25</sup> Up until November 2003 the Committee included Gerald Howarth, Conservative Shadow Defence Minister. His Farnborough and Aldershot constituency includes the headquarters of BAE Systems and QinetiQ - formed from the majority of what used to be the government's own defence research establishment, 33.8% of which has now been sold to the Carlyle group. Although both the company and Howarth deny the claim, Gerald James, former Chair of arms firm Astra Holdings alleges that Howarth received sponsorship from British Aerospace and had, as a consultant to Astra, attempted to influence James' evidence to the Iraqi supergun inquiry.<sup>26</sup> Howarth's secretary/research assistant is Michael Wood. Wood is a military consultant and Managing Director of Whitehall Advisors whose clients include BAE Systems and missiles systems company MBDA.<sup>27</sup> Howarth left the committee at the same time as Conservative MP Patrick Mercer. Mercer's secretary/research assistant, Caroline Flynn-MacLeod, was head of Parliamentary Affairs and Senior Business Analyst at GEC (now owned by BAE Systems) from 1997 to 1999.<sup>28</sup> She is currently a partner in the lobbying company Terrington Management Consultancy whose clients include the worlds largest weapons contractor Lockheed Martin as well as BAE Systems.<sup>29</sup> Terrington's other partner is Geoffrey Pattie, former Minister for Defence Procurement (1983-1984), former Director of Communications at GEC (1998-1999) and former Chair of Marconi Electronics (1990-1999), now owned by BAE Systems.<sup>30</sup>

Given Caroline Flynn-MacLeod's background she probably has no need for the IT training offered to the staff of MPs, one way in which all MPs are able to

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<sup>25</sup> Richard Norton-Taylor and Kamal Ahmed, 'How the golden world of a man who would be king turned to dust', *The Guardian*, 21<sup>st</sup> June 1997.

<sup>26</sup> Gerald James, *In the Public Interest* (London: Little, Brown and Company, 1995) p 298.

<sup>27</sup> House of Commons, *The Register of Interests of Members' Secretaries and Research Assistants* as at 25<sup>th</sup> May 2004 <<http://www.publications.parliament.uk>> Last accessed 26<sup>th</sup> June 2004.

<sup>28</sup> House of Commons, *The Register of Interests of Members' Secretaries and Research Assistants* as at 24<sup>th</sup> October 2003 <<http://www.publications.parliament.uk/pa/cm/cmsecret/memi04.htm>> Last accessed 5<sup>th</sup> April 2004; Terrington Management, *Caroline Flynn-MacLeod* <<http://www.terringtonmanagement.com/people.html>> Last accessed 26<sup>th</sup> June 2004.

<sup>29</sup> House of Commons, *The Register of Interests of Members' Secretaries and Research Assistants* as at 24<sup>th</sup> October 2003.

<sup>30</sup> Terrington Management, *Geoffrey Pattie* <<http://www.terringtonmanagement.com/people.html>> Last accessed 26<sup>th</sup> June 2004.

benefit from the work of arms-producing companies. Via a partnership between BAE Systems, The Centre for Employment Initiatives and The Industry and Parliamentary Trust, the "Learning for Work in the Parliamentary Workplace" programme guides Parliamentary staff through CD-ROM courses at BAE Systems' "Virtual University" at a base in Westminster.<sup>31</sup>

But overall the potential for the arms export lobby to increase its influence in government via MPs appears limited. It is unclear how the majority of MPs could be influential, there are very few members linked to arms-producing companies and not all will have a significant influence on arms export policy. More significant has been the hospitality enjoyed from arms companies by MPs who are themselves higher in the Labour hierarchy and by those who have sat on the Defence Committee. The numbers involved are comparable to the number of Labour Peers with links to arms companies. But in the Lords, the connections are much more substantial.

#### INDUSTRY LINKED LABOUR PEERS IN INFLUENTIAL POSITIONS WITHIN THE PARTY

The Lords may be peppered with directors - in 2002 one in three Peers held a directorship - but, like the Commons, very few members have links to arms-producing companies. This is shown in appendix nineteen.<sup>32</sup> Unlike the Commons, this small number of Labour Peers linked to arms-producing companies have all enjoyed influential government jobs and/or have links to some of the highest echelons of the New Labour movement.

Labour Peer Lord Simpson of Dunkeld is best known for reportedly enjoying more than £1 million p.a. between 1998 and 2000 as Chief Executive of GEC (renamed Marconi in 1999), and a £300,000 pay off, reportedly reduced from £1

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<sup>31</sup> Matthew Donaghy, 'Parliament becomes a learning organisation' <[www.epolitix.com](http://www.epolitix.com)>; Unnamed, 'Improving the democratic process with Projectplace' <<http://www.projectplace.co.uk/case/case/IPT.htm>> Last accessed 3<sup>rd</sup> December 2003; Matthew Donaghy, 'Training and networks for Parliamentary workers', February 2001 <<http://www.nw.wea.org.uk/parliam.htm>> Last accessed 23<sup>rd</sup> December 2003.

<sup>32</sup> Unnamed, 'Peer Defends having 21 directorships', *The Guardian*, 13<sup>th</sup> August 2002.

million after shareholder protests.<sup>33</sup> GEC/Marconi did not do so well.

Shareholders enjoyed a 98% fall in the value of their shares during his reign.<sup>34</sup>

Simpson is less well known as having been Deputy Chief Executive of British

Aerospace (1992-1994).<sup>35</sup> He had been described as one of the ten most globally

influential people in military industry.<sup>36</sup> In June 2004 he was still registering

shares in BAE Systems worth £219,220.<sup>37</sup> Up until December 2002, he was also

registering half a million shares in Marconi.<sup>38</sup> Made a Peer by Blair in August

1997,<sup>39</sup> Simpson was called an "impeccable Blairite",<sup>40</sup> a "corporate titan" whose

"support was eagerly sought and gladly given to New Labour at the election"<sup>41</sup> He

was one of 58 Chairs/CEOs who wrote to The Times in May 2001 claiming,

somewhat ironically in Simpson's case, that the Labour Party had created a

"stable business environment ... for businesses to grow," and as such urged all

business leaders to support the party.<sup>42</sup>

Another signatory of the Times letter was Labour Peer Lord Swraj Paul. Paul

owns the steel manufacturing group Caparo, both a major Labour donor and a

supplier of parts to military industry. Caparo reportedly made donations to the

Party in 1996 (£109,000), 1997 (£76,000), 1998 (£101,000), 2000 (over £5,000),

2001 (over £5,000) and 2002 (£5,500).<sup>43</sup> Lord Paul was ennobled at Blair's

request in 1997. He reportedly became an ambassador for UK industry and has

since acted as an "unofficial envoy" between the UK and India, unaccountable to

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<sup>33</sup> Red Star Research, *The 58 Business Supporters*, <<http://www.red-star-research.org.uk>> Last accessed 26<sup>th</sup> June 2004; Unnamed, 'Marconi pay-off is 'outrageous'', *BBC News Online*, 11<sup>th</sup> October 2001 <<http://news.bbc.co.uk/1/hi/business/1593171.stm>> Last accessed 26<sup>th</sup> June 2004.

<sup>34</sup> Andrew Rawnsley, 'Time to bring reckless tycoons to account', *The Observer*, 9<sup>th</sup> September 2001.

<sup>35</sup> DoD, *House of Lords - Lord Simpson* <<http://www.politicallinks.co.uk>> Last accessed 26<sup>th</sup> May 2004.

<sup>36</sup> Unnamed, 'The defence industry's most influential individuals' *Defence Daily Network*, August 1998 <<http://www.defensedaily.com/defensebusiness/owens.htm>> Last accessed 26<sup>th</sup> June 2004.

<sup>37</sup> House of Lords, *The Register of Lords' Interests* as at 22<sup>nd</sup> June 2004.

<sup>38</sup> House of Lords, *The Register of Lords' Interests* as at May 2002.

<sup>39</sup> 'List of Peerages created since 1997', e-mail, Information Service, House of Lords, to the author, 8<sup>th</sup> April 2003.

<sup>40</sup> Ian Bell 'Proof that the public sector doesn't have a monopoly on basket cases', *Business a.m.*, 6<sup>th</sup> September 2001 <<http://www.businessam.co.uk/BreakingNews/articles/0,1909,48961,00.html>> Last accessed 16<sup>th</sup> May 2003.

<sup>41</sup> Rawnsley, 'Time to bring reckless tycoons to account'.

<sup>42</sup> 'Business names support Labour' (letters to the editor), *The Times*, 14<sup>th</sup> May 2001; Red Star Research, 'The 58 Business Supporters'.

<sup>43</sup> Red Star Research, *Lord Swraj Paul*; Labour Party, *Annual Report 2001 and Annual Report 2002*; The Electoral Commission, *Register of donations to political parties* <<http://www.electoralcommission.gov.uk>> Last accessed 26<sup>th</sup> June 2004.

Parliament.<sup>44</sup> Since 2002 he has expand his involvement with government by becoming a member of the DTI Industrial Development Advisory Board, a member of the Foreign and Commonwealth Office Panel 2000 that promotes the UK image abroad and the Competitiveness Working Party.<sup>45</sup>

Labour's Lord Clark of Windermere continues to have a considerable interest in military policy. Clark was Shadow Defence Secretary from 1992 to 1997. He has been enjoying his position as a Non-Executive Director of the French based military electronics company Thales since 1999.<sup>46</sup> A member of Blair's first cabinet in 1997 as Chancellor of the Duchy of Lancaster, Clark became a Labour Peer from 2001 and continues to sit as a strong supporter of the government in the House of Lords.<sup>47</sup> In April 2002, Lord Clarke voted against an amendment to the Export Control Bill that would have strengthened the requirement for the government to take account of sustainable development when making export licence decisions.<sup>48</sup>

Now sitting alongside Lord Clark is Labour Peer Lord Taylor of Blackburn. Lord Taylor, who donated £2,000 to the Labour party in May 2001,<sup>49</sup> has been a consultant to BAE Systems since 1994.<sup>50</sup> Taylor appears to have particularly strong links to Foreign Secretary Jack Straw, contributing more than 25% of the Foreign Secretary's election expenses incurred during the 2001 general election.<sup>51</sup>

Much closer to the heart of BAE Systems was Labour Peer Lord Clive Hollick. Hollick had been a Director of British Aerospace from 1992 until 1997.<sup>52</sup> His Directorship ended just as he became a Special Advisor to Margaret Beckett at the DTI from May 1997 and after her departure, to Peter Mandelson until October

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<sup>44</sup> Red Star Research, *Lord Swraj Paul*.

<sup>45</sup> The Register of Lords' Interests as at 2<sup>nd</sup> December 2003; Caparo, 'Caparo PLC' <<http://www.caparo.co.uk/contactus.asp>> Last accessed 3<sup>rd</sup> December 2003.

<sup>46</sup> *Who's Who, 2003: an annual biographical record* (London: A & C Black, 2003), p 404.

<sup>47</sup> The House of Lords, *Attendance and Voting Records for Session 2001-2002*, 18<sup>th</sup> November 2002.

<sup>48</sup> The House of Lords, *Hansard*, 18th April 2002, column 1106.

<sup>49</sup> The Electoral Commission, *Register of donations to political parties*.

<sup>50</sup> House of Lords, *The Register of Lords' Interests as at 22<sup>nd</sup> June 2004*; DoD, *House of Lords - Lord Taylor* <<http://www.politicallinks.co.uk>> Last accessed 26<sup>th</sup> May 2004.

<sup>51</sup> House of Commons, *The Register of Members' Interests as at 14<sup>th</sup> May 2002*.

1998. Robin Cook's unofficial biographer, John Kampfner claims that by this time Hollick was already an "important behind the scenes player in the Labour hierarchy" not just at the DTI but also to Blair.<sup>53</sup> Andrew Rawnsley, associate editor of *The Observer*, and others, have reported that Cook privately blames Hollick's influence in Downing Street for his failure to push through tighter regulation of arms exports.<sup>54</sup> Kampfner reports that Blair's principal private secretary, John Holmes, sat with Cook's officials for four hours toning down, line by line, Cook's new criteria. These criteria, announced to the House on 28<sup>th</sup> July 1997, were not only watered down but would not apply to licences issued under the Conservatives. This allowed the late 1990s export of 16 BAE Systems Hawk-209s, 50 Alvis armored vehicles and 8 Tactica water canons to Indonesia despite the continuing genocide in East Timor and their potential use in Aceh and West Papua. Hollick, reportedly made a Labour Life Peer on Neil Kinnock's recommendation in 1991,<sup>55</sup> became the Director of US military technology company TRW Inc, in February 2000.<sup>56</sup> Now owned by global military corporation Northrop Grumman, TRW had reportedly been facing charges of fraud in 2000 over manipulating the results of tests carried out on the National Missile Defence Programme.<sup>57</sup> But Hollick retained his links with UK-based industry emerging as one of the leading contenders to take over from Dick Evans as Chair of BAE Systems when his contract expired in July 2004.<sup>58</sup>

Hollick is also well known as the former Chief Executive of TV and print empire United News and Media which included Anglia, HTV, Meridian, the pro-Labour Express, Daily Star and PR Newswire (a major news distribution company in the US). In mid 2000 Hollick began selling off his TV and newspaper companies most controversially selling *The Express* to soft porn publisher Richard Desmond

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<sup>52</sup> DoD, 'Biographies - Lord Hollick'.

<sup>53</sup> John Kampfner, *Robin Cook* (London: Phoenix, 1998) p. 145.

<sup>54</sup> Andrew Rawnsley, *Servants of the People: The inside story of New Labour* (Suffolk: Penguin Books, 2001), p. 170; Nick Cohen, 'Our sky-high arms fiasco'; David Osler, *Labour Party plc: New Labour as a Party of Business*, (Edinburgh: Mainstream Publishing, 2002) p. 188.

<sup>55</sup> Kampfner, *Robin Cook*, p. 145.

<sup>56</sup> DoD, 'Biographies - Lord Hollick'.

<sup>57</sup> William D. Hartung and Frida Berrigan, *Lockheed Martin and the GOP: Profiteering and Pork Barrel Politics with a Purpose* <<http://www.worldpolicy.org/projects/arms/reports/lockheedgop.htm>> Last accessed 4th December 2003.

<sup>58</sup> Unnamed, 'Parker takes pole position at BAe', *Daily Mail*, 12<sup>th</sup> January 2004.

for £125 million. United Media reportedly wanted a quick sale.<sup>59</sup> Notably Stephen Byers at the DTI followed the advice of the Director General of Fair Trading and did not refer the sale to the Competition Commission.<sup>60</sup> The Commission could have blocked the sale on public interest grounds if it had judged Desmond as an unfit person to own a national newspaper. This new policy was in line with Byers' announcement in October 2000 that further merger and takeover decisions would be left to the Office of Fair Trading, a policy heavily promoted by the Institute of Public Policy Research (IPPR), of which Lord Hollick is coincidentally a founding trustee.<sup>61</sup> Things were different three years earlier when Byers reportedly ignored even the advice of the Director General of Fair Trading on the £7.7 billion purchase of GEC by British Aerospace. The Director suggested referral to the Competition Commission but Byers overruled it.<sup>62</sup> The Express deal was passed in the same weeks as Desmond donated £100,000 to the Labour Party.<sup>63</sup> This donation was itself made just days before new rules came into force which finally required all those donating more than £5,000 to any party to be identified. Hollick himself had already joined Desmond in donating large sums to the party, a move symptomatic of the growing dependence of the Labour Party on a few wealthy individual and corporate backers to which this thesis will now turn.

## THE CONTRIBUTION OF ARMS-PRODUCING COMPANIES TO THE NEW LABOUR PROJECT

At the same time as Labour has been shifting its ideology towards big business, Labour's fundraisers have been shifting their focus towards big business. Over the last 15 years corporate donations from a few wealthy individuals and companies have gradually overtaken those from the millions who make up organised labour, the people whose interests the Labour Representation Committee was established to represent in Parliament over 100 years ago.<sup>64</sup> Still,

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<sup>59</sup> Patrick Wintour, 'Baffling generosity after fait accompli', *The Guardian*, 13<sup>th</sup> May 2002.

<sup>60</sup> Dan Milmo, 'Desmond Deal never under threat from competition watchdog', *The Guardian*, 13<sup>th</sup> May 2002.

<sup>61</sup> IPPR, 'IPPR Trustees' <<http://www.ippr.org.uk/about/index.php?current=trustees>> Last accessed 23<sup>rd</sup> December 2003.

<sup>62</sup> Red-Star-Research, *British Aerospace/BAe*.

<sup>63</sup> Labour Party, *Annual Report 2002*, p. 32; Amanda Day, 'Labour's farewell to morals', *Tribune*, 17<sup>th</sup> May 2002.

<sup>64</sup> Osler, *Labour Party plc*, p. 11.

as at 2002, the party's overdraft was at least £6 million.<sup>65</sup> So serious have Labour's financial problems been that "former Labour Party insider" David Osler is just one of those who make the case that without Lord Sainsbury and his, to date, £12 million worth of donations to Labour since 1996, "the party simply would not be a going concern."<sup>66</sup> This section shows not only how this situation may have been worse had it not been for Hollick, arms-producing companies and others linked to them, but more importantly shows how this shift has fed into the more subtle corruption of the political environment in which parties are obliged to remain business friendly.

It should be noted that any investigation into the overall input of corporate money is restricted by a lack of information. Until the Political Parties, Elections and Referendums Act (2000) required the publication of specific figures, Labour were only voluntarily disclosing all donors giving £5,000 or more without specifying exact amounts. There is no way of knowing whether an individual or company before that time was donating £5,000 or £5 million except in a small number of cases where levels of donations have been reported in the press. This section should be read with this caveat in mind.

One case where the press uncovered more accurate estimates of donations before the new act came into force is Lord Hollick. Journalists reported that Hollick donated between £25,000 and £50,000 himself to the party sometime during 1997, a year which he began as a board member of BAE Systems. More importantly, Hollick became one of the very central players bringing corporations closer to Labour.<sup>67</sup> Hollick was running the party's Business Relations Unit at Millbank from 1996<sup>68</sup> where he kept corporate money flowing into Labour's current account at a time when the party was faced with an overdraft of £620,000 (1996) increasing to £4.5 million in 1997.<sup>69</sup>

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<sup>65</sup> Labour Party, *Annual Report 2002*, p. 26.

<sup>66</sup> Osler, *Labour Party plc*, p. 33.

<sup>67</sup> Labour Party, *Annual Report 1998*, p. 55; Osler, *Labour Party plc*, p. 239.

<sup>68</sup> Kampfner, *Robin Cook*, p. 145; Mark Hollingsworth, 'An Infestation of Lobbyists', *The Guardian*, 6<sup>th</sup> June 2001.

<sup>69</sup> Labour Party, *Annual Report 1998*, p. 55; Osler, *Labour Party plc*, p. 239.



### *Cash donations*

Part of that corporate money has come in the form of straight donations from arms-producing companies and those linked to them. Lord Paul's Caparo Group has reportedly donated more than £300,000 since 1996. David Brown, Managing Director of commercial and military vehicle manufacturer Multidrive has made donations anywhere in excess of £5,000 in 1997 and in 1999.<sup>70</sup> Professor Bhattacharyya, director of the Warwick Manufacturing group which has long term relationships with BAE Systems and Rolls Royce, has donated anywhere in excess of £15,000 between 1998 and 2000.<sup>71</sup> He became a Labour Peer in May 2004.<sup>72</sup>

### *Corporate sponsorship*

Corporate funds have also come in the form of sponsorship of Labour Party events/activities. Those who have sponsored the party in excess of £5,000 since 1997 include Raytheon Systems Ltd. whose parent company is America's fourth largest military contractor and the world's largest missile makers.<sup>73</sup> Raytheon still credits its Patriot missile as "changing the course" of the 1991 Gulf war despite widespread acceptance, even in an official Congressional report, that the Patriot succeeded in stopping only a few, if any Scuds.<sup>74</sup> Sponsors also include Bergmans, a lobbying company that has represented Lockheed Martin, Thales, Boeing, BAE Systems, GKN and Babcock International.<sup>75</sup> Sponsors also include GKN Westland representative GJW, BAE Systems representative Bell Pottinger and military trade association UK Defence Forum.<sup>76</sup> The UK Defence Forum later reportedly explained that donations from Thomson-CSF (now Thales), Lockheed-Martin, Boeing, BAE Systems and Babcock International were given to Labour,

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<sup>70</sup> Multidrive Limited, 'Welcome to Multidrive' <<http://www.multidrive.co.uk>> Last accessed 3<sup>rd</sup> December 2003; Labour Party, *Annual Report 1998* and *Annual Report 2000*.

<sup>71</sup> Warwick Manufacturing Group, 'WMG overview' <<http://www.wmg.warwick.ac.uk/page-13.phtml>> Last accessed 9<sup>th</sup> December 2003; Labour Party, *Annual Reports 1999-2001*.

<sup>72</sup> Unnamed, 'Labour dominates new Peers list', *BBC News Online*, 1<sup>st</sup> May 2004 <[http://news.bbc.co.uk/1/hi/uk\\_politics/3674543.stm](http://news.bbc.co.uk/1/hi/uk_politics/3674543.stm)> Last accessed 27<sup>th</sup> May 2004.

<sup>73</sup> Labour Party, *Annual Report 1998*, p. 56

<sup>74</sup> Raytheon, 'Technology Leadership' <<http://www.raytheon.com/about/tech.htm>> Last accessed 24<sup>th</sup> December 2003; For example see Raytheon Watch at <[www.gis.net/~larrabee/raytheonwatch.htm](http://www.gis.net/~larrabee/raytheonwatch.htm)> Last accessed 24<sup>th</sup> December 2003.

<sup>75</sup> Labour Party, *Annual Report 1998*; Bergmans, 'Bergmans Defence Consultancy' <<http://www.north-house.com/html/defence/home.htm>> Last accessed 4<sup>th</sup> April 2004.

some channeled through the Forum so that the names of the companies did not appear on Labour's official list of donors. At least one company involved - Thomson - claimed that its contribution to the Labour Party was made "unwittingly".<sup>77</sup> BAE Systems itself spent anywhere in excess of £5,000 "sponsoring Labour Party events/activities or commercial marketing" in 1998, in 1999 and again in 2000.<sup>78</sup>

The party has also benefited from corporations purchasing tickets for Labour Party events and by contributing prizes at Labour Party dinners. Those who have made such a contribution worth anywhere in excess of £5,000 since 1997 include GKN representative GJW, Rolls Royce representative Citigate Public Affairs and BAE Systems representative Bell Pottinger Public Affairs.<sup>79</sup>

To add to all this is BAE Systems' sponsorship of Labour conference events from 1998 to 2000 including the sponsorship of a question and answer session on employment and education in 1999.<sup>80</sup> BAE Systems were sponsoring similar events at Conservative Party conference and claim that all involve modest amounts. Despite this, BAE Systems has since decided to end this kind of activity because of the adverse publicity generated.

In the face of this kind of publicity, BAE Systems did sponsor the mind zone at the millennium dome reportedly at a cost of £12 million (tax deductible) at a time when the Labour most needed the project to attract corporate money.<sup>81</sup> New Labour's £1 billion master project that effectively subsidised each of its visitors by £128 and could barely be given away at the end of the project was intended to be

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<sup>76</sup> Labour Party, *Annual Report 1998 and Annual Report 2000*.

<sup>77</sup> Chris Hastings, David Leppard and Jason Burke, 'Foreign arms firms gave cash to Labour', *The Sunday Times*, 23<sup>rd</sup> April 1997.

<sup>78</sup> Labour Party, *Annual Report 1999, Annual Report 2000 and Annual Report 2001*.

<sup>79</sup> GJW, 'Public Affairs in Wales'

<<http://www.webershandwick.co.uk/public/content.cfm?cid=3&sid=106>> Last accessed 4<sup>th</sup> December 2003; Labour Party, *Annual Reports 1998-2001*; The Association of Professional Political Consultants (APPC), Register of Members 1<sup>st</sup> December 2001-31<sup>st</sup> May 2002, p. 6 <[http://www.appc.org.uk/register/APPC\\_register\\_31\\_05\\_02.pdf](http://www.appc.org.uk/register/APPC_register_31_05_02.pdf)> Last accessed 7<sup>th</sup> January 2004; Labour Party, *Annual Report 2000 and Annual Report 2001*; Gidon Freeman, 'BAe Systems hires second firm amid media onslaught', *PR Week*, 21<sup>st</sup> February 2003; Labour Party, *Annual Report 2000*.

<sup>80</sup> Red Star Research, *British Aerospace/BAe Systems*.

<sup>81</sup> Red-Star-Research, *British Aerospace/BAe*; House of Commons, *Hansard*, 25<sup>th</sup> June 2002, column 232.

a great example of Labour Party/corporate collaboration.<sup>82</sup> Other sponsors included Marks and Spencer, Tesco and Camelot. All were both regulated by Peter Mandelson as Secretary of State of Trade and Industry and at the same time pressed for huge sums to sponsor the Dome, by Peter Mandelson as Minister without Portfolio responsible for the project.<sup>83</sup> Even with this corporate sponsorship, the Dome had serious budget problems. The projected visitor numbers fell short. Only 5.5 million people visited in 2000 instead of the projected 12 million leaving the board of the New Millennium Experience Company, made up of corporate executives, to apply for lottery handouts. So in the unlikely event that BAE Systems has not been a significant financial backer of the party via donations and sponsorship it has, at the very least, been a significant supporter of a huge Labour project when the government most needed it.

Leaving BAE Systems sponsorship of the dome aside, appendix twenty shows all donations, sponsorship and other financial benefits which Labour have derived from arms-producing companies and those associated with them as far as is publicly known.

### *Blind Trusts*

The exact value of donations or benefits that the Labour Party has derived from arms-producing companies shown in this appendix is largely unknown before 2001 due to the lack of information noted above. But the lack of forthcoming information on donations is in no way comparable to the secrecy surrounding the use of blind trusts in the Labour Party. Operated by the party until the Political Parties, Elections and Referendums Act banned their use, some have links to military industry. Used to fund specific projects or people like Tony Blair, Gordon Brown, John Prescott and others, blind trusts referred to an arrangement whereby donations would be made to politicians via an independent trustee without the politicians knowing the identity of their backers to avoid any potential conflict of interest. These kinds of donations did not have to be disclosed in Labour Party annual reports nor in company reports if the donation was made

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<sup>82</sup> Osler, *Labour Party plc*, p 164

<sup>83</sup> Osler, *Labour Party plc*, p 165

from a corporate source. But as Conservative MP David Shaw pointed out in the House in February 1997, newspapers were already revealing the identity of some of the donors to Blair's Trust, a reflection of the widely held understanding that "the donors rarely remain silent; sooner or later, they seek recognition for their donations".<sup>84</sup>

One of the seven Labour trusts listed by Shaw in his Commons attack was the Industrial Research Trust. This trust was listed as providing funding to the offices of Tony Blair and "office research help" to Gordon Brown in the Register of Members' Interests in January 1995.<sup>85</sup> The trust, which began in 1993, was established for the benefit of John Smith. Lord Gregson was reportedly the Chair of the trustees alongside his other role as president of the Defence Manufacturers Association (1984-2000), the central arms industry trade association in the UK.<sup>86</sup> At least £47,000 of the money collected by the trustees reportedly came from the military supplier Caparo.<sup>87</sup>

Central to much of the funds flowing into this and other blind trusts, about which less is known, was the Labour Finance and Industry Group, a group of business leaders who had encouraged links between the party and business since it began in 1972. The group claims to have established "close working relationships with a number of Secretaries of State and senior ministers" via regular behind the scenes meetings.<sup>88</sup> One of its Honorary Life Presidents and reportedly the group's Deputy Chair for over twenty years (1972-1993) is Sir Sigmund Sternberg.<sup>89</sup> Sternberg is also Chair of ISYS, a software company whose clients include BAE Systems.<sup>90</sup> He donated £100,000 in May 2001, £110,000 during 2002 and £91,664 in 2003.<sup>91</sup> These can be added to other large donations reportedly made in 1977 and in 1979 and the sum somewhere in

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<sup>84</sup> House of Commons, *Hansard*, 12<sup>th</sup> February 1997, column 344.

<sup>85</sup> The Register of Members' Interests as at 31<sup>st</sup> January 1995.

<sup>86</sup> Osler, *Labour Party plc* p 61; *Who's Who*, 2003, pp. 874-875.

<sup>87</sup> Red-Star-Research, *Lord Swraj Paul*; Osler, *Labour Party plc*, p 61.

<sup>88</sup> Labour Finance and Industry Group, *LFIG History* <<http://www.lfig.org/history.htm>> Last accessed 9<sup>th</sup> June 2004.

<sup>89</sup> Labour Finance and Industry Group, *Executive Committee* <<http://www.lfig.org/executive.htm>> Last accessed 9<sup>th</sup> June 2004; Red Star Research, *Sir Sigmund Sternberg*.

<sup>90</sup> ISYS, *Company Overview* <<http://www.isysplc.com/>> Last accessed 9<sup>th</sup> June 2004; Red Star Research, *Sir Sigmund Sternberg*.

<sup>91</sup> The Electoral Commission, *Register of Donations to Political Parties*.

excess of £5,000 which Sternberg spent on "tickets for dinners" in 1998.<sup>92</sup>

Another Honorary Life President of the group is Lord Gregson, President of the Defence Manufacturers Association for 16 years.<sup>93</sup> The group reportedly lost much of its influence when Blair took power and negotiated directly with large corporations as its financial problems have escalated.

The general lack of publicly available information makes it difficult to gauge the significance of the arms sector relative to the overall input of corporate money. Because Labour has also benefited from donations from most major supermarkets, a number of national newspapers, publishers, political lobbying companies, Enron, BT, Greg Dyke, Ben Elton, Mick Hucknall and Eddie Izzard.<sup>94</sup> This phenomenon, that is the widespread appeal of donating to the party, is in itself important in understanding Labour's approach to big business as the next section goes on to explore.

#### THE PARTY THAT LIKES TO SAY YES: THE WIDER DEPENDENCE OF THE LABOUR PARTY ON CORPORATE MONEY AND ITS EFFECTS

During the 1980s and early 1990s the Labour Party needed to reinvent itself as the natural party of business. It had to be credible to big business for its political survival and it needed to attract the flow of corporate money for its physical survival. New Labour, and particularly Blair, have systematically set about to deliver both to the Party. Appendix twenty one shows just how much the sources of Labour Party funding have changed since 1987. The Party has gone from almost exclusive reliance on trade unions to being hugely dependent on donations from mainly corporate benefactors and commercial activity from mainly corporate sources in just the last 15 years.

Until as late as 1987 trade unions were the source of 90% of Labour's income. The decline of union funding in real terms has come about, according to Labour Party annual reports, because of the long-term decline in union membership. Thatcher's anti-union laws and a series of union defeats in the 1980s led to four

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<sup>92</sup> Red Star Research, *Sir Sigmund Sternberg*.

<sup>93</sup> *Who's Who*, 2003, pp. 874-875; Labour Finance and Industry Group, *Executive Committee*.

<sup>94</sup> Red Star Research, *Jimmy Boyle*.

million less union members if 1979 is compared to 1991.<sup>95</sup> By 2001, trade unions were the source of only 17% of Labour's income and this figure is set to fall even lower given recent relations between the party and major unions. For example, in June 2002, the RMT union reduced its affiliation fees to the party by 80% from £112,000 to £20,000 and withdrew financial support from senior MPs including John Prescott and Robin Cook. In the same week the Postal Workers Union reduced party funding to a minimum. The Communications Workers Union had already voted to reduce contributions by £500,000 over three years while the GMB reduced its contribution by £2m over four years.<sup>96</sup> Because of the financial uncertainties resulting from these kind of decisions, in January 2003, the party tried to change the system of union funding from annual donations to guaranteed funding for the next five years. This would have secured £40 million for the party. But representatives from some of Labour's largest union donors withheld their support because of Government insistence that the fire brigades union adhere to the recommendations of the Bain report.<sup>97</sup> For the party the future of union funding is precarious.

At the same time Labour's financial difficulties have been increasing. In 1991, Labour Party officials were privately expressing concern that the party may become bankrupt when their co-operative bank overdraft had to be increased to £2.5 million. At the time, the bank itself was in difficulty.<sup>98</sup> Yet the most recent annual report, for the financial year 2001, shows that the party owes far more than it did in 1991. The party was just over £6 million in the red. By January 2003 the debt reportedly stood at £10 million.<sup>99</sup> In the same month the party asked all its members to donate at least £20 each to help pay off a £5.5 million mortgage on the new Queen Street headquarters.<sup>100</sup> The party moved from Millbank in

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<sup>95</sup> Osler, *Labour Party plc*, p. 26.

<sup>96</sup> RMT, 'Political Matters, 16<sup>th</sup> August 2002

<[http://www.rmt.org.uk/gfx/political\\_matters\\_august1351.shtml](http://www.rmt.org.uk/gfx/political_matters_august1351.shtml)> Last accessed 31<sup>st</sup> December 2003; Kevin Maguire and Patrick Wintour, 'Rail union cuts cash support to Labour', *The Guardian*, 26<sup>th</sup> June 2002.

<sup>97</sup> Unnamed, 'Union anger stalls Labour funding deal', *The Guardian*, 24<sup>th</sup> January 2003.

<sup>98</sup> Osler, *Labour Party plc*, p. 25.

<sup>99</sup> Maguire and Wintour, 'Rail union cuts cash support to Labour'; Kevin Maguire, 'Party Plea for Donors', *The Guardian*, 17<sup>th</sup> January 2003.

<sup>100</sup> Kevin Maguire, 'Party Plea for Donors', *The Guardian*, 17<sup>th</sup> January 2003.

August 2002 to save costs.<sup>101</sup> Appendix twenty two shows how unstable the party's accounts have been since 1991.

The state of the party's finances put together with the need for Labour to appear as the party of economic competence go some way towards explaining not only the need for Hollick's business relations unit but also other features of the New Labour movement. The potential for a mutually endorsing business-government relationship also explains, for example, why corporate participation at Labour conference is widespread and open to all. Whereas during the 1980s the Party tightly controlled commercial exhibitors - companies linked to South Africa or to tobacco were automatically excluded and those engaged in union disputes barred<sup>102</sup> - during the 2002 conference, 220 corporations, lobbying companies and campaigners from all sectors hired stands. They cost from £3,500 to £10,500 depending on size and location.<sup>103</sup> Opportunities, in addition to sponsorship of fringe and social events, include advertising in the conference brochure, sponsoring dinners, sponsoring parties and seemingly any other aspect of the conference. One company who took up one of these opportunities is Enron. The company paid £15,000 to sponsor the conference gala dinner in 1998 as part of its ongoing lobbying effort.<sup>104</sup> Later, the government decided not to refer the proposed takeover of Wessex Water to the competition commission. Many linked the two. Another case, that of McDonalds, demonstrates how corporations wish to attract the implied endorsement of the party. The evening before Blair's keynote speech at the 2001 conference, he attended a food and drinks reception hosted by party chair Charles Clark and sponsored by McDonalds. The corporation, which uses lobbyists Weber Shandwick (see chapter six), paid £15,000 to sponsor the reception for 450 guests reportedly only after it was assured that the Prime Minister would attend. Although Blair refused to wear a McDonalds hat as requested, McDonalds was expected to film the entire event for their own publicity video.<sup>105</sup> The possibility of sponsoring the evening had

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<sup>101</sup> Labour Party, *Annual Report 2002*, p. 21.

<sup>102</sup> Osler, *Labour Party plc*, p. 27.

<sup>103</sup> Telephone conversation, Labour Party conference organiser, to author, 3<sup>rd</sup> March 2003.

<sup>104</sup> Unnamed, 'Power Politics', *Corporate Watch Newsletter*, 12<sup>th</sup> February 2002

<[http://www.corporatewatch.org/newsletter/issue7/nl7\\_enron.html](http://www.corporatewatch.org/newsletter/issue7/nl7_enron.html)> Last accessed 31<sup>st</sup> December 2003.

<sup>105</sup> Kevin Maguire, 'New Labour: out with the red rose and in with the Big Mac', *The Guardian*, 30<sup>th</sup> August 2001.

been published in a 2001 Millbank brochure, along with 30 other “sponsorship opportunities”. The Guardian subsequently obtained the brochure. Although it is no longer available from the journalist involved his article quotes the brochure advertising the dinner as “NEW! 8pm to late. A major reception celebrating the 100th Labour conference. The event will be hosted by the party chair and General Secretary and will be attended by up to 450 guests in the Hilton Metropole's Balmoral Suite”. Other opportunities listed in the brochure included “NEW! Enjoy a positive profile through an association with the vital emergency service provided by the local ambulance service.” The estimated cost of this sponsorship made by the journalist was £5,000. Another opportunity was described as a “Branding opportunity on every flower arrangement provided for the 700 guests”. The estimated cost was £3,500. Another was “A unique promotional opportunity for the special video screen provided for hundreds of delegates to watch the leader’s speech” at an estimated cost of £4,000.<sup>106</sup> All aspects of the Labour Party conference are now open to any corporate bidder.

This is not just a financial relationship. As “former Labour insider” David Osler explains “For New Labour, the symbolism is even more important than the bottom line.”<sup>107</sup> One of the most symbolic reaffirmation of Labour’s business credentials was a letter to the Times written during the 2001 general election campaign. 58 Chairs and Chief Executives, led by Terence Conran, wrote to the Times calling on all UK business people to support the Labour Party. Clive Hollick, former Non-Executive Director of BAE Systems and Lord Simpson, former CE of Marconi joined others from mining, food, clothing and media corporations in praising the party. They said that Labour had created “the stable business environment that British companies and overseas investors need ... we believe that business should support the party that since May 1997 has done so much to promote stable economic growth and a renewed spirit of enterprise in the British people.”<sup>108</sup> Gordon Brown immediately responded by making the letter the main focus of his daily election press meeting on the same day as his launch of a series of pre-election pro-corporation proposals. Brown claimed that the letter was “a sign of the relationship this New Labour government is forging with

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<sup>106</sup> Maguire, ‘New Labour: out with the red rose and in with the Big Mac’.

<sup>107</sup> Osler, *Labour Party plc*, p.99.



business” and that he was “grateful” to the signatories.<sup>109</sup> The next day the Guardian reported that Millbank had arranged for the letter to be written and sent from Terence Conran’s office, a move indicative of the importance of continued big business endorsement of the party.<sup>110</sup>

The relationship between the party and business appears largely one of mutual gain. Labour has become increasingly dependent on arms company and wider corporate funding as its financial problems have escalated at the same time as it has felt the necessity of matching the business friendly credentials of the Conservatives to attain and retain political power. Concentrating only on the actual amounts donated to the Labour Party by arms-producing companies, although they might be substantial, rather misses the more important point.. Labour must refrain from pursuing policies detrimental to the wider interests of big business or risk political obscurity and potential financial ruin. The risk of bankruptcy and political obscurity gives the party an incentive not to start undermining the corporate agenda of promoting commercial interests and not to start demarcating the boundaries between corporate and party/government interests that any investigation of arms export support would start to uncover.

## CONCLUSION

The purpose of this chapter was to consider the nature and the significance of the relationships between arms-producing companies and the Labour Party - with Labour Peers, with Labour MPs and with Labour Party funding. It has argued that the register of MPs' interests is not littered with Members links to arms-producing companies. Although some well placed MPs, particularly those on the Defence Select Committee, have links to or have enjoyed hospitality from such companies it is the House of Lords where there exists much more potential for arms companies to increase their political influence. This chapter has shown how a small number of Labour Peers who have run or have worked for the UK's largest

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<sup>108</sup> 'Business names support Labour' (letters to the editor), *The Times*, 14<sup>th</sup> May 2001.

<sup>109</sup> Steve Schifferes, 'Who's Backing Labour', *BBC News Online*, 14<sup>th</sup> May 2001

<[http://news.bbc.co.uk/vote2001/hi/english/newsid\\_1329000/1329419.stm](http://news.bbc.co.uk/vote2001/hi/english/newsid_1329000/1329419.stm)> Last accessed 31<sup>st</sup> December 2003.

<sup>110</sup> Kevin Maguire, Ewan MacAskill and Nicholas Watt, 'Blair under pressure to silence Mandelson', *The Guardian*, 15<sup>th</sup> May 2001.

arms-producing companies either now hold influential government jobs and/or have links to the highest echelons of the New Labour movement. Above all, this chapter argues that the risk of bankruptcy and political obscurity gives the party an incentive not to start undermining the corporate agenda of promoting commercial interests and not to start demarcating the boundaries between corporate and party/government interests that any investigation of arms export support would start to uncover. Given these relationships between arms-producing companies and the party, continuity in supportive export policy is to be expected.

But this expectation is based on much more than just the nature of the relationship between arms-producing companies and the Labour Party. This expectation is based on the industry's relationship with the more permanent facets of governance. The next chapter explores just how deeply interconnected military industries are with those government departments that play a lead role in establishing, interpreting and implementing guidelines for further export support and export control policy.

# **CHAPTER FIVE: LINKS BETWEEN ARMS-PRODUCING COMPANIES AND GOVERNMENT DEPARTMENTS**

## **INTRODUCTION**

Chapter four focused on the connections between arms-producing companies and the Labour Party. But Arms-producing companies have gone much further than funding outings for MPs, the training of Westminster staff and a largely undefined amount of party funding. This chapter considers how the distinction between government and the private arms sector has become blurred and it does this by looking at the connections between arms-producing companies and government departments. In particular, the chapter looks at those departments of most relevance to the interpretation and implementation of arms export control policy and arms export support policy, namely the MoD and the DTI. The first part of the chapter looks at the seamless progression of top ex MoD and Service Staff into the employment of arms-producing companies and vice versa, a phenomenon commonly known as the revolving door. The second part largely focuses on the "task force phenomenon" at work within those departments - on the membership of the countless and uncounted groups affiliated to the MoD and DTI.<sup>1</sup> The chapter ends with an analysis of the implications of all this on the maintenance of supportive export policy.

## **THE REVOLVING DOOR IN FULL SWING BETWEEN ARMS-PRODUCING COMPANIES AND THE MOD**

The relationship between UK based arms exporters and the MoD is incomparable across government. The Select Committee on Defence concluded in 1999

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<sup>1</sup> The "task force phenomenon" is a phrase used by Tony Barker in Tony Barker with Iain Byrne and Anjuli Veall, *Ruling by Task Force: Politico's Guide to Labour's New Elite* (London: Politico's Publishing, 1999).

While the DTI (and probably many other departments) see it as a perfectly proper part of their role to promote the UK's commercial interests abroad, they are not in the same close customer/client relationship with the firms they support as is the MoD with defence manufacturers.<sup>2</sup>

One way of understanding this close customer/client relationship is by looking at the interchange of employees between government and industry. A large number of key arms industry figures have moved into positions of significant power within the MoD while a large number of MoD ministers and senior officials have moved into positions of significant pay within the arms industry. This phenomenon is so well established within the MoD that, as one commentator has observed, the term "revolving door" has actually now become a misnomer because it assumes that a barrier exists between the MoD and its military contractors when there is no actual division.<sup>3</sup> There is no suggestion that any individual mentioned here has acted improperly. Yet there is an ongoing concern with any activity of this kind to ensure that serving officials do not act with a view to securing future employment and that privileged policy or commercial information as well as any special access to influential officials is not made use of by an employer.

These are exactly the concerns of the Advisory Committee on Business Appointments - the main body standing in the way of those from senior levels taking up private sector employment. The Committee makes recommendations to the Prime Minister and Foreign Secretary on the acceptance of private sector employment by the most senior civil servants, diplomats, special advisors and other Crown Servants in the two years after they have left Crown Service employment. The Committee also advises former ministers on the uptake of private sector employment under the ministers' voluntary system. In certain cases, the Committee recommends a period of time elapses before an appointment is taken up or imposes restrictions on the work undertaken within an appointment for a period of time.

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<sup>2</sup> House of Commons Defence Select Committee, *Second Report: The Appointment of the New Head of Defence Export Services*, 31<sup>st</sup> March 1999, HC 147, paragraph 12.

<sup>3</sup> Tim Webb, *The Armour-Plated Ostrich: The Hidden Costs of Britain's Addiction to the Arms Business* (Kent: Comerford & Miller, 1998) p 84.

Arms-producing companies still clearly feel that it is worthwhile to secure and retain the services of former MoD Crown Servants. On average, between 1997 and 2004, 39% of applications from Crown Servants from all government departments to the Committee were made by individuals working in the MoD. This is an ongoing feature of a department that plays a significant role in the delivery of various forms of arms export subsidy outlined in the introduction. This phenomenon has not gone unnoticed. In 2004, the Committee acknowledged that there was a particular problem with this department warning "In the case of the MoD, it can be argued that the numbers seeking such employment are so significant as to amount to a 'traffic' from the Department to the defence contractors who supply it."<sup>4</sup> In response, the MoD argue that almost all senior departmental staff have acquired some commercial or policy knowledge but that they had put extensive safeguards in place within the procurement procedure to minimise the risk of impropriety. In response, the Committee reiterated their concerns that suspicion is increased where there is a "regular passage of significant numbers of staff" and signaled their intention probe applicants wishing to transfer to the private sector in greater detail and to recommend longer waiting periods in the future.<sup>5</sup> But in 2004 Blair personally overruled the Committee's recommendation that RAF Air Chief Marshall, Sir John Day wait a year before taking up a post as military advisor to BAE Systems because there was a "wider national interest".<sup>6</sup> In the same year Blair announced that the Appointment Rules themselves were to be reexamined by an external body established to ensure that they "are compatible with a public service that is keen to encourage greater interchange with the private and other sectors which is essential for effective delivery in today's public service."<sup>7</sup> Both moves are suggestive of Blair's frustration at the restrictions governing the interplay between the public and

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<sup>4</sup> The Cabinet Office, The Advisory Committee on Business Appointments, *Sixth Report 2002-2004*, p 10.

<sup>5</sup> The Cabinet Office, The Advisory Committee on Business Appointments, *Sixth Report 2002-2004*, p 10.

<sup>6</sup> The Cabinet Office, The Advisory Committee on Business Appointments, *Sixth Report 2002-2004*, p 15.

<sup>7</sup> The Cabinet Office, *News: 22<sup>nd</sup> July 2004* <[http://www.cabinet-office.gov.uk/news/2004/040722\\_sixthreport.asp](http://www.cabinet-office.gov.uk/news/2004/040722_sixthreport.asp)> Last accessed 29<sup>th</sup> July 2004.

private sectors and point to the likelihood of greater interchange between public and private sectors in the future.<sup>8</sup>

Some of those who have already passed once, sometimes twice through the industry/government revolving door are listed here. Not all are linked to New Labour but all help to illustrate the environment in which the government is now working.

Since the start of the 1990s at least seven senior political MoD figures have gone on to employment with private arms companies - three Defence Secretaries and four Defence Procurement Ministers.

#### *Defence Secretaries now working for arms-producing companies*

George Younger, Defence Secretary (1986-1989), became Chair of Siemens Plessey Electronic Systems in 1990, the military electronics firm bought by BAE Systems.<sup>9</sup> Michael Portillo, Defence Secretary (1995-1997) joined BAE Systems in September 2002 as a Non Executive Director.<sup>10</sup> Portillo earns £36,000 per year alongside his salary as an MP<sup>11</sup> but the appointment was less profitable for BAE Systems. On the day his directorship was announced, BAE Systems shares fell by 11p.<sup>12</sup> After Labour came to power in 1997 Portillo's successor as Defence Secretary was Labour's George Robertson. Robertson remained in the post until 1999 when he was invited to serve as Secretary General of NATO. As his contract with NATO was ending Robertson accepted a position as Non-Executive Director of military aerospace firm Smiths to start in February 2004.<sup>13</sup> In the same month he also became Strategic Advisor to the Royal Bank of Canada's

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<sup>8</sup> Andrew Sparrow, 'Blair overruled watchdog on RAF chief's defence job', *Daily Telegraph*, 26<sup>th</sup> July 2004.

<sup>9</sup> *Who's Who*, 2003, p 2407-2408; BAE Systems, *About US* <<http://www.BAEsystems.com/aboutus/evolution.htm>> Last accessed 26<sup>th</sup> June 2004.

<sup>10</sup> BAE Virtual Newsroom press release <<http://www.BAEsystems.com/newsroom/2002/sep/110902news1.htm>> Last accessed 26<sup>th</sup> June 2004.

<sup>11</sup> BAE Systems *Annual Report 2003*, p 44.

<sup>12</sup> Pippa Gallop, 'The Invisible handout of the market', *Corporate Watch Newsletter* 11, December 2002 - January 2003 <[http://www.corporatewatch.org.uk/newsletter/issue11/issue11\\_part5.htm](http://www.corporatewatch.org.uk/newsletter/issue11/issue11_part5.htm)> Last accessed 26<sup>th</sup> June 2004.

<sup>13</sup> Smiths Press Release, *Smiths appoints Lord Robertson as non-executive*, 10<sup>th</sup> September 2003 <[http://www.smiths-group.com/PressReleases\\_hand.asp?autonum=104](http://www.smiths-group.com/PressReleases_hand.asp?autonum=104)> Last accessed 9<sup>th</sup> June 2004.

European operation just as the company was reportedly trying to raise £500 million in a private finance deal to modernise the Army's barracks at Colchester.<sup>14</sup> Also in February 2004, Robertson became Non-Executive Director of the Weir group, the Glasgow based engineering firm who are a major supplier of weapons systems for Royal Navy submarines.<sup>15</sup>

*Defence Procurement Ministers now working for arms-producing companies*

Sir Robert Walmsley, Chief of Defence Procurement in the MoD from May 1996 until April 2003, became a Member of the US Board of Directors of General Dynamics. A 12 month waiting period between his retirement from the MoD and the first day of his new job was required by the Committee on Business Appointments. This was because General Dynamics UK, part of the General Dynamics Corporation, is the prime contractor for the Bowman radio project, a £2 billion contract awarded during Walmsley's time as Chief of Defence Procurement. Walmsley assured the committee that his personal role in the award of the contract was limited.<sup>16</sup> One of Walmsley's predecessors was Geoffrey Pattie. Pattie, Minister of State for Defence Procurement (1983-1984) became Joint Chair of major UK-based arms exporter GEC-Marconi in 1991. He became sole Chair (1996-1999) as well as Marketing Director from 1997.<sup>17</sup> Pattie is now the senior of two partners at Terrington Management, a political lobbying company that includes BAE Systems and Lockheed Martin as clients.<sup>18</sup> Roger Freeman, Minister for Defence Procurement (1994-1995) went on to become Non-Executive Director of Thomson-CSF/Thales and Non-Executive Chair of Thomson CSF-UK/Thales in 1999.<sup>19</sup> Freeman took the job over from Jonathan Aitken, Minister of State for Defence Procurement (1992-1994). Aitken had been on the board of BMARC (1988-1990), a company allegedly involved in supplying

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<sup>14</sup> Terry Macalister, 'NATO chief to join city firm', *The Guardian*, 23<sup>rd</sup> September 2003; Kevin Maguire, 'Lots of bemoaning', *The Guardian*, 28<sup>th</sup> November 2003.

<sup>15</sup> Weir Group, *Group facts and figures*

<<http://www.weir.co.uk/group/home.nsf/luPages/profilefactsheet>> Last accessed 12<sup>th</sup> June 2004.

<sup>16</sup> The Cabinet Office, The Advisory Committee on Business Appointments, *Sixth Report 2002-2004*, p 14.

<sup>17</sup> *Who's Who*, 2003, p 1676.

<sup>18</sup> Terrington Management, *Geoffrey Pattie*.

<sup>19</sup> The Cabinet Office, The Advisory Committee on Business Appointments, *Second Report 1998-1999*, p 15.

arms to Iraq, Iran and Burma in breach of government arms embargoes.<sup>20</sup> Aitken moved to GEC Marconi in 1998 as a consultant, reportedly hired to help the company sell arms to the Middle East.<sup>21</sup> His contract was terminated when he received an 18-month prison sentence for perjury and perverting the course of justice in 1999. He denied that aides of the Saudi Royal family paid a £1,000 Paris Ritz hotel bill in 1993 but this was subsequently exposed as a lie. Because he was Procurement Minister at the time of his stay, he was officially banned from accepting any benefits that may affect his judgement.<sup>22</sup> Guardian journalists have since claimed that the Ritz weekend was used by Said Ayas to negotiate the (legal) payment of millions of pounds worth of commissions from GEC, Marconi and shipbuilder VSEL as his reward for securing contracts. Ayas was principal aid to Prince Mohammed, son of the King of Saudi Arabia and a close friend of Aitken.<sup>23</sup>

More overt about its operations on behalf of UK-based weapons companies and, just like Aitken, accused of becoming involved in the payment of "special commissions" has been DESO.

*DESO: The arms company marketing and sales department within the MoD*

DESO, or The Defence Sales Organisation as it was known before 1985, the arms export marketing and sales organisation operating within the MoD, has always either seconded its head from or delivered them back to military industry employment, particularly BAE Systems employment. Their careers prior to and in the aftermath of their appointment as head of DSO/DESO are shown in appendix twenty three.

Others who have been seconded from arms-producing companies to work at DESO include Rolls Royce employees R. Douglas (1984-1986) and H Meyers

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<sup>20</sup> James, *In the Public Interest*, p 123; Unnamed, Jonathan Aitken: A Timeline, *The Guardian*, 4<sup>th</sup> March 1999; John Pilger, *Inside Burma: Land of Fear: International Response* <<http://pilger.carlton.com/burma/response>> Last accessed 24<sup>th</sup> June 2004.

<sup>21</sup> Tim Webb, *The Armour-Plated Ostrich*, p. 85.

<sup>22</sup> Guardian staff and agencies 'Aitken Jailed for 18 Months', *The Guardian*, 8<sup>th</sup> June 1999.

<sup>23</sup> David Pallister, David Leigh and Jamie Wilson, 'Aitken, the fixer and the secret million pound arms deal', *The Guardian*, 5<sup>th</sup> March 1999.



(1986-1989), Westland's S. Barker (1989-1991) and Trafalgar's M. Faulkner (1992 - at least 1994). Trafalgar House was a contractor in the Pergau hydroelectric dam, the dam involved in aid for arms sales controversy under Thatcher. The company also allegedly sold South African arms firm Armscor 155mm shells, subsequently sold on to Iraq from 1980-1990.<sup>24</sup> Others seconded to DESO include British Aerospace employees John Weston (1982-1985), D. Mitchell (1993-at least 1994), S. Brett (1988-1989), and David Hastie (1988-1989).<sup>25</sup> David Hastie, was seconded to DESO for 18 months as "Business Development Advisor" during which time his salary continued to be paid by British Aerospace. Hastie was later singled out in the Scott report as a man with an ambiguous role. When the FCO reportedly protested at MoD plans to back UK-based arms firms exhibiting at the April 1989 Baghdad arms fair, the MoD eventually promised that it would not send any DESO staff. Instead, it send David Hastie arguing that between London and Baghdad, Hastie had been de-seconded from DESO, back to British Aerospace for the course of the fair.<sup>26</sup>

At an equally fast pace, arms-producing companies have offered senior MoD and Service staff outside of DESO positions within the private sector. They have also bolstered their own numbers within the department by lending the MoD their own staff, a dual strategy which this next section will explore.

#### *Arms companies forging links beyond DESO*

Outside DESO at least 23 senior MoD and Service Staff have moved into employment with arms-producing companies since Labour came to power in 1997. BAE Systems has attracted more former MoD civil and Forces staff than any other arms-producing company but details of all those for which there exists publicly available information are outlined below.

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<sup>24</sup> Gerald James, *In the Public Interest*, p. 62, p. 193.

<sup>25</sup> House of Commons, *Hansard*, 1<sup>st</sup> March 1994, Written Answers, column 668-669.

<sup>26</sup> Webb, *The Armour-Plated Ostrich*, p 126.

- Air Marshal Graeme Robertson, Chief of Staff RAF Strike Command until September 1998, became a Military Adviser to British Aerospace in March 1999.<sup>27</sup>
- Professor Sir David Davies, Chief Scientific Advisor in the MoD until April 1999 became a Member of the Strategy Board at British Aerospace Virtual University in December 1999. In his MoD role, Davies had chaired a senior committee that recommends the procurement of military equipment to ministers. The Advisory Committee on Business Appointments advised Davies to wait six months between his departure from the MoD and his appointment with BAE Systems and to avoid discussion of BAE Systems' strategy for the first two years in the post.<sup>28</sup>
- Mr. Bell, who had been on secondment from the MoD to BAE Systems for two and a half years, left the MoD permanently to become Group Head of Strategic Analysis in April 1999.<sup>29</sup>
- Lord Inge, former Chief of Defence Staff (1994-1997),<sup>30</sup> has been hired by BAE Systems as a consultant.<sup>31</sup> Inge, has also become a Non-Executive Director of Racal Electronics (1997-2000).<sup>32</sup>
- Vice Admiral McAnally, Commandant of the Royal College of Defence Studies until December 2000, took up a position of Naval Adviser to Flagship Training in July 2001. Flagship, jointly owned by BAE Systems and VT Group, markets Royal Naval training abroad.<sup>33</sup>
- Admiral Sir Jock Slater, First Sea Lord and Chief of the Naval Staff until December 1998, became both Non-Executive Director of Vosper Thornycroft Holdings plc in July 1999, owner of warship manufacturer VT Shipbuilding, and a Senior Military Advisor of Lockheed-Martin UK Ltd. in January 2000.<sup>34</sup>

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<sup>27</sup> The Cabinet Office, *The Advisory Committee on Business Appointments, Second Report 1998-1999*, p. 29.

<sup>28</sup> The Cabinet Office, *The Advisory Committee on Business Appointments, Third Report 1999-2000*, pp. 13-14, 31.

<sup>29</sup> The Cabinet Office, *The Advisory Committee on Business Appointments, Third Report 1999-2000*, p 31.

<sup>30</sup> MoD, 'About us' <[http://www.mod.uk/aboutus/staff/f\\_cds.htm](http://www.mod.uk/aboutus/staff/f_cds.htm)> Last accessed 3<sup>rd</sup> December 2003.

<sup>31</sup> House of Lords, *The Register of Lords' Interests* as at 22<sup>nd</sup> June 2004.

<sup>32</sup> *Who's Who*, 2003, p. 1096.

<sup>33</sup> The Cabinet Office, *The Advisory Committee on Business Appointments, Fifth Report 2001-2002*, p. 28.

<sup>34</sup> The Cabinet Office, *The Advisory Committee on Business Appointments, Third Report 1999-2000*, p. 34; House of Commons, *Hansard*, 10<sup>th</sup> July 2000, Written Answers, column 375; *Who's Who* 2003, p. 1995.

- General Sir Roger Wheeler, Chief of the General Staff until April 2000, became Non-Executive Director of Thomson-CSF/Thales in February 2001.<sup>35</sup>
- Sir Scott Grant, Quartermaster General until March 2000, was appointed by Thomson Racal Defence Ltd. as Customer Support Director in January 2001.<sup>36</sup>
- Air Chief Marshall Sir Michael Graydon, Chief of Air Staff until August 1997, became Non-Executive Director of Thomson CSF-UK/Thales in January 1999.<sup>37</sup>
- Graydon's predecessor as Chief of Air Staff was Sir Peter Harding who went on to become Deputy Chair of GEC Marconi from 1995 until 1998.<sup>38</sup>
- Air Chief Marshall Sir William Wratten, former Commanding-in-Chief, RAF Strike Command until November 1997, became Chief Military Advisor to Rolls-Royce Military Aero Engines in May 1998.<sup>39</sup>
- Air Chief Marshall Sir John Day took up an appointment as a military advisor to BAE Systems in December 2003 subject to restrictions laid out by the Prime Minister. Day had been involved with the Air Force Board which affects MoD business with BAE Systems although he had taken steps to ensure that he was excluded from discussions on a contract BAE Systems was bidding for.<sup>40</sup>
- Sir Robert Hayman-Joyce, Deputy Chief of Defence Procurement until October 1998 became Non-Executive Chair of Raytheon Systems Ltd. in September 2000.<sup>41</sup>
- Air Marshall Sir Peter Norriss was Deputy Chief of Defence Procurement (operations) until October 2000. He became Defence Advisor to Alenia Marconi Systems in June 2001 and Advisor to Pilatus Aircraft Ltd., in

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<sup>35</sup> The Cabinet Office, *The Advisory Committee on Business Appointments, Fourth Report 2000-2001*, p. 31; *Who's Who 2003* p. 2302.

<sup>36</sup> The Cabinet Office, *The Advisory Committee on Business Appointments, Fourth Report 2000-2001*, p. 29.

<sup>37</sup> The Cabinet Office, *The Advisory Committee on Business Appointments, Second Report 1998-1999*, p. 28; *Who's Who 2003*, p. 861.

<sup>38</sup> *Who's Who 2003*, p. 930.

<sup>39</sup> The Cabinet Office, *The Advisory Committee on Business Appointments, Second Report 1998-1999*, p. 30.

<sup>40</sup> The Cabinet Office, *The Advisory Committee on Business Appointments, Sixth Report 2002-2004*, p 14-15.

<sup>41</sup> The Cabinet Office, *The Advisory Committee on Business Appointments, Fourth Report 2000-2001*, p 29.

December 2001, a Swiss company that make civil and military single-engine turboprops.<sup>42</sup>

- Vice Admiral Sir John Dunt, former Chief of Fleet Support at the MoD until March 2000, became Principal Defence Advisor to Defence Business and Marketing International Ltd. in January 2001.<sup>43</sup>
- Air Marshal Sir Roger Austin was Deputy Chief of Defence Procurement (operations) until May 1997. In June 1998 he became a Fellow of Strategic Forum at Serco Defence which provides the MoD with support services.<sup>44</sup>
- Air Marshal Sir Colin Terry, Air Officer Commanding in Chief at RAF Logistics Command until April 1999 became Group Managing Director of Inflight Engineering Ltd. in November 1999,<sup>45</sup> a small company which supplies parts to BAE Systems and other military contractors.
- Former Deputy Chief of the Defence Staff (Systems) until September 1999, Edmund Burton, became a consultant for TRW Inc in November 2000.<sup>46</sup> TRW, now owned by America's second largest arms corporation Northrop Grumman, supplies high technology products to the automotive, space and military industries and included Lord Hollick amongst its Directors until 2002.<sup>47</sup>
- Deputy Chief of Defence Staff until March 2002, Vice Admiral Sir Jeremy Blackham, took up a position as Senior Advisor in March 2003 and subsequently Country President with EADS in October 2003, subject to restrictions placed on him by the Business Appointments Committee.<sup>48</sup>
- Air Marshall Sir Christopher Coville took up an appointment as a Non-Executive Director of AgustaWestland in October 2003 after having left a post as Commander-in Chief, Personnel and Training Command in April 2003. At AgustaWestland, Coville was advising a team which was engaged on a major

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<sup>42</sup> The Cabinet Office, *The Advisory Committee on Business Appointments, Fifth Report 2001-2002*, p 29.

<sup>43</sup> The Cabinet Office, *The Advisory Committee on Business Appointments, Fourth Report 2000-2001*, p 28.

<sup>44</sup> House of Commons, *Hansard*, 10<sup>th</sup> July 2000, Written Answers, column 375; The Cabinet Office, *The Advisory Committee on Business Appointments, Second Report 1998-1999*, p 27.

<sup>45</sup> The Cabinet Office, *The Advisory Committee on Business Appointments, Third Report 1999-2000*, pp. 14, 34.

<sup>46</sup> The Cabinet Office, *The Advisory Committee on Business Appointments, Fourth Report 2000-2001*, p 28.

<sup>47</sup> DoD, *House of Lords - Lord Hollick*.

<sup>48</sup> The Cabinet Office, *The Advisory Committee on Business Appointments, Sixth Report 2002-2004*, p 33.

MoD project to achieve savings in the Defence Logistics Organisation. Coville assured the Committee before taking up the position that he would not be lobbying the MoD on behalf of the company and as such, the Committee recommended the appointment should be taken up providing he did not begin work before the end of July 2003.<sup>49</sup> Coville also accepted the position of Military Advisor to Defence Strategy and Solutions to begin in July 2003, and as Defence Advisor to British Telecommunications Defence, also in July 2003.<sup>50</sup>

- Admiral Sir Nigel Essenhigh, First Sea Lord and Chief of Naval Staff until September 2002, became Non-Executive Chair of Defence Strategy and Solutions in March 2003, Non-Executive Director of Babcock International Group plc in March 2003 and Military Advisor to Northrop Grumman International Inc. in November 2003.<sup>51</sup>
- Admiral Sir James Perowne, Deputy Supreme Allied Commander Atlantic (NATO) until January 2002, became an Advisor to Thales Underwater Systems in July 2003.<sup>52</sup>
- General Rupert Smith, Deputy Supreme Allied Commander Europe (NATO) until September 2001 became Military Advisor to Airborne Systems in September 2002 and Military Advisor to Defence Strategy and Solutions in June 2003.<sup>53</sup>

These are just some examples of the revolving door in action under the New Labour Government. The cases listed above, and others, have met with little criticism from the Conservative opposition. One reason may be that these are examples of a phenomenon that has been typical of the relationship between the MoD and private arms companies for at least the last two decades. As an example, between 1984 and 1994, 2,002 individuals of officer rank in the armed

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<sup>49</sup> The Cabinet Office, The Advisory Committee on Business Appointments, *Sixth Report 2002-2004*, pp 12-13.

<sup>50</sup> The Cabinet Office, The Advisory Committee on Business Appointments, *Sixth Report 2002-2004*, p 34.

<sup>51</sup> The Cabinet Office, The Advisory Committee on Business Appointments, *Sixth Report 2002-2004*, pp. 34-35.

<sup>52</sup> The Cabinet Office, The Advisory Committee on Business Appointments, *Sixth Report 2002-2004*, p 37.

<sup>53</sup> The Cabinet Office, The Advisory Committee on Business Appointments, *Sixth Report 2002-2004*, p 38.

forces took up employment with companies in military industry.<sup>54</sup> The details of some of these individuals, and others that moved into the private sector from the MoD during the 1980s about which there is publicly available information, are shown below.

- Permanent MoD Under Secretary (1976-1982) Frank Cooper immediately became Director of Westland, Babcock International and armoured vehicle manufacturers United Scientific Holdings after retirement from Whitehall.<sup>55</sup>
- Coopers' predecessor at United was Sir Peter Levene who left to become Chief MoD Procurement Officer.
- Just as Cooper left United, in 1989, Sir Colin Fielding joined the board. Fielding was MoD controller of research and development establishments.<sup>56</sup>
- Peter McLoughlin, First Secretary for Aviation and Defence in the Paris Embassy (1975 - 1979), who remained in the civil service until 1987, became the Managing Director of BAE Systems' UK/customer/government relations department until the winter of 2002. McLoughlin, who received an OBE from Blair in the 2002 New Years Honors list, has been described by former MoD Minister John Spellar as "one of the most effective operators in Whitehall".<sup>57</sup>
- MoD information officer (1975-1981), Hugh Colver, become Press Officer at number 10 before returning to the MoD as Deputy Chief of Public Relations in 1985 and then Chief Information Officer in 1992. Colver is now Head of Group Communications at BAE Systems.<sup>58</sup> He admitted to Journalists in 1995 that the two Royal Ordnance employees at BAE Systems who offered undercover Channel Four Dispatches investigators 5,000 electric batons and 10,000 electric shields in breach of the 1968 Firearms Act were still employed by the company.<sup>59</sup>

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<sup>54</sup> House of Commons, *Hansard*, 8<sup>th</sup> December 1994, Written Answers, column 308.

<sup>55</sup> David Fairhall, 'Sir Frank Cooper', *The Guardian*, 31<sup>st</sup> January 2002.

<sup>56</sup> David Pallister, 'Arms and the man in the revolving door', *The Guardian*, 27<sup>th</sup> September 1989.

<sup>57</sup> SBAC, 'Aerospace in Parliament', Winter 2001; Unnamed, *Socialist Worker*, 'Blessed are the bomb makers', 19<sup>th</sup> January 2002 <<http://www.socialistworker.co.uk/1783/sw178311.htm>> Last accessed 5<sup>th</sup> January 2004.

<sup>58</sup> House of Commons, *Hansard*, 24<sup>th</sup> January 1995, Written Answers, column 117.

<sup>59</sup> Unnamed, 'Rogue Traders Reinstated', *Private Eye*, March 1995, <<http://users.cliq.com/~bayvulture/yarbles/tt.html>> Last accessed 5<sup>th</sup> January 2004.

- Nicholas Prest worked for the MoD's Export Services Organisation until 1982. He left to become Head of Export Marketing at Alvis from 1983, Marketing Director from 1985, Chief Executive in 1989 and finally Chair in 1996.<sup>60</sup>
- Sir Michael Beethan, former Chief of the Air Staff, the professional head of the Royal Air Force (1977-1982) became Chair of GEC Avionics Ltd. (1986-1990) and Director (1984-1991).<sup>61</sup>
- Sir Brian Tovey, the former head of Government Communications Headquarters (GCHQ), was appointed consultant to Plessey, the company that supplied GCHQ with electronic equipment.
- Former Deputy Commander of NATO General Sir Henry Tuzo was appointed Chair of Marconi Space and Defence systems
- Cabinet Minister Lord Prior becoming Chair of GEC (1984-1998).<sup>62</sup>
- Former Chief of Naval Staff Sir Edward Ashmore became Director of Racal
- Former Controller of the Navy, Sir Lindsay Bryson, became Deputy Chair of GEC-Marconi.<sup>63</sup>

The movement of staff ex-MoD and Services staff to private industry now seen under New Labour is not a recent phenomenon, but typical of the last two decades.

#### *Secondments between military industry and the MoD*

It is less clear whether the provision of arms company staff to the MoD is a recent phenomenon or standard practice. In June 2002 it was revealed that BAE Systems had eight staff working on secondment at the MoD. Standard government practice is for the receiving organisation to reimburse the employer up to the level at which a Civil Servant would be paid.<sup>64</sup> These eight were probably part of the MoD run Interchange Programme through which the department encourages reciprocal secondment and job swaps between the MoD

<sup>60</sup> Alvis, *Annual Report 2001*, p. 3.

<sup>61</sup> *Who's Who 2003*, p. 149.

<sup>62</sup> House of Commons, *Hansard*, 9<sup>th</sup> March 1989, column 1067; Marconi, 'GEC Announced New Chairman', Press Statement, 27<sup>th</sup> January 1998  
<<http://www.marconi.com/html/news/gecannouncesnewchairman.htm>> Last accessed 5<sup>th</sup> January 2004.

<sup>63</sup> David Pallister, 'Arms and the man in the revolving door', *The Guardian*, 27<sup>th</sup> September 1989.

<sup>64</sup> House of Commons, *Hansard*, 25<sup>th</sup> June 2002, column 232.

and industry.<sup>65</sup> In response to a Parliamentary Question in November 2002 Dr Moonie, Minister of State for Defence, offered a complete list of all the staff seconded to the MoD from the private sector since April 2000. From the 29 staff listed, 13 were seconded from BAE Systems (for periods between six and 36 months) and two were seconded from Rolls Royce (for 24 and 36 months). A full list is given in appendix twenty four. More recently, in May 2003, the government disclosed that at least 38 from of a total of 79 individuals seconded to the department between April 1997 and January 2003 came from arms-producing companies. From these, 22 were seconded from BAE Systems for periods of between six and 37 months.<sup>66</sup> The government has also published the numbers of those employed by the MoD who have been seconded to industry. Appendix twenty five shows how between April 2000 and November 2002, two MoD employees went to work at BAE Systems, one for 6 and one for 24 months, one went to Rolls Royce for 24 months and two went to Thales for 24 months.<sup>67</sup> One of those who was seconded to Thales shown in the table probably refers to John Howe, former Deputy Chief of Defence Procurement. Howe was seconded to Thales where he became Senior Defence Advisor. He later retired from the civil service altogether to become Vice Chair of Thales UK, where, according to Thales UK Chief Executive, they will be able to use Howe's "intricate understanding of the UK's MoD Procurement policy".<sup>68</sup> It is difficult to see how Thales and the other arms companies involved will gain no advantage from activities that blur the institutional boundaries between each body.

But the traditional revolving door between the Ministry and industry is not now the only way in which industry representatives work alongside the state. The provision of top-level industry figures to head new offices and to sit on a variety of new groups established to contribute towards government policy is a new feature of industry-government relations to which this report will now turn.

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<sup>65</sup> MoD Interchange website at <<http://www.mod.uk/business/interchange/>> Last accessed 26<sup>th</sup> June 2004.

<sup>66</sup> House of Commons, *Hansard*, 7<sup>th</sup> May 2003, Written Answers, column 722.

<sup>67</sup> House of Commons, *Hansard*, 25<sup>th</sup> November 2002, Written Answers, columns 10-12.

<sup>68</sup> Unnamed, 'John Howe on UK team', *Thales Roundup*, September 2002.



## THE OVERREPRESENTATION OF ARMS COMPANY INTERESTS IN BLAIR'S TASK FORCE PROLIFERATION

One of the more distinctive features of the New Labour government has been its passion for the establishment of task forces, policy review and advisory groups. This passion has led to the establishment of numerous bodies, a phenomenon that raises at least three major points of concern. First, since the existence of these groups has not been properly catalogued, their operation seemingly uncoordinated or largely secret and membership details often difficult to obtain, their existence raises important questions on accountability and transparency. Second, from those membership details that are available, business interests appear to be disproportionately represented at the expense of the non-corporate community. Third, evidence suggests that there is a quantitative difference between bodies advising on military policy as compared to those advising on other areas of policy like construction and biotechnology indicating that those from military industry enjoy more access to policy-makers than those from other sectors. This section begins by addressing the first of these concerns.

First, a huge number of new groups have been established since Labour came to power but there has not been an equally huge effort to keep track of them even in the Departments to which they are affiliated, or to make details of their existence and operations publicly accessible. Between May 1997 and December 1998 at least 295 new task forces were created drawing in some 2,500 Whitehall appointed members who were neither officials nor ministers.<sup>69</sup> These figures are even more notable since they exclude any internal policy reviews and the 834 non-departmental public bodies, often called quangos, listed in the Cabinet Office's annual Public Bodies Directory. Quangos, or Quasi-Autonomous Non-Governmental Organisations) which include the BBC, the Research Councils, The Teacher Training Agency and employment tribunals are all permanent

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<sup>69</sup> Tony Barker with Iain Byrne and Anjuli Veall, *Ruling by Task Force: Politico's Guide to Labour's New Elite* (London: Politico's Publishing, 1999) p 12.

bodies.<sup>70</sup> In contrast, task forces, policy reviews and advisory groups are a new breed invented by the Blair government which are defined as groups of people drawn from the private and public sectors with a lifetime of less than two years which focus on a single issue. These largely publicly unaccountable bodies have been created to provide a forum in which non-governmental actors can advise on the formation or implementation of potential New Labour policies as part of a more "inclusive" style of governing. Although they allow the government to claim that it consults widely during the policy-making and policy-implementation process, their existence has not been comprehensively catalogued, their deliberations are largely secret and membership information is difficult to obtain. These and other problems associated with researching such groups have been outlined by one of the very few researchers to look at this phenomenon, Tony Barker, who explains

Central government has no across-the-board rules for establishing such bodies or co-ordinating their existence. Departments create and log them in often informal fashion and by varying practices. The definitions of such bodies are unformed, their titles vary considerably, official practices on consulting outsiders differ, and minor sub-groups proliferate but may meet only once or not at all ... Departments sometimes fail to issue press releases, or to post details on their websites, and may even have no record of their existence.<sup>71</sup>

Since this was written in 1999, a list of live task forces established from May 1997 to October 2000 has been issued in response to two Parliamentary Questions.<sup>72</sup> But in the case of MoD groups, at least two are not listed which seemingly should be - the Defence and Aerospace Systems Panel and a subgroup of the Defence Task Force, the Research and Technology Task Force. The MoD has not been able to explain these omissions. As at 2003, neither the MoD nor the DTI could offer a comprehensive list or any kind of organisational diagram of those bodies relevant to military policy linked to it. A member of the

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<sup>70</sup> Cabinet Office, 'Frequently Asked Questions' <<http://www.cabinet-office.gov.uk/index.htm>>; Quango index page <<http://www.cabinet-office.gov.uk/quango/index/qorg.htm>> Last accessed on 20<sup>th</sup> March 2003.

<sup>71</sup> Barker, Byrne, Veall, *Ruling by Task Force*, p. 10.

<sup>72</sup> List of live task forces, ad hoc advisory groups and reviews established between 2 May 1997 and 31 October 2000 <<http://www.cabinet-office.gov.uk/central/2000/TaskForces.pdf>> Last accessed 5<sup>th</sup> January 2003.

MoD explained “unfortunately, it is not possible to provide a comprehensive list because this information is not held centrally.”<sup>73</sup>

There is one consistency, a consistency that leads to a second area of concern. Publicly available information suggests that military industry and its trade associations enjoy a disproportional advantage in securing membership of affiliated bodies. Amongst the 301 places on MoD and DTI task forces established between May 1997 and December 1998 for those outside central government, private business interests and their trade associations occupied 68% of places. Trade Unions made up less than 5% of membership while voluntary/charity bodies made up 1%.<sup>74</sup> In 1998, an undercover journalist reported that two former Blair advisors, now lobbyists, had described how it was no problem securing advisory body places for their corporate clients. The problem was supplying enough to satisfy Labour’s appetite.<sup>75</sup> These new breed of groups sit alongside a number already in existence advising government, some initiated by industry, some by government and some European based, but all of which include representation from both circles. However valuable the input, membership composition of both new advisory bodies and existing groups alongside the continuing expansion of the advisory structure raises important concerns about favourable access to ministers at the expense of the non-corporate constituency.

These are real concerns in the case of the MoD and the DTI where a whole series of bodies include the directors and staff of arms-producing companies. Appendix twenty six shows how there have been at least five groups and 17 subgroups relevant to military policy based in the UK that have, to date, played a part in advising government on various aspects of military policy. All but one national advisory body and one working group operate with at least one member from BAE Systems and almost all include a representative from Rolls Royce and

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<sup>73</sup> Letter, Directorate of Policy Planning, MoD, to the author, 14<sup>th</sup> February 2003.

<sup>74</sup> Barker, Byrne and Veall, *Ruling by Task Force*, p 27. The overall composition of membership across the MoD and DTI found by Barker is as follows: National public body-2.7%, Judiciary-0.3%, Health-0.3%, Local government-2.7%, Local public body-0.7%, Education-0.7%, Private business-56.5%, Trade associations-12%, Professional associations-2%, Voluntary/charity bodies-1%, Trade unions-4.7%, Academics-13.6%, Independents-3%..

SBAC. The diagram is in no way comprehensive because, as noted above, neither department could offer any kind of organisational diagram showing which bodies are affiliated to them. Amongst the 298 known places on MoD and DTI bodies, 48% were occupied by individuals from arms-producing companies and their trade associations, the remainder of places largely taken by government representatives. The membership composition may be understandable for some advisory groups like the Smart Procurement Partnership Group whose remit it is to look at how the procurement process can be improved. This group was made up of one government representative and four military industry trade association representatives while at least four staff from military industry or those supplying military industry have been seconded to the MoD's Procurement Executive to advise on Procurement work.<sup>76</sup> Only industry has the technical and commercial information required, a case where the collaborative approach appears justified. But from the following list of other groups, it is not only unclear why so many groups exist with what appears to be the same purpose but also how alternative views other than those put forward by military industry are heard by senior ministers and officials.

#### *The National Defence Industries Council*

At the MoD, the National Defence Industries Council has been singled out by the department as the most important forum for coordinated planning on military industrial policy.<sup>77</sup> As at January 2003, this industry/government body, which identifies and funds work of importance to military industry, was led by the Chair of BAE Systems until July 2004, Dick Evans. Evans was joined by eight other arms company or arms industry trade association and lobbying representatives who have privileged access to the high ranking departmental representatives who make up the remaining ten spaces. These representatives include the Defence Secretary, the Minister for Defence Procurement and the Chief Executive of the Defence Procurement Agency as shown in appendix twenty

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<sup>75</sup> Gregory Palast, 'Lobbygate: "There are 17 people that count. To say that I am intimate with every one of them is the understatement of the century"', *The Observer*, 5<sup>th</sup> July 1998.

<sup>76</sup> Barker, Byrne and Veall, *Ruling by Task Force*, p.66.

<sup>77</sup> MoD, *Defence Industrial Policy, Paper number 5*, October 2002, paragraph 57. <<http://www.dti.gov.uk/pdfs/dip.pdf>> Last accessed 26<sup>th</sup> June 2004.

seven.<sup>78</sup> One sub-group of the Council is the National Defence Industries Council Research and Technology Group. 14 representatives of arms-producing companies, their trade associations and lobby groups sit with nine government, mainly MoD representatives as shown in appendix twenty eight.<sup>79</sup> Helping to prepare a coordinated view from industry in preparation for dialogue with government at the National Defence Industries Council meetings is the Defence Industries Council. Also Chaired by Dick Evans, until Autumn 2004, the Council is comprised solely of military company executives and trade association representatives.<sup>80</sup>

#### *The Defence Export and Market Access Forum*

Elsewhere within the MoD a new Export and Market Access forum has been established to improve UK-based industry access to foreign markets. In recent meetings, the forum has discussed export control legislation and the contribution of military exports to the UK economy.<sup>81</sup> It is chaired by Alan Garwood, head of DESO and former Deputy Chief Executive of Matra BAE Dynamics.<sup>82</sup> The names of other individual members are not available. It is known that the forum includes senior representatives of the MoD, FCO, DTI, the Cabinet Office, the Treasury, BAe Systems, Rolls Royce and Smiths and SBAC,<sup>83</sup> all appointed in consultation between government and industry.

#### *The Aerospace Committee*

At the DTI, the Aerospace Committee advises the government on future industry direction during quarterly meetings with DTI officials, and whenever possible, with ministers since it was established in 1999.<sup>84</sup> The Committee is Chaired by Colin Green, President of Defence and Aerospace at Rolls Royce and President

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<sup>78</sup> House of Commons, *Hansard*, 23<sup>rd</sup> January 2003, Written Answers, Column 446.

<sup>79</sup> House of Commons, *Hansard*, 23<sup>rd</sup> January 2003, Written Answers, Column 447.

<sup>80</sup> SBAC, *The Defence industries Council* <<http://www.sbac.co.uk/Defence.htm>> Last accessed 26<sup>th</sup> June 2004.

<sup>81</sup> House of Commons, *Hansard*, 8<sup>th</sup> June 2004, Written Answers, Column 825.

<sup>82</sup> House of Commons, *Hansard*, 10<sup>th</sup> June 2004, Written Answers, Column 598-599; House of Commons, *Hansard*, 30<sup>th</sup> June 2004, Written Answers, Column 350.

<sup>83</sup> House of Commons, *Hansard*, 8<sup>th</sup> June 2004, Written Answers, Column 825.

<sup>84</sup> Telephone conversation, DTI, 3<sup>rd</sup> February 2003.

of SBAC.<sup>85</sup> In 1999 at least 12 members out of a total of 19 worked for arms-producing corporations or their trade representatives. By 2003 this had increased to 14, as shown in appendix twenty nine, and four others have links to the industry - Spectrum Capital acts as a financial advisor to aviation and shipping companies. QinetiQ used to be the government's own defence research establishment. It still works closely with UK military contractors. Professor Bill Dawes works in an engineering department with extensive links to Rolls-Royce. Professor Ian Poll has been involved in collaborative research with BAE Systems, Rolls-Royce and the MoD and now heads the College of Aeronautics at Cranfield, a Department which runs a number of BAE Systems staff only MSc courses in a university which is a "strategic partner" of BAE Systems.<sup>86</sup> The Committee is Chaired by Colin Green, President-Defence Aerospace at Rolls Royce and Vice President of SBAC.<sup>87</sup>

#### *The National Defence and Aerospace Systems Panel*

The Aerospace Committee provides the medium through which the National Defence and Aerospace Systems Panel reports to the DTI. Established in 2002, the panel's remit is to make sure that UK-based military industry is prepared for the challenges of the future and as such, the panel will, according to a government website "continue to have the ear of Government decision makers at the highest levels."<sup>88</sup> It is composed of nine representatives of arms-producing companies and their trade associations, four government representatives and five involved in research or academia. Membership information for one of the panel's own task forces - the Research and Technology Task Force - shows that it includes five representatives from arms companies from a total of 13 members

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<sup>85</sup> Rolls Royce, *Biographies* <[http://www.rolls-royce.com/about/biographies/green\\_c.jsp](http://www.rolls-royce.com/about/biographies/green_c.jsp)> Last accessed 1<sup>st</sup> July 2004; House of Commons Library, *Aerospace Committee Members and their Employers*, entered 23<sup>rd</sup> January 2003 ref. Dep 03/289 following Parliamentary Question 91919 Cohen/Johnson, column 500.

<sup>86</sup> House of Commons Library, 'Aerospace Committee Members and their Employers', entered 23<sup>rd</sup> January 2003 ref. Dep 03/289 following Parliamentary Question 91919 Cohen/Johnson, column 500.

<sup>87</sup> Rolls Royce, 'Biographies' <<http://www.rolls-royce.com/media/biogs/green.htm>> Last accessed 5<sup>th</sup> January 2004.

<sup>88</sup> Peter Holtby, 'New Foresight Panel Picks up the Challenge', *Vision: The newsletter of the Foresight and Link initiatives*, Issue 3, Summer 2002 <<http://www.ost.gov.uk/link/news/issue03/story06/index.htm>> Last accessed 26<sup>th</sup> June 2004.

as shown in appendix thirty.<sup>89</sup> The National Defence and Aerospace Panel is also responsible for a series of National Advisory Committees which advise the government on the direction of new research funding. They aim to promote collaboration between major "stakeholders" - Government, industry and academia. Where their membership is known, about one third of places are taken by representatives of arms-producing companies and their trade associations, the remainder being taken largely by government and academia.<sup>90</sup> This is shown in appendix thirty one.

### *The Aerospace Innovation and Growth Team*

The most recent creation at the DTI has been the 2002 Aerospace Innovation and Growth Team. The Team, along with its working groups, was established followed intensive lobbying by SBAC and others from the aerospace industry.<sup>91</sup> It is designed to foster agreement between the aerospace industry and government on the future of the industry. The team is Chaired by Dick Evans, Chair of BAE Systems until July 2004. Evans is joined by nine colleagues from arms-producing companies and their trade associations, six from government and five others from academia, private companies, unions and development agencies, all chosen by the Secretary of State for Trade and Industry.<sup>92</sup> The team's webpages are hosted by military trade association SBAC and its secretariat is made up of those seconded to the DTI from arms-producing companies or their trade associations. In 2002, at least 48% of the places on its five working groups were taken by representatives of the military sector.<sup>93</sup> By 2004, the proportion had risen to 54% as shown in appendix thirty two.<sup>94</sup>

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<sup>89</sup> House of Commons, *Hansard*, 23<sup>rd</sup> January 2003, Written Answers, columns 447- 448.

<sup>90</sup> NDASP, NACs <<http://62.173.95.10/>> Last accessed 1<sup>st</sup> July 2004

<sup>91</sup> SBAC, *Aerospace in Parliament Farnborough Special Issue*, July 2002

<<http://www.sbac.co.uk/files/newsdocs/221/Aerospace%20in%20Parliament%20-%20FI2002.pdf>> Last accessed 5<sup>th</sup> January 2004.

<sup>92</sup> Department of Trade and Industry, *Aerospace Innovation and growth Team* <<http://www.dti.gov.uk/aerospace/aigt.htm>> Last accessed 26<sup>th</sup> June 2004.

<sup>93</sup> E-mail, DTI, to author, 31<sup>st</sup> October 2002; House of Commons Library, *Aerospace Innovation and Growth Team Working Groups, Members and their Employers*, entered 23<sup>rd</sup> January 2003 ref. Dep. 03/289 following Parliamentary Question 91919 Cohen/Johnson, column 500.

<sup>94</sup> Aerospace Innovation and Growth Team, 'Working Groups'

<<http://www.aeigt.co.uk/workinggroup5.shtml>> Last accessed 16<sup>th</sup> June 2004.

## *European Advisory Groups*

The profile gained by arms-producing companies from their involvement with domestic advisory groups is complemented by that gained from their involvement with new European advisory bodies. The Strategic Aerospace Review for the 21<sup>st</sup> Century (STAR 21), a European advisory group established in 2001 after intense lobbying from aerospace industry, has advised EU member state governments on the future of the industry in Europe. It was comprised of seven chairs of aerospace companies, including BAE Systems' Dick Evans, five European Commissioners, a European Union High Representative and two Members of European Parliament.<sup>95</sup> The European Advisory Group on Shipbuilding was established in 2003 designed to address issues relevant to the future of shipbuilding in Europe. It is comprised of seven European Commissioners, two members of the European Parliament, reportedly ten industry directors and chief executive officers, and one trade union representative.<sup>96</sup> The Group of Personalities, an advisory body established in 2003 to discuss security research strategy, is comprised of two European Commissioners, four members of the European Parliament and reportedly, a series of both European think tanks representatives and industry representatives.<sup>97</sup> This new momentum signifies a shift to the institutionalisation of links between industry and the European political field.

Both domestic and European groups typically leave no space for input from opposing positions. As far as is known there has never been any representation in any of these kind of groups from organisations like CAAT or the UK Working Group on Arms representing Amnesty, BASIC, Saferworld, Christian Aid,

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<sup>95</sup> European Commission, *STAR 21: Creating a coherent market and policy framework for a vital European industry* <[http://europa.eu.int/comm/enterprise/aerospace/report\\_star21\\_screen.pdf](http://europa.eu.int/comm/enterprise/aerospace/report_star21_screen.pdf)> Last accessed 10<sup>th</sup> August 2004.

<sup>96</sup> European Commission Press Release, 28<sup>th</sup> October 2003 <<http://europa.eu.int/rapid/pressReleasesAction.do?reference=SPEECH/03/496&format=HTML&aged=0&language=EN&guiLanguage=en>> Last accessed 11<sup>th</sup> August 2004; Isabelle Emcke, *European Union and defence industries to establish closer relationships*, CAAT internal report, 2004.

<sup>97</sup> European Union Business, *Group of Personalities discusses a security research strategy for Europe*, 7<sup>th</sup> October 2003 <<http://www.eubusiness.com/eunews/EUNews.2003-10-07.3949>> Last accessed 11<sup>th</sup> August 2004; Emcke, *European Union and defence industries to establish closer relationships*.



International Alert and Oxfam.<sup>98</sup> These groups tend to rely on less formal access with less influential departments in arms issues like the Foreign and Commonwealth Office and the Department for International Development,<sup>99</sup> access which is in itself constrained by a lack of resources. This, together with Lord Smith of Clifton's warning that these groups tend "to de-politicise many issues and problems which properly lie within the political sphere"<sup>100</sup> heighten concerns about unequal access to government within the two departments.

Concern over what appears to be unequal access has led one report to undertake a comparative study between groups advising on military policy affiliated to the MoD and DTI with groups advising on policy in other departments. Its findings raise a third major concern with Blair's task force phenomenon. The report compared groups advising on military policy affiliated to the MoD and DTI with groups advising on policy in other departments. A comparison between the DTI's use of advisory groups in the military and information and communications technology field suggests that the DTI has fostered similarly close relations with both industries and that the seniority of ministers attending groups affiliated to both industries are comparable. Although the network of bodies linking the DTI to both industries operate under qualitatively similar principles, they are not quantitatively similar. Advisory groups operating in the military field are more extensive. Evidence suggests that similar conclusions can be drawn from a comparison between these advisory bodies and those working in the automotive, biotechnology and construction fields.<sup>101</sup> These quantitative differences suggest that military industry has more access to the MOD and to the DTI than other industrial sectors have with government departments.

In sum, the establishment of an extensive network of new groups advising on military policy under New Labour raise important concerns about under-representation from the non-corporate constituency, privileged access to senior

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<sup>98</sup> E-mail, Ian Prichard, CAAT, to author, 27<sup>th</sup> March 2003.

<sup>99</sup> Anna Stavrianakis, (Big) Business as Usual. Sustainable Development, NGOs and UK Arms Export Policy, unpublished paper, 2004.

<sup>100</sup> Trevor Smith, 'preface', Barker, Byrne and Veall, *Ruling by Task Force*, p 7.

<sup>101</sup> Dan Lewer, *UK Advisory Bodies and Military Industry*, Campaign Against Arms Trade internal report, June 2004.

policy-makers and disproportionate influence compared to other industrial sectors. The establishment in the last two years of the Aerospace Innovation and Growth Team as well as the Defence Export and Market Access Forum suggests that the growth of advisory bodies will continue without these concerns being addressed.

## CONCLUSION

The purpose of this chapter was to look at the activities of the arms export lobby within government departments, principally within the MoD and the DTI with a view to adding to an understanding of why arms export support continues. It has focused on the links between arms-producing companies on the one hand and the DTI and MoD on the other both in terms of the traditional revolving door phenomenon and on the impact of a new round of advisory groups. It has argued that given the number and position of former MoD Secretaries of State, Ministers of State and senior civil servants who have been through the MoD-arms company revolving door, sometimes twice; given the figures consistently appointed head of DESO; given the wider employee interchange programme, it is impossible to see how arms-producing companies are not gaining considerable influence in government. In some cases, principally with DESO, it is difficult to tell where government ends and military industry begins. This is a central concern of the second half of the chapter which outlined how the same arms-company executives and anonymous personnel appear repeatedly in the proliferation of groups advising on military policy affiliated to the MoD and the DTI. Industrial figures, especially military figures, appear to have more access to policy-makers via advisory groups than the non-corporate constituency. The danger is that military industry does not have to rely on exerting its political influence from the outside because it is able to progressively integrate itself with those on the inside to the benefit of those looking to maintain arms export subsidies.

The explosion of advisory groups is not the only recent phenomenon to have had an impact on government policy-making. Of particular interest is growth of the political lobbying industry, the development of Labour linked think tanks and one of the most defining features of policy-making in the UK to date, the transfer of

services from the public to the private sector. All are relatively new features of the UK political landscape, with potential relevance to military policy, to which this thesis will now turn.

# CHAPTER SIX: NEW ELEMENTS IN GOVERNMENT-INDUSTRY RELATIONS

## INTRODUCTION

Chapter four considered the relationship between arms-producing companies and the Labour party. Chapter five considered the relationship between arms-producing companies and government departments. The purpose of this final chapter is to consider the impact of a number of new phenomena on industry-government relations. The chapter looks first at the possibility that Labour linked think tanks have been a way of reaffirming access for those linked to arms-producing companies. The chapter then looks at UK-based political consultancies listing arms-producing companies as their clients, at their links with the party, at the role that arms company executives play within international lobbying groups and at the level of influence that such groups enjoy. The chapter concludes by outlining the role that arms-producing companies are playing in the transfer of services from the public to the private sector and the implications of this development on industry-government relations. Primarily the chapter is considering whether these new elements continue to raise concerns that that industry enjoys disproportionate influence over government and that there exists a mutually beneficial industry-government relationship both of which feed into the political power of the industry to maintain arms export support.

## INDUSTRY LINKED THINK TANKS AND CORPORATE ACCESS TO GOVERNMENT

In June 2002, Anthony Barnett of the Observer ran a story claiming that corporations were gaining access to influential policy-makers via sponsorship of think tanks close to the Labour Party.<sup>1</sup> The allegations were rejected by all the think tanks involved and from information in the public domain, it is unclear whether, even if true, think tanks are relevant to an understanding of the relationship between arms-producing companies and government. No mention

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<sup>1</sup> Anthony Barnett, 'Labour face 'cash for access' claims over think-tanks', *The Observer*, 30<sup>th</sup> June 2002.

was made of such companies in the story and it appears that only the Foreign Policy Centre has received sponsorship from any company involved in the military sector. The Centre, whose patron is Tony Blair, has received sponsorship from Control Risks Group and Armor group which some reports have claimed are suppliers of mercenary forces.<sup>2</sup> Control Risks Group sponsored a 26<sup>th</sup> November 2002 launch event called "The Unlikely Counter-Terrorists", an event also sponsored by BAE Systems. The Centre insists that money is accepted with "no strings attached".<sup>3</sup>

Elsewhere, two think tanks reported to be close to Labour do have links with some of the more important figures in military industry yet both have reportedly also made a conscious effort to employ those with alternative views who have been critical of the government's record on arms export support.<sup>4</sup>

Reportedly Blair's favourite think tank, The Institute for Public Policy Research includes amongst its trustees former BAE Systems Director and Labour Peer Lord Hollick, regular Labour donor Warwick Manufacturing group's Professor Bhattacharyya as well as Chris Powell, advisor to BAE Systems Chair until July 2004, Dick Evans and advisor to the Chair of Thales.<sup>5</sup> Chris Powell used to head Labour's old advertising company<sup>6</sup> and his brother is Blair's Chief of Staff Jonathan Powell.<sup>7</sup> These figures, who are all linked in some way to arms-producing companies are working in a organisation which has also attracted individuals linked to New Labour. The Secretary at the Institute is Gail Rebuck, wife of Philip Gould, one of Blair's most influential advisors on public opinion. She is widely reported to be the most influential woman in UK publishing as Chair and Chief Executive of the Random House Group, the UK's biggest trade publishing company. Rebuck is also widely reportedly to be close to Blair. Other trustees

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<sup>2</sup> Osler, *Labour Party plc*, p 108.

<sup>3</sup> Solomon Hughes, 'Business agenda', *Red Pepper*, April 2002 <<http://www.redpepper.org.uk>> Last accessed 27<sup>th</sup> June 2004.

<sup>4</sup> Interview, Ann Feltham, Campaign Against the Arms Trade, with author, July 2004.

<sup>5</sup> Institute for Public Policy Research, *About IPPR* <<http://www.ippr.org.uk/about/index.php?current=trustees>> Last accessed 27<sup>th</sup> June 2004; Anthony Barnett, 'Labour face 'cash for access' claims over think tanks', *The Observer*, 30<sup>th</sup> June 2002; House of Lords, *The Register of Lords' Interests* as at 22<sup>nd</sup> June 2004; Labour Party, *Annual Report 1999, Annual Report 2000 and Annual Report 2001*.

<sup>6</sup> Osler, *Labour Party plc*, p. 211.

<sup>7</sup> Osler, *Labour Party plc*, p 211.

include Labour Peer Lord Brooke of Alverthorpe and former economic advisor to Neil Kinnock Labour Peer Lord Eatwell.<sup>8</sup> Another is Lord Gavron, Chair of the Guardian Media Group 1997-2000.<sup>9</sup> He donated £500,000 to the Labour Party in 1996 and £500,000 on 25<sup>th</sup> June 1999 just six days after he was made a Labour Peer.<sup>10</sup> Trustees also include "Third Way" guru Anthony Giddens and Labour Peer Lord Putnam. David Milliband, former Research Fellow at the IPPR (1989-1994) went on to head Blair's Policy Unit until 2001 and eventually became Minister of State for Education and Skills.<sup>11</sup> Milliband was not alone in moving from the Institute to the party. The Observer reports that when Labour came to power in 1997, 15 staff members left to take up policy and special advisor roles adding to the reputation of the Institute as a "civil service in waiting".<sup>12</sup> Yet the Institute has also employed David Mepham as Associate Director, Head of International Programme, co-author of the Saferworld and IPPR report "The missing link in Labour's foreign policy". This 2002 report challenges the idea that arms exports are vital to the UK economy, finds Labour's overall record on arms policy a disappointment and points to "an unwillingness or inability" to control arms exports effectively.<sup>13</sup> In a Guardian article the same year Mepham went on to blame the government's "poor" record on arms exports on an "outdated Atlanticism and the power of the defence industry lobby within Whitehall."<sup>14</sup> Mepham went on to co-author a 2004 report, "Promoting Effective States", which calls for tighter arms export controls, an updated EU Code of Conduct on Arms Exports and agreement on an International Arms Trade Treaty.<sup>15</sup> In 2004, the Institute criticised the government's announcement that India was to buy 66 Hawk jets as "a source of serious concern not celebration".<sup>16</sup> Despite its links to high profile figures in the industry, there is no evidence to suggest that the Institute has refrained from criticising the government on its arms export record.

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<sup>8</sup> DoD, 'Biographies - Lord Eatwell' <<http://www.politicallinks.co.uk>> Last accessed 9<sup>th</sup> October 2003.

<sup>9</sup> DoD, 'Biographies - Lord Gavron'.

<sup>10</sup> Red Star Research, 'Lord Robert Gavron'; David Cracknell, 'Revealed: Labour's Paymasters', *Sunday Telegraph*, 5<sup>th</sup> September 1999.

<sup>11</sup> DoD, 'Biographies - David Milliband'.

<sup>12</sup> Unnamed, 'Path to Influence? The think-tanks', *The Observer*, 30th June 2002.

<sup>13</sup> David Mepham and Paul Eavis, *The Missing Link in Labour's Foreign Policy: The Case for Tighter Controls over UK Arms Exports* (London: IPPR and Saferworld, 2002).

<sup>14</sup> David Mepham, 'We've Given in to the Arms Lobby', *The Guardian*, 24<sup>th</sup> July 2002

<sup>15</sup> David Mepham and Gero Maass, *Promoting Effective States: A Progressive Policy Response to failed and Failing States*, (London: IPPR and FES, January 2004)

Military and security think tank The Royal United Services Institute claims "unrivalled access to senior figures in the MoD and other Government Departments" and has been described by Tony Blair as "second to none."<sup>17</sup> One of two institutes hosting a speech by Bush during his November 2003 visit, the institute can also boast connections with a number of high profile UK figures. Its Corporate Advisory Council, a group which advises on developing "mutually advantageous" relationship between the institute and corporations, is Chaired by Stephen Henwood, BAE Systems Group Managing Director Programmes.<sup>18</sup> Five out of seven current vice-presidents of the institute's Council have worked for arms-producing companies or their trade associations.<sup>19</sup> Vice Admiral Sir Jeremy Blackham is a Senior Military Advisor to EADS.<sup>20</sup> He spent 41 years in the Navy rising to Vice Admiral and Deputy Chief of Defence Staff (Equipment Capability). He has been described as very successful at "exploiting excellent relationships with senior political, official and industrial figures".<sup>21</sup> Air Chief Marshal Sir Patrick Hine was a military advisor to British Aerospace until he retired in 1999,<sup>22</sup> Lord Levene was Chair of the DMA (1984 - 1985),<sup>23</sup> personal advisor to the Defence Secretary (1984) and to the President of the Board of Trade (1992-1995). Levene was Chief of Defence Procurement (1985-1991), advisor to John Major (199 - 1995). Admiral of the Fleet Sir Julian Oswald became a Director of BAE SEMA (1993-2001) and Chair (1999-2001) after 46 years in the Navy.<sup>24</sup> John Weston is a former Chief Executive of BAE Systems (1998-2002).<sup>25</sup> Yet the Royal United

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<sup>16</sup> Institute for Public Policy Research, Press Release, 3<sup>rd</sup> September 2003

<<http://www.ippr.org.uk/press/index.php?release=249>> Last accessed 1<sup>st</sup> August 2004.

<sup>17</sup> Royal United Services Institute, *Introduction* <<http://www.rusi.org/about.html>> Last accessed 27<sup>th</sup> June 2004.

<sup>18</sup> Royal United Services Institute, *Corporate Advisory Group* <<http://www.rusi.org/about-cag.html>> Last accessed 27<sup>th</sup> June 2004.

<sup>19</sup> Royal United Services Institute, *RUSI Council* <<http://www.rusi.org/about-council.html>> Last accessed 27<sup>th</sup> June 2004.

<sup>20</sup> SBAC, 'SBAC News', 26<sup>th</sup> April 2003 <<http://www.sbac.co.uk/newsview.asp?n=176>> Last accessed 8<sup>th</sup> December 2003.

<sup>21</sup> Atmaana, 'People' <<http://www.atmaana.com/atmaana/people.php?showpage=sjb>> Last accessed 15<sup>th</sup> January 2003.

<sup>22</sup> Air University, 'Patrick Hine' <<http://www.au.af.mil/au/goe/eaglebios/99bios/hine99.htm>> Last accessed 8<sup>th</sup> December 2003.

<sup>23</sup> DoD, 'Biographies - Lord Levene'.

<sup>24</sup> European Atlantic Group, 'Julian Oswald' <<http://www.eag.org.uk/CVOswald.htm>> Last accessed 8<sup>th</sup> December 2003.

<sup>25</sup> BAE Systems, 'BAE Systems Organisation and Structure' <<http://www.BAEsystems.com/newsroom/2002/jan/170102news1.htm>> Last accessed 8<sup>th</sup> December 2003.

Services Institute also employs Dan Plesch as a Senior Research Fellow. Plesch has accused Blair of allowing gunrunners "to act with impunity" in a 2002 Guardian article<sup>26</sup> In 2003 he concluded in another Guardian article that

New Labour has, in fact, been working to make the world worse. Tony Blair personally intervened to weaken legislation to stop British companies selling arms to what he and President Bush call the world's worst leaders ... Those who talk of Britain doing good in the world should explain why the government has still failed to implement effective arms export controls promised in opposition.<sup>27</sup>

Despite its Chair and the composition of its Council, Dan Plesch continues to publicly attack the government on its arms export control record.

Barnett may have found grounds for alleging that donations to think tanks gain corporations access to policy-makers but there is no evidence to suggest that this is the case for military industry. Elsewhere, even those think tanks whose council and trustees are composed of some of the most high level figures in military industry, have employed some of the most outspoken critics of the government's record on arms exports. It is difficult to see how industry-government relations are helped by think tanks when there is neither evidence to suggest that trustees/council composition equate to suppressed debate nor that donations equate to access. It is far easier to see how the lobbyists that arms-producing companies employ achieve this kind of access, an issue to which this chapter will now turn.

#### ARMS FIRM LOBBYISTS AND CORPORATE ACCESS TO GOVERNMENT

For between £5,000 and £20,000 per month lobbying companies aim to present the interests of their clients to government and raise awareness of their client's interests in the media. Several studies on policy-making written in the mid 1990s had already identified business interests in the UK as having a position within

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<sup>26</sup> Dan Plesch, 'Beware Peacemakers Selling Arms', *The Guardian*, 21<sup>st</sup> July 2002.

<sup>27</sup> Dan Plesch, 'A Con Trick for Western Liberals', *The Guardian*, 7<sup>th</sup> March 2003.



government unrivaled by other interest groups.<sup>28</sup> The rapid expansion of the political consultancy sector during that decade appears to have improved this potential. The 1998 "lobbygate" affair exposed three lobbyists, former aides of Gordon Brown, Tony Blair and Peter Mandelson, distributing confidential government papers and offering to arrange both meetings with ministers and task force membership for their clients.<sup>29</sup> Despite this, lobbyists do not publicly claim that they can gain "cash for access" and there is no evidence of clients asking or paying for inside information. But the very point of lobbying companies is to create an environment favorable to their corporate clients to the disadvantage of what is usually the non-corporate community. Small, under resourced campaigning groups simply cannot afford to pay for lobbyists. This is a disadvantage because if lobbying companies did not in some way benefit their fee paying clients the industry would collapse. In reality, the number and size of lobbying companies has increased dramatically over the last 15 years. The majority of members of the Association of Professional Political Consultants, which represents 80% of the industry, were established after 1990, figures which suggesting a thriving national industry. They are able to do this more effectively because a large proportion of those involved at all levels of the UK's major lobbying companies, including those representing UK-based arms-producing companies, used to work for the Labour Party. A search limited to senior staff whose biographies have been posted on company websites immediately reveals 40 former Labour Party advisors or former advisors to Labour MPs now at work within the lobbying industry. Many are now effectively working to promote the profile and interests of the arms industry.

### *Bell Pottinger*

Labour Party sponsor Bell Pottinger Public Affairs reportedly started work both on BAE Systems' corporate reputation and on attracting more R & D funding as well as ECGD support for its client Rolls Royce in 2003. Bell was created, in part, by

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<sup>28</sup> Wyn Grant, *Business and Politics in Britain* (London: MacMillan, 1993); Neil Mitchell, *The Conspicuous Corporation: Business, Public Policy and Representative Democracy* (Michigan, University of Michigan Press, 1997).

<sup>29</sup> Gregory Palast, 'Lobbygate: "There are 17 people that count. To say that I am intimate with every one of them is the understatement of the century"', *The Observer*, 5<sup>th</sup> July 1998.

Thatcher campaigns manager and Labour Peer Tim Bell.<sup>30</sup> Thatcher awarded Bell a Knighthood in her resignation speech in 1990 before Blair awarded him a Peerage in 1998.<sup>31</sup> The following year Bell Pottinger spent more than £5,000 on "sponsorship activity and commercial marketing" with the Labour Party before spending another sum in excess of £5,000 on tickets or gift prizes for Labour Party dinners during 2001.<sup>32</sup> One of Bell's directors is a former Special Advisor to then Agriculture Minister Jack Cunningham and another, Rhoda MacDonald is a former Special Advisor to then Secretary of State for Scotland, Helen Liddell.<sup>33</sup> Bell's Associate Director, Howard Dawber, who specialises in military and aerospace, is a former employee of Labour Party HQ and unsuccessful Labour Parliamentary candidate.<sup>34</sup> Until recently, another of its Associate Directors was Malcolm Gooderham, former Chief Press Secretary to Michael Portillo who is now a BAE Systems Non-Executive Director.<sup>35</sup>

The director of Bell's sister company, Good Relations, was David Hill. Hill interrupted a 26-year career in the Labour Party to join Bell in 1998, reportedly on a £100,000 plus salary.<sup>36</sup> Hill was a former Chief of Staff to Deputy Labour leader Roy Hattersley, former Director of Labour Party Communications (1991-1993) and former Chief Labour Party Media Spokesperson (1993-1998). He ran Labour's media division during both the 1997 and 2001 election campaigns and for both the Scottish and Welsh referendum campaigns. During the 2001 election Hill reportedly claimed, along with other seconded lobbyists at Labour headquarters in Millbank, that he was taking unpaid leave. As journalists from the

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<sup>30</sup> Gidon Freeman, 'BAE Systems hires second firm amid media onslaught', *PR Week*, 21<sup>st</sup> February 2003; Ravi Chandiramani, 'Rolls Royce hires BPPA to step up lobbying', *PR Week*, 10<sup>th</sup> October 2003; Chime Communications PLC, *Biographies* <[http://www.chime.plc.uk/who\\_we\\_are/biographies.html](http://www.chime.plc.uk/who_we_are/biographies.html)> Last accessed 26<sup>th</sup> June 2004; Labour Party, *Annual Report 2000 and Annual Report 2002*.

<sup>31</sup> Chime Communications PLC, 'Biographies'.

<sup>32</sup> Labour Party, *Annual Report 2000*; Labour Party, *Annual Report 2002*.

<sup>33</sup> Bell Pottinger Public Affairs, *Tim Walker, Director* <<http://www.bppa.co.uk/tw.html>> Last accessed 17<sup>th</sup> June 2004; Bell Pottinger Public Affairs, *Rhona MacDonald* <<http://www.bppa.co.uk/rm.html>> Last accessed 17<sup>th</sup> June 2004.

<sup>34</sup> Bell Pottinger Public Affairs, *Howard Dawber* <<http://www.bppa.co.uk/hd.html>> Last accessed 17<sup>th</sup> June 2004; BBC News, *Results and Constituencies* <[http://news.bbc.co.uk/hi/english/static/vote2001/results\\_constituencies/constituencies/136.stm](http://news.bbc.co.uk/hi/english/static/vote2001/results_constituencies/constituencies/136.stm)> Last accessed 26<sup>th</sup> June 2004.

<sup>35</sup> Bell Pottinger Public Affairs, *Malcolm Gooderham, Associate Director* <<http://www.bppa.co.uk/mg.html>> Last accessed 17<sup>th</sup> September 2003.

<sup>36</sup> David Osler, *Labour Party plc: New Labour as a Party of Business*, (Edinburgh: Mainstream Publishing, 2002) p. 104.

Guardian pointed out though, Labour was benefiting from weeks of work which would normally be charged out at up to £225 per hour.<sup>37</sup> This work was later to benefit David Hill himself. In August 2003 the Labour Party announced that he would replace Alastair Campbell as Labour Communications Chief for a salary of at least £100,000 p.a. His long-term partner is Hilary Coffman, a number 10 Special Advisor/press officer.<sup>38</sup> Hill's deputy at Good Relations was Associate Director James O'Keefe. A former research assistant to David Blunkett, O'Keefe was temporarily seconded from Good Relations to the Labour Party to work on the general election campaign in 1997.<sup>39</sup>

Neither Bell Pottinger Public Affairs employees nor employees of its parent company Chime Communications nor those of its sister company Good Relations have been found explicitly claiming that they can exploit their contacts to promote the interests of BAE Systems or Rolls Royce. But the groups' employees have been reportedly doing exactly that for other clients. In 1999, Bell Pottinger Good Relations, a company that counts Monsanto as one of its major clients, reportedly claimed that it could use the contacts made by a former employee Cathy McGlynn.<sup>40</sup> McGlynn was one of two special advisors in the Department of Agriculture, Fisheries and Food in 1997 who reportedly spent six years as an advisor to Agriculture Minister Jack Cunningham.<sup>41</sup> Similar claims of gaining direct influence have been by a series of other lobbying companies representing arms companies, including GJW government relations to which this chapter will now turn.

### *GJW Government Relations*

GKN Westland representative GJW Government Relations gave upwards of £5,000 in "sponsorship of party events or activities" in 1997 and in "tickets for

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<sup>37</sup> Hollingsworth, *An infestation of lobbyists*.

<sup>38</sup> Red Star Research, *Special Advisors Downing Street 2002*.

<sup>39</sup> Good Relations, 'James O'Keefe, Associate Director'

<<http://www.goodrelations.co.uk/people.asp>> Last accessed 6<sup>th</sup> January 2003.

<sup>40</sup> Antony Barnett, 'Monsanto's Lobby Firm Pays Key MPs', *The Observer*, 4<sup>th</sup> July 1999

<sup>41</sup> House of Commons, *Hansard*, 3<sup>rd</sup> July 1997, Written Answers, column 260; Osler, *Labour Party plc*, p. 104.

dinners" in 1998, in 1999 and in 2000.<sup>42</sup> In addition to the GKN contract, GJW claims to have worked on a "large number" of procurement bid campaign strategies within Westminster and Whitehall since the early 1980s.<sup>43</sup> The company website does not identify any employees involved in this activity but does refer the reader to Wilf Weeks for further information. Weeks is a partner in GJW who, like Bell Pottinger employees, has reportedly claimed that the firm has been able to directly influence key policy-makers on behalf of clients. In 1999 Weeks was reportedly hired by Cape Plc. His job was to lobby Whitehall and Downing Street in order to influence the Lord Chancellor, Lord Irvine, to overturn a prior Lords ruling which allowed legal aid to be given to a Namibian employee suing UK company Cape in the UK. At the time Cape was facing potential damages of £100 million from 1,500 South African miners suffering from asbestosis and lung cancer who could only sue if granted legal aid. Leaked documents that seemingly support Weeks' claim that he has access to policy-makers reportedly reveal off the record discussions between Weeks and important civil servants in the Treasury, DTI, FCO, the Society of Labour Lawyers and the Cabinet Office during which they supported Weeks' position. There was concern amongst them all about the costs of legal aid and should the Lords ruling stand, the potential for multinationals to be discouraged from basing themselves in the UK.<sup>44</sup>

Another GJW employee who claimed that the firm had influence over policymakers is Karl Milner. A former Communications Manager for Gordon Brown as Shadow Chancellor, Milner was working to exempt his client, Enron, from government plans to stop the building of private gas fired power stations to help the coal industry.<sup>45</sup> He reportedly explained "We have many friends in government" who "like to run things past us some days in advance, to get our view to let them know if they have anything to be worried about, maybe suggest

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<sup>42</sup> Labour Party, *Annual Report 1998*; Labour Party, *Annual Report 1999*; Labour Party, *Annual Report 2000*; Labour Party, *Annual Report 2001*.

<sup>43</sup> GJW, 'Defence' <<http://www.bsmg.com/gjw/index.html>> Last accessed 17<sup>th</sup> September 2003

<sup>44</sup> David Hencke, 'Mining firm tries to change law to block £100m claims', *The Guardian*, 19<sup>th</sup> March 1999.

<sup>45</sup> GJW, 'Defence' <<http://www.bsmg.com/gjw/index.html>> Last accessed 17<sup>th</sup> September 2003.

some changes."<sup>46</sup> He then reportedly faxed Palast, who posed as a businessman, an unpublished Trade and Industry Select Committee report on energy policy. Milner then claimed that he could manipulate energy policy,

The way that you go about it is that you play on the existing prejudices within the Cabinet for coal, you play on the existing prejudices within the Cabinet for competition, and you play the forces off against each other. It's intimate knowledge of what's going on that produces results in the end. That's how GJW makes money.<sup>47</sup>

During the summer of 1999 the government announced that it would allow Enron to build a Teeside gas fired plant.

GJW is now a part of PR giant Weber Shandwick Worldwide whose clients have included Northrop Grumman, MBDA and GKN.<sup>48</sup> Chief Executive Officer of Weber Shandwick UK is Colin Byrne who reportedly used to share a house with Peter Mandelson. Mandelson employed him as his Deputy Press Officer<sup>49</sup> but Byrne became Labour's Chief Press Officer (1988-1991). He became Managing Director of Shandwick in 1995 but took unpaid leave to work on the 1997 and 2001 general election campaigns for the Labour Party. During the 2001 campaign he reportedly worked closely with former BAE Systems Director Lord Hollick in the Business Endorsement Unit to built up support and donations from the corporate sector.<sup>50</sup> Byrne's old boss was David Hill, now Labour's Communications Chief (see above). The Associate Director Weber Shandwick is Cameron Jones who worked as a civil servant, advising ministers at the Department of Transport for 16 years.<sup>51</sup> Director of Weber Shandwick until February 2003, Jeremy Fraser was Frank Dobson's campaign manager during

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<sup>46</sup> Gregory Palast, 'Lobbygate: "There are 17 people that count. To say that I am intimate with every one of them is the understatement of the century"', *The Observer*, 5<sup>th</sup> July 1998.

<sup>47</sup> Nick Cohen, 'So grease and water do mix after all', *The Observer*, 13<sup>th</sup> September 1998; Gregory Palast, 'Lobbygate: "There are 17 people that count. To say that I am intimate with every one of them is the understatement of the century"', *The Observer*, 5<sup>th</sup> July 1998.

<sup>48</sup> Weber Shandwick Worldwide, *Luke Akehurst* <<http://www.webershandwick.co.uk/public/content.cfm?contentid=162&cid=3&sid=68>> Last accessed 27<sup>th</sup> June 2004.

<sup>49</sup> Red Star Research, *Former Special Advisors*.

<sup>50</sup> Weber Shandwick Worldwide, 'Colin Byrne' <<http://www.webershandwick.com/overview/sub/bio.cfm?empcode=52540>> Last accessed 17<sup>th</sup> September 2003; Mark Hollingsworth, 'An infestation of lobbyists', *The Guardian*, 6<sup>th</sup> June 2001.

his bid to be London Mayor and an unsuccessful Labour candidate for North Southwark and Bermondsey.<sup>52</sup> This was an experience shared by Fraser's colleague at Shandwick, Luke Akehurst, an unsuccessful candidate in 2001 for Gerald Howarth's Aldershot constituency (see chapter one). Akehurst now represents military sector clients for the PR firm.<sup>53</sup> Weber Shandwick employee Roger Sharp used to head Millbank's Business Relations Unit. He now works at the DTI as a special advisor to Lord Sainsbury and Patricia Hewitt.<sup>54</sup>

### *Bergmans*

Labour sponsor and specialist military PR company Bergmans claim to have represented Lockheed Martin, Thales, GKN and Babcock International in the last 12 years.<sup>55</sup> Its Managing Partner is Robin Ashby, also founder and head of the UK Defence Forum which organises meetings between industry executives, politicians and civil servants and whose patrons include Thales' Non-Executive Director Lord Clarke of Windermere.<sup>56</sup> The motto of Bergmans' specialist "red team" which deals with MoD tenders is "When losing isn't an option, get yourself an unfair advantage".<sup>57</sup> Team members include Brigadier Bill Kincaid who spent 18 years at the MoD in the Procurement Executive and Operational Requirements before he became Director of Operational Requirements (land systems) responsible for the direction of research and specifying equipment capability. Another is Dr. Alan Fox, Assistant Under Secretary - export policy and finance (1995-1998) who now sits on The Review Board for Government

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<sup>51</sup> Weber Shandwick Worldwide, 'People' <<http://www.webershandwick.co.uk/careers/article.cfm?contentid=51&cid=28>> Last accessed 17<sup>th</sup> September 2003.

<sup>52</sup> Four Communications, 'Four Communications Scoops top public affairs team from GJW Weber Shandwick', January 2003 <[http://www.fourplc.com/jan\\_14\\_03.htm](http://www.fourplc.com/jan_14_03.htm)> Last accessed 6<sup>th</sup> January 2004; David Hencke, Seumas Milne, Will Woodward, 'Man behind Livingstone complainant linked to Dobson mayoral campaign', *The Guardian*, 18<sup>th</sup> March 2000.

<sup>53</sup> Weber Shandwick Worldwide, 'Luke Akehurst' <<http://www.webershandwick.co.uk/public/content.cfm?contentid=162&cid=3&sid=68>> Last accessed 6<sup>th</sup> January 2004.

<sup>54</sup> Red Star Research, 'Special Advisors, Cabinet Office'; Weber Shandwick GJW Public Affairs, 'Guide to Government', September 2003 <[http://www.webershandwick.co.uk/upload/docs/public/Government\\_Guide\\_June\\_2003.doc](http://www.webershandwick.co.uk/upload/docs/public/Government_Guide_June_2003.doc)> Last accessed 6<sup>th</sup> January 2004.

<sup>55</sup> Labour Party, *Annual Report 1998*; Bergmans Public Relations, *Portfolio of Clients* <[http://www.north-house.com/html/bergmans/portfolio\\_clients.htm](http://www.north-house.com/html/bergmans/portfolio_clients.htm)> Last accessed 20<sup>th</sup> May 2004.

<sup>56</sup> UK Defence Forum <<http://www.ukdf.org.uk>> Last accessed 20<sup>th</sup> May 2004.

<sup>57</sup> UK Defence Forum <<http://www.ukdf.org.uk>> Last accessed 20<sup>th</sup> May 2004.

Contracts, the MoD Quango which polices mainly military contracts ensuring companies do not generate excessive profits.<sup>58</sup>

### *Citigate Public Affairs*

Citigate Public Affairs, whose clients include Rolls-Royce, has employed Carole Tongue, Labour MEP for London East and Deputy Leader of the European Parliamentary Labour Party (1989-1991).<sup>59</sup> Citigate bought more than £5,000 worth of tickets for Labour Party events in 1999 and in 2000 and donated £5,450 to the party in October 2002.<sup>60</sup> Citigate advertises "We will position you with relevant audiences".<sup>61</sup> Its sister company Citigate Westminster sponsored the Labour Party in 1997 and 1998<sup>62</sup> and is directed by Rex Osborn, former Deputy Director of Campaigns at the Labour Party.<sup>63</sup>

### *APCO UK*

A former Director of Raytheon representative APCO UK, Simon Crine is described as playing a "prominent role in the modernisation of the Labour Party" in his previous job as General Secretary of the Fabian Society and as having maintained "close links with the party in government at a senior level".<sup>64</sup> APCO was linked with Beattie Media, a PR firm which became famous when employee Kevin Reid, son of John Reid, then Secretary of State for Scotland, reportedly implied to undercover Observer reporter that he could gain access to Scottish Ministers. He explained "I know the secretary of state very, very well, because

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<sup>58</sup> Bergmans, *Bergmans Red Team* <[http://www.north-house.com/html/defence/red\\_1.htm](http://www.north-house.com/html/defence/red_1.htm)> Last accessed 22<sup>nd</sup> May 2004; MoD, *Review Board for Government Contracts* <[http://www.mod.uk/business/profit\\_formula/members.htm](http://www.mod.uk/business/profit_formula/members.htm)> Last accessed 27<sup>th</sup> June 2004.

<sup>59</sup> The Association of Professional Political Consultants, *Register of Members 1<sup>st</sup> December 2001-31<sup>st</sup> May 2002* <[http://www.appc.org.uk/registers/APPC\\_register\\_31\\_05\\_02.pdf](http://www.appc.org.uk/registers/APPC_register_31_05_02.pdf)> Last accessed 27<sup>th</sup> June 2004; Carole Tongue <<http://www.poptel.org.uk/carole-tongue/index2.html>> Last accessed 27<sup>th</sup> June 2004.

<sup>60</sup> Labour Party, *Annual Report 2000* and *Annual Report 2001*; Electoral commission, *Register of Donations to Political Parties*.

<sup>61</sup> Citigate <<http://www.citigatepa.com/mainPresentation3.swf>> Last accessed 26<sup>th</sup> June 2004.

<sup>62</sup> Labour Party, *Annual Report 1998* and *Annual Report 1999*.

<sup>63</sup> Osler, *Labour Party plc*, p 106.

<sup>64</sup> APCO UK, *People* <[http://www.apcouk.com/pc/our\\_people.asp](http://www.apcouk.com/pc/our_people.asp)> Last accessed 8<sup>th</sup> December 2004; The Association of Professional Political Consultants, *Register of Members 1<sup>st</sup> December 2001-31<sup>st</sup> May 2002* <[http://www.appc.org.uk/registers/APPC\\_register\\_31\\_05\\_02.pdf](http://www.appc.org.uk/registers/APPC_register_31_05_02.pdf)> Last accessed 27<sup>th</sup> June 2004.

he's my father".<sup>65</sup> Beattie also hired Malcolm Robertson, son of former Secretary of Defence George Robertson and Christina Marshall, daughter of MP David Marshall.<sup>66</sup>

### *GPC International*

BAE Systems representative GPC International employs Andrew Lappin, former Special Advisor to Labour Shadow Defence Secretary David Clark and to Mo Mowlem.<sup>67</sup> Its Associate Director who works on BAE Systems' PR, Nick Williams, was seconded back to Millbank as Senior Political Advisor in 1997 and to the Prime Minister's private office during the 2001 election campaign.<sup>68</sup> Williams has been a Senior Political Advisor to the Labour Party Defence Department (1993-1997). Until 2001 GPC employed former Labour Party Director of Communications Joy Johnson and Anna Healy, Ministerial Advisor and Senior Labour Parliamentary Press Officer now a Special Advisor in the Cabinet Office.<sup>69</sup> It also employed Dan Fox as a Senior Consultant. Most famous as being the author of the USA-independence revoked spoof US 2000 election e-mail, he reportedly also worked as an aide to a "senior Labour Party figure".<sup>70</sup> This was an exaggerated description as he actually made the tea in Blair's office before he became Prime Minister.

Less clearly exaggerated were the claims of GPC employee Derek Draper, formerly a Chief Aide to Peter Mandelson. Draper claimed that he could find clients places on task forces. He claimed that he had given merchant bank clients insider information on Gordon Brown's spending plans and that one of his best friends was Liz Lloyd of the Downing Street Policy Unit. He claimed that "I

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<sup>65</sup> Dean Nelson and Ben Laurance, 'How Scotland's Lobbygate was Exposed', *The Observer*, 26<sup>th</sup> September 1999.

<sup>66</sup> Dean Nelson and Ben Laurance, 'How Scotland's Lobbygate was Exposed', *The Observer*, 26<sup>th</sup> September 1999.

<sup>67</sup> The Association of Professional Political Consultants, *Register of Members 1<sup>st</sup> December 2001-31<sup>st</sup> May 2002* <[http://www.appc.org.uk/register/APPC\\_register\\_31\\_05\\_02.pdf](http://www.appc.org.uk/register/APPC_register_31_05_02.pdf)> Last accessed 27<sup>th</sup> June 2004; GPC, *Our People-Andrew Lappin* <<http://www.gpcbrochure.com/people/lappin.html>> Last accessed 27<sup>th</sup> June 2004.

<sup>68</sup> GPC, *Our People-Nick Williams* <<http://www.gpcbrochure.com/people/lappin.html>> Last accessed 27<sup>th</sup> June 2004.

<sup>69</sup> Julian Day, 'PR Week', *The Guardian*, 3<sup>rd</sup> May 2001; Red Star Research, *Special advisors, Cabinet Office*.

<sup>70</sup> Dan Fox, 'US independence revoked: the truth', *Voxpolitics*, 16<sup>th</sup> May 2001 <<http://www.voxpolitics.com/news/voxfpub/story257.shtml>> Last accessed 8<sup>th</sup> October 2003.



can have tea with Geoffrey Robinson", the Paymaster-General, that "I can get into Ed Balls", the Chancellor's economic adviser and, now infamously, that "There are 17 people that count ... And to say I am intimate with every one of them is the understatement of the century." At a GPC dinner in June 1998, Draper then reportedly went on to introduce the undercover journalists to Roger Liddle one of Blair's most senior advisors who worked in the number 10 Policy Unit in Foreign Affairs and Defence. Liddle assured the journalists that "There is a circle and Derek is part of The Circle ... Derek knows all the right people".<sup>71</sup> He then reportedly offered "Whenever you are ready, just tell me what you want, who you want to meet and Derek and I will make the call for you."

There is no evidence that any arms industry clients of lobbyists have solicited inside information or privileged access and many large arms-producing companies will run their own in-house lobbying effort. But the use of lobbying groups with links to Labour by arms-producing companies can only raise the industry's profile within the domestic decision making field.

This is a profile that is raised further by the international lobbying movement which has grown alongside the national political consultancy sector. Arms company representatives have been quick to participate. Of particular interest is BAE Systems' move to become a prominent player within the Transatlantic Business Dialogue Lobby Group (TABD) whose aim is to "boost transatlantic trade and investment opportunities through the removal of barriers."<sup>72</sup> A highly secretive organisation, the TABD appears to play a major role in formulating the demands of the US and EU put to meetings of the World Trade Organisation.<sup>73</sup> In 1998 the TABD mid-year report was even presented as a "scorecard" evaluating US government and EU progress on TABD recommendations. In it, the TABD found that there had been "significant, concrete action" on almost one third of

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<sup>71</sup> Gregory Palast, 'Lobbygate: "There are 17 people that count. To say that I am intimate with everyone of them is the understatement of the century" '.

<sup>72</sup> The TABD, *The TABD in 2002* <<http://www.tabd.org/about/about.html>> Last accessed 1<sup>st</sup> July 2004.

<sup>73</sup> Greg Palast, 'Tony rushes in where Bill fears to tread', *The Observer*, 21<sup>st</sup> May 2000; Andy Griguhn, 'The Transatlantic Business Dialogue: Putting business before everything else', <[http://www.pocketbook.org/sky/inside\\_out/insideout\\_business1st.htm](http://www.pocketbook.org/sky/inside_out/insideout_business1st.htm)> Last accessed 7<sup>th</sup> January 2004.

recommendations and that half were under “active discussion”.<sup>74</sup> Despite being the scene of large protests since 2000, TABD conferences have attracted the most senior figures from the World Trade Organization, European leaders, EU Commissioners and senior members of the US government including US Secretary of Commerce William Daley. In 1997, Daley privately met UK Trade Secretary Margaret Beckett. His briefing notes, released under the US Freedom of Information Act, reportedly show him outlining four changes to UK law requested by US corporations, before referring Beckett to the TABD for further details. He described the organisation as “the most influential business group advising government on US-EU commercial relations.”<sup>75</sup> In 1996, US Undersecretary of Commerce, Stuart Eizenstat reportedly observed that “no one would have quite imagined the degree to which the TABD has influenced government decision-making on both sides of the Atlantic ... It has become deeply enmeshed and embedded into the US government decision-making process.”<sup>76</sup> The TABD's 2002 leadership team, the most recent published, shows that the TABD was co-chaired by representatives of two of the world's largest arms manufacturers - Phil Condit, Chief Executive Officer of Boeing and Sir Charles Masefield, Vice-Chair of BAE Systems. They have joined Bob Bott of Boeing and Anthony Parry of BAE Systems who act as the 2002 Working Chairs.<sup>77</sup> The International Chamber of Commerce (ICC) which represents 7,000 corporations worldwide shares the TABD's anti-regulation aims.<sup>78</sup> Large corporations from every sector are represented at the ICC<sup>79</sup> but ICC's Chair Jean-René Fourtou also sits on the board of weapons manufacture EADS (European Aeronautic Defence and Space Company).<sup>80</sup> EADS and BAE Systems were joint partners in the missile company Matra BAE Dynamics and

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<sup>74</sup> TABD, '1998 Mid-Year Scorecard Report', pp. 2-3

<<http://www.tabd.org/recommendations/MYM98.pdf>> Last accessed 20<sup>th</sup> May 2004.

<sup>75</sup> Gregory Palast, 'Tony rushes in where Bill fears to tread', *The Guardian*, 25<sup>th</sup> May 2000.

<sup>76</sup> Andy Griguhn, 'The Transatlantic Business Dialogue: Putting business before everything else' <[http://www.pocketbook.org/sky/inside\\_out/insideout\\_business1st.htm](http://www.pocketbook.org/sky/inside_out/insideout_business1st.htm)> last accessed 20<sup>th</sup> May 2004.

<sup>77</sup> TABD, *2002 Leadership Team* <<http://www.tabd.org/about/leadership.html>> Last accessed 27<sup>th</sup> June 2004.

<sup>78</sup> International Chamber of Commerce, *The ICC's origins*

<[http://www.iccwbo.org/home/menu\\_what\\_is\\_icc.asp](http://www.iccwbo.org/home/menu_what_is_icc.asp)> Last accessed 27<sup>th</sup> June 2004.

<sup>79</sup> International Chamber of Commerce, *ICC membership*

<[http://www.iccwbo.org/home/intro\\_icc/membership.asp](http://www.iccwbo.org/home/intro_icc/membership.asp)> Last accessed 27<sup>th</sup> June 2004.

<sup>80</sup> International Chamber of Commerce, *Leadership*

<[http://www.iccwbo.org/home/intro\\_icc/leadership.asp](http://www.iccwbo.org/home/intro_icc/leadership.asp)> Last accessed 27<sup>th</sup> June 2004.

are now the principal owners of missile makers MBDA.<sup>81</sup> BAE Systems' prominence within groups designed to place public policy-making choices in corporate hands can only further raise the company's profile within the domestic decision making field. This is a profile that can only be raised further by the government's growing dependence on the corporate sector to fund areas previously provided by the state, a phenomenon to which this chapter will finally turn.

#### ARMS EXPORTER INVOLVEMENT IN THE PROVISION OF PUBLIC SERVICES

One of the most defining features of future corporate-state relations in the UK will be the transfer of services from the public to the private sector. "Public-Private Partnership", the catch all term which means that Labour looks to corporations to fund vital services instead of the state so that manifesto pledges are delivered with minimum initial cost to the public budget and great benefits for private corporations. To date, this wave of change is increasing in scale and in reach. Areas previously considered core government-run sectors like those linked to the armed forces are now being considered candidates for "Public-Private Partnerships". In this environment it is a necessity for Labour to remain corporate-friendly and it will be a necessity for the state to retain much of the financial risk because allowing a corporation responsible for core public services to fail would be politically impossible. This is particularly relevant when contracts involve services or equipment of strategic importance. Arms-producing companies have been eager to participate so the future of the already close industry-government relationship looks more certain.

#### *PPP: The new element in government-industry relations*

At the MoD private contractors are being considered as possible contenders to run all but a few of the department's core duties despite warnings from unions that the "anticipated benefits of public-private partnerships are at best

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<sup>81</sup> MBDA, *Company profile*

<[http://www.mbda.net/site/FO/scripts/siteFO\\_contenu.php?lang=EN&noeu\\_id=33](http://www.mbda.net/site/FO/scripts/siteFO_contenu.php?lang=EN&noeu_id=33)> Last accessed 27<sup>th</sup> June 2004.

questionable and at worst disastrous."<sup>82</sup> The MoD's most favoured form of Public-Private Partnerships are Private Finance Initiatives in which it is the private sector which own the assets, often buildings, and provide the services required, for which they are compensated by the public purse. As of June 2004 the MoD has signed 46 Private Finance deals which between them involve more than £2.3 billion in private sector investment. These contracts have covered the redevelopment of accommodation, logistics, equipment, training and communication. Companies involved include Thales, Flagship, Serco and Bombardier whose Aerospace division is involved in military aviation training. A further 40 to 50 projects worth £12 billion are either underway or are being considered.<sup>83</sup> Unions have found it difficult to identify an area that is not a potential candidate for privatisation.<sup>84</sup>

This represents an advanced encroachment of the private sector into what was the preserve of the state and private companies have openly played a role in forming these plans. A recent government report found at least 900 reviews being conducted within the MoD. Many form part of an initiative to examine the prospects for extensive privatisation. The Partnered Defence Supply Chain Initiative even involved bringing 24 military companies into the department. In response, unions have expressed concerns about the prevalence of industry representatives at the heart of MoD review groups whose findings may open up new business opportunities which those who have sat on the groups will be in advantageous position to pursue.<sup>85</sup>

One such new business opportunity is in military training. A consortium including BAE Systems, Vosper and construction/support services company Carillion has reportedly expressed an interest in taking over one of seven major MoD run military training schools. They could be competing against at least one consortium which includes Babcock as well as part QinetiQ owners Carlyle.

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<sup>82</sup> AMICUS, GMB, PCS, Prospect, T&G, UCATT, *Still Daft, Damaging and Demoralising: The trade union response to the MoD revolution in military support and logistics capability*, February 2003 <[http://www.prospect.org.uk/doclib/download/198\\_0611676223.pdf/as/mod+strat.pdf](http://www.prospect.org.uk/doclib/download/198_0611676223.pdf/as/mod+strat.pdf)> Last accessed 11<sup>th</sup> June 2004.

<sup>83</sup> MoD, *Public Private Partnerships in the MoD* <<http://www.mod.uk/business/ppp/intro.htm>> Last accessed 19<sup>th</sup> June 2004.

<sup>84</sup> AMICUS et. al, *Still Daft, Damaging and Demoralising*, p.4.

Other key military training schools which the government is ready to privatise include those involved in Logistics, Aeronautical Engineering and Communication, Information Systems and those training MoD Police. These contracts would be worth hundreds of millions of pounds.<sup>86</sup>

Carlyle has already fought off competition from 40 other venture capitalist companies to buy a 33.8% share in QinetiQ from the government in a hugely controversial PPP agreement carried out against the advice of the Select Committee on Defence.<sup>87</sup> Carlyle paid £42 million for the stake in QinetiQ, which incorporates most of the MoD's non-nuclear equipment testing and evaluation establishments, even though the business had been valued at £1 billion in the past and even though QinetiQ has assets valued at £342m net of its liabilities.<sup>88</sup> Carlyle's ownership of US giant United Defence effectively makes it the 11<sup>th</sup> largest military contractor to the US government. It includes on its payroll former US Secretary of Defence (1987-1989) Frank Carlucci, former White House Chief of Staff (1981-1985, 1992-1993) James Baker, former UK Prime Minister John Major, former US President (1988-1996) George Bush and Afsaneh Masheyekhi, a former Treasurer of the World Bank.<sup>89</sup>

Banking has also attracted the attention of BAE Systems. The company has recently introduced a new service dedicated to loaning the MoD and other government departments the cash they need to pay for long-term equipment and service acquisitions from the arms-producing giant. BAE Systems Capital Ltd. launched in January 2002 is a wholly owned subsidiary of BAE Systems, a company which also exists to co-ordinate BAE Systems entry into public private

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<sup>85</sup> AMICUS et. al, Still Daft, *Damaging and Demoralising*, pp. 3-4.

<sup>86</sup> Nick Mathiason, 'School for Spies to be Privatised', *The Guardian*, 30<sup>th</sup> March 2003.

<sup>87</sup> House of Commons Select Committee on Defence, *Sixth Report: The Defence Evaluation and Research Agency*, 6<sup>th</sup> July 1998, HC 621, summary of recommendations <<http://www.parliament.the-stationery-office.co.uk/pa/cm199798/cmselect/cmdfence/621/62107.htm>> Last accessed 25<sup>th</sup> May 2004.

<sup>88</sup> Jamie Doward, 'QinetiQ stake was sold on the cheap' claim MPs', *The Guardian*, 26<sup>th</sup> January 2003.

<sup>89</sup> Oliver Burkeman and Julian Borger, 'The ex-presidents' club', *The Guardian*, 31<sup>st</sup> October 2001; The Carlyle Group, *Frank Carlucci* <<http://www.thecarlylegroup.com/eng/team/l5-team399.html>>; Carlyle Group, *James Baker* <<http://www.thecarlylegroup.com/eng/team/l5-team391.html>>; Carlyle Group *Advisory Boards* <<http://www.thecarlylegroup.com/eng/company/l3-company738.html>>; Carlyle Group, *Afsaneh Masheyekhi* <<http://www.thecarlylegroup.com/eng/team/l5-team801.html>> Last accessed 27<sup>th</sup> June 2004.

partnership projects as a whole.<sup>90</sup> A BAE Systems spokesperson told Jane's Defence Weekly that BAE Capital would allow the MoD to "approach procurement differently" in a move away from "traditional" spending patterns whereby the department received funding before buying systems or services. Commenting on the launch of BAE Systems Capital Ltd. in January 2002 Keith Hayward of SBAC said "The customer is increasingly strapped for cash ... it's an evolution as systems integrators become service providers."<sup>91</sup> Campaign Against Arms Trade described the move as "the most militant form of PFI imaginable"<sup>92</sup> but city analysts have suggested that other arms manufacturers will follow suit.

The provision of procurement loans and securing MoD PFI contracts are only two aspects of arms-producer involvement in the delivery of public services. Education and training have attracted particular interest from military industry.

### *Education and Training*

Warship manufacturer Vosper Thornycroft, whose diversification into support services now accounts for two thirds of all the arms company's turnover,<sup>93</sup> now boasts of being "the largest provider of careers guidance services in the UK" for the Department of Education (DfES) after the sell off of the Local Education Authorities run Careers service in the mid 1990s.<sup>94</sup> Vosper also offers central government and Local Education Authorities a range of services from personnel to procurement to payroll and, after acquiring Westminster Education Consultants in 2001, is one of the largest suppliers of school inspectors to Ofsted.<sup>95</sup> Vosper has become part of a DfES funded "school improvement

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<sup>90</sup> BAE Systems, *BAE Systems Capital* <<http://production.investis.com/BAEsystemscapital/mediacoverage/>> Last accessed 27<sup>th</sup> June 2004.

<sup>91</sup> David Mulholland, 'BAE establishes financing arm', *Jane's Defence Weekly*, 30<sup>th</sup> January 2002.

<sup>92</sup> Unnamed, 'Arms Trade Shorts: Neither a borrower or a lender BAE', *CAAT News*, April-May 2002 <<http://www.caat.org.uk/information/magazine/0402/shorts.php>> Last accessed 27<sup>th</sup> June 2004.

<sup>93</sup> CAAT, 'Vosper Thornycroft' <<http://www.caat.org.uk/information/publications/companies/vosperthornycroft.php>> Last accessed 15<sup>th</sup> January 2003.

<sup>94</sup> Vosper Thornycroft <<http://www.vtplc.com/careersmanagement>> Last accessed 27<sup>th</sup> June 2004.

<sup>95</sup> Elizabeth Creer, *Vosper Thornycroft*, 2002 <[www.caat.org.uk/campaigns/clean-investment-campaign/vosper-thornycroft-2002.php](http://www.caat.org.uk/campaigns/clean-investment-campaign/vosper-thornycroft-2002.php)> Last accessed 27<sup>th</sup> June 2004; VT Education <<http://www.vosperthornycroft.co.uk/education/>> Last accessed 27<sup>th</sup> June 2004.

service",<sup>96</sup> it has been contracted to the Learning and Skills Council as "the second largest private sector provider of vocational training in the UK" and at FE colleges offers government funded work-based modern apprentices for 16-24 year olds.<sup>97</sup> In March 2002, Vosper started to build and partially run a £60 million training centre for the Fire Brigades of Somerset, Gloucestershire and Avon in what is one of the largest fire service PFI projects and Vosper's largest civil PFI.<sup>98</sup>

BAE Systems runs a Schools Systems Network through which schools receive curriculum materials, visits from BAE Systems and to BAE Systems sites, placements, access to the BAE Systems Schools education website which includes A level revision material and past exam questions.<sup>99</sup> BAE Systems' "Primary Engineer" programme issues free research and design CDs to 5-11 year olds.<sup>100</sup> For those designated "specialist engineering colleges" BAE Systems has partly or wholly funded new technology facilities in science and maths.<sup>101</sup> This is not new. In the mid 1990s BAE Systems established financial partnerships with a variety of schools - donated cash and computers, contributed to video conference suites and interactive whiteboards, offered the occasional use of BAE Systems staff, sponsored sporting events and ran after school clubs.<sup>102</sup> In Hull, BAE Systems has become a main private sector investor in the Education Action Zone and the official partner for all design and technology courses.<sup>103</sup>

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<sup>96</sup> Department for Education and Skills, *The Standards Site* <<http://www.standards.dfes.gov.uk/lea/capacitybuilding/newways/casestudies/hampshire/?version=1>> Last accessed 27<sup>th</sup> June 2004.

<sup>97</sup> Vosper Thornycroft, *VT Group PLC* <<http://www.vtplc.com/files/532.pdf>> Last accessed 27<sup>th</sup> June 2004; Vosper Thornycroft, *VT Plus Training* <<http://www.vtplc.com/plustraining>> Last accessed 27<sup>th</sup> June 2004.

<sup>98</sup> Vosper Thornycroft Press Release, *Vosper Thornycroft starts new fire fighting training centre*, 21<sup>st</sup> March 2002 <<http://www.vosperthornycroft.co.uk/supportservices/newsdetails.asp?s=&ItemID=94>> Last accessed 27<sup>th</sup> June 2004.

<sup>99</sup> BAE Systems, *BAE Systems Schools* <<http://www.engineeringourfuture.co.uk/home.asp>> Last accessed 27<sup>th</sup> June 2004.

<sup>100</sup> Setpoint, *INSET workshops* <<http://www.setpointleicestershire.org.uk/Programes/INSET.htm>> Last accessed 27<sup>th</sup> June 2004.

<sup>101</sup> For example see Devonport School, *Welcome to Devonport High School for Boys* <[www.dhsb.org](http://www.dhsb.org)> Last accessed 27<sup>th</sup> June 2004.

<sup>102</sup> For example see Lancaster Girls Grammar, *BAE Systems* <<http://www.lancastergirlsgrammar.lancs.sch.uk/BAE.htm>> Last accessed 27<sup>th</sup> June 2004.

<sup>103</sup> Kingston-upon-Hull Education Action Zone, *Partners* <<http://www.eazhull.org.uk/Partners/index.html>> Last accessed 27<sup>th</sup> June 2004.

In higher education increasingly under-funded university departments have come under pressure to supplement government funding with private sector money which has come in the form of sponsored buildings, sponsored staff, donations and equipment. Having once been discouraged, government-funded researchers in many fields and the universities in which they work are effectively forced to find support from the industrial sector. Arms-producing companies have met much of this need since Labour came to power. In 1998, Rolls Royce pledged £170,000 to fund a professorship at Oxford University.<sup>104</sup> Rolls-Royce also sponsors two professorships in the Engineering Department of Cambridge University together with a number of lectureships, half of whose costs are funded by Rolls-Royce.<sup>105</sup> It has been reported that Cambridge additionally houses a laboratory owned by the company.<sup>106</sup> Cambridge has also received funds from GKN who paid the university £750,000 in 2000 to fund a ten-year "GKN professorship". US Giant Boeing, exporter of military aircraft and a company involved in the US missile defence project, reportedly gave £15 million to Sheffield University for research in 2001 and in 2002 was pouring millions more into collaborate research and development projects with Sheffield, Cranfield and Cambridge Universities.<sup>107</sup> More recently it has been revealed that a computer research centre at the University of York is funded by BAE Systems. The same company also agreed a research and training partnership with Loughborough University in June 2003 worth £60 million in which 35 senior scientists will start to work on projects alongside existing academic staff.<sup>108</sup>

There are clear benefits to corporations from engaging in all this kind of activity - prestige, the subtle influence over the way in which children and students view the company and the world in which they operate as well as value for money.

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<sup>104</sup> Unnamed, 'Benefactors back Oxford excellence', Oxford gazette, 15<sup>th</sup> October 1998  
<[http://www.ox.ac.uk/gazette/1998-9/weekly/151098/news/story\\_1.htm](http://www.ox.ac.uk/gazette/1998-9/weekly/151098/news/story_1.htm)> Last accessed 27<sup>th</sup> June 2004 .

<sup>105</sup> University of Cambridge, *Department of Engineering: Annual Report 2000-2001*  
<[http://www.eng.cam.ac.uk/annual\\_reports/ar0001/Preface.htm](http://www.eng.cam.ac.uk/annual_reports/ar0001/Preface.htm)> Last accessed 27<sup>th</sup> June 2004.

<sup>106</sup> Angela Grainger, 'Ethical Guidelines for University', *Varsity*, 6<sup>th</sup> October 2000  
<[http://www.varsity.cam.ac.uk/8025694E0073CFEB/Pages/6102000\\_.html](http://www.varsity.cam.ac.uk/8025694E0073CFEB/Pages/6102000_.html)> Last accessed 1<sup>st</sup> July 2004.

<sup>107</sup> Ben Fountain, 'Boeing invests millions in our top universities', *Business Weekly*, 2<sup>nd</sup> August 2002.

<sup>108</sup> Ronan McGreevy, 'University and BAE in £60m project', *The Times*, 16<sup>th</sup> June 2003.



Many academics argue that corporate funding can be accepted whilst maintaining academic freedom.<sup>109</sup> Engineering academics have found that much corporate funding in their field is small scale. Companies donate time and some materials. They do not own any intellectual property but just have access to the results of the research that interests them. Yet the incorporation of academia into the economy has the potential to represent a fundamental challenge to academic freedom and honesty. Funding from the corporate sector can steer the research agenda by being more readily available for research that has the potential to boost corporate profit than for that with wider social benefits. As an example, a recent Corporate Watch report found that university research looking at renewable energy received one fifth of the funding offered to research looking at oil and gas energy. The report estimated that this effectively represented a £40 million subsidy from public funds to benefit oil and gas corporations despite the government's own commitment to reduce fossil fuel emissions.<sup>110</sup> It is unclear whether this kind of discrepancy is duplicated elsewhere but what is clear is that outsourcing the kind of research activities that corporations once used to undertake themselves over to universities and then benefiting from them often means that research is carried out at a discounted price. There is a more substantial cost to the political environment from the transfer of public services to the private sector and increased public sector reliance on private cash. It is in the government's own interests to follow policies which do not challenge those of big business, including those of military industry who have been so eager to become involved.

## CONCLUSION

The purpose of this chapter was to look at how a number of more recent phenomena in British politics may impact on government-industry relations. The chapter has found that there is little evidence to support the idea that the industry gains access to influential policy-makers as a result of the growing need for think tanks to attract corporate money. It has found equally little evidence to support

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<sup>109</sup> Various, 'Corporate cash is better than antiquated labs and other letters', *The Guardian*, 14<sup>th</sup> September 2000.

<sup>110</sup> Andrew Simms, *Degrees of Capture: Universities, the oil industry and climate change*, February 2003 <[http://www.corporatewatch.org.uk/publications/degrees\\_of\\_capture.pdf](http://www.corporatewatch.org.uk/publications/degrees_of_capture.pdf)> Last accessed 16<sup>th</sup> January 2004.

the idea that think tanks work to suppress debate as a result of the make-up of their trustees or boards. The chapter has shown how arms-producing companies are able to employ well-connected lobbying companies to reinforce corporate access to decision-makers to the exclusion of the non-corporate community. It has found that the transfer of services from the public to the private field within the MoD, and elsewhere, reemphasises Labour's need to remain corporate-friendly in order for it to continue to participate in the mutually beneficial relationship that the entire PPP philosophy invokes. Both the use of domestic and international lobbying as well as the involvement of arms-producing companies in the PPP evolution work to reduce the potential for informed debate on the value of continued arms export support.

# CONCLUSION AND IMPLICATIONS

## INTRODUCTION

In this concluding chapter the main findings of the thesis are summarised in order to directly address the central research question, why does New Labour continue to support arms exports. The chapter then outlines the implications of these conclusions both for the existing body of knowledge outlined in the introductory chapter concerned with New Labour's involvement in the arms trade as well as that concerned with state-corporate relations, and for those interested in policy making under New Labour. The chapter concludes by identifying further areas for research in this field.

## ARMS EXPORT SUPPORT: A CONSEQUENCE OF THE SELF-SERVING RELATIONSHIP BETWEEN NEW LABOUR AND POLITICALLY POWERFUL ARMS-PRODUCING COMPANIES

To answer the central research question, why does New Labour support arms exports, this thesis begins by critically examining the rationales offered by the New Labour government. The government claims that support for military exports provides employment, brings budgetary savings, benefits the balance of trade and delivers other wider economic benefits. It claims that arms exports underpin a strong, strategically important indigenous arms production capability in the UK, a capability needed to supply both the UK's own forces and UK allies abroad. The government finally claims that exporting arms brings political benefits - they buy UK political influence over recipient states and are a means to prevent conflict. In short, the government claims that maintaining support for arms exports is all about pursuing economic, strategic and/or political interests. Yet the thesis has shown that when critically examined the government's claim that support for arms exports is all about pursuing these economic, strategic and/or political interests are in the vast majority of cases unsustainable and in the remainder, are unproven.

This begs the question why does New Labour continue to support arms exports? The few alternative explanations on offer are either anecdotal or are based on the idea that the government is deluded. They fail really to engage with how the interests of the arms export lobby relate to those of the New Labour government. This thesis has argued that the continuation of arms export support must be understood in this context. As such the report has attempted to expose the ways in which UK-based arms-producing companies are connected to the Labour Party, to government departments under Labour and what the use of Labour linked lobbying groups, think tanks and privatisation schemes actually means to the way that their interests interplay.

It is of course not enough to assume that any set of personal economic or political benefits absolutely predetermine individual behaviour or to assume that the UK-based arms industry or New Labour represent a monolithic single-minded block. Even when an individual, body or party have a set of identifiable interests those interests will not necessarily be able to determine policy. Each connection outlined here is not necessarily in itself objectionable and there is certainly no suggestion of impropriety against any individual or company named here. What is being suggested is that there is a cumulative impact of all this activity. After all if there is no political value here, then why are arms companies spending so much time and money becoming so involved with New Labour and its environment, especially when the leaders of the corporate community are under a legal obligation to pursue profit on behalf of their shareholders?

Taken together, all the evidence suggests that there is a momentum towards forging and reinforcing links between arms-producing companies and government across the political environment. Although much of the detail can never be known, a picture emerges both of an overly close arms industry - New Labour relationship and of an overly high political profile for the arms industry in the environment where the government operates. This is an "overly" close relationship and an "overly" high profile because no other industry is so dependent on the government to define the parameters in which it operates and as such, no other industry has such a huge incentive to become as involved as it can be in government. This activity is so open to suspicion not just because no

other industry receives such huge levels of financial support from government but also because this support is based on an a largely unsustainable set of rationales which claim that arms exports are crucial to the UK.

This is an industry in which a number of the most senior executives now enjoy influential government jobs and/or have links to some of the highest echelons of the New Labour movement. This is an industry that has both contributed largely undisclosed amounts of cash to the Labour Party and to one of its major projects at a time of financial crisis and in doing so has fed into the more subtle distortion of the political environment in which parties are obliged to remain business friendly. There is the seamless progression of top ex MoD and Services Staff into the employment of arms-producing companies and the unending generosity of arms-producing companies in offering their own staff to the MoD for up to three years, blurring the institutional boundaries between each body. This is an industry that is heavily represented within a network of groups advising the government on military policy. The lack of transparency means that the electorate simply do not know what bodies are involved in the formation and implementation of policy and in many cases which industry participants might be enjoying privileged access to government. From what is known, this network appears quantitatively different from those working to advise the government in other sectors, contributes further to blurred state-corporate boundaries and works to the exclusion of the non-corporate constituency. The volume and pace of employees passing through the revolving doors between industry and the policy-making environment both in terms of MoD and Services Staff as well as advisory bodies blurs state-corporate boundaries so much that to a significant extent, they are the same body. Industry representation by lobby groups undermines further an ostensibly level advocacy playing field while the transfer of core services from the public to the private sector contributes further to the maintenance of a political environment in which Labour is again motivated to remain corporate-friendly. The picture that emerges is one where New Labour and military industry are so deeply interconnected and their interests are so tied up with each other that simply by acting rationally, New Labour will be inclined to support military industry because in a way by doing this, it is supporting itself.

This convergence of interests and blurred institutional boundaries feed into the thinking of those involved with the New Labour government. It appears they have assumed that at least part of the case for maintaining arms export support is still sound even though it is not. But there is also evidence that those involved with New Labour consciously recognise either the unsustainability of some of the rationales - reportedly even amongst MoD officials it has been acknowledged that on a macro-economic level the employment argument is "a red herring"<sup>1</sup> - or at least that there is a debate to be had. In February 2000 the government did agree, for example, to initiate a study on the economic costs and benefits of arms exports following a request by the Select Committee of Defence. At the same time the government appeared to attempt to close down the debate. When the study was announced the government preempted its findings by listing the benefits they believed exports bring to the UK and when the study was published, the government misrepresented its findings to the House.<sup>2</sup> So it is not enough to end the analysis by concluding that those involved with the New Labour government are ideologically driven; in other words, that they assume the case for supporting arms exports is true even though they know that they are not in a type of false consciousness. Although this might apply to the majority of those involved with New Labour, there is the possibility that for a few, continuing with some government rationales effectively represents a form of propaganda; that is, they know a number of rationales are bogus but they claim they are true. Whether those involved are driven by ideology or engage, at least some of the time in a form of propaganda, both are functional for a government in a self-serving, mutually reinforcing relationship in which the disincentives to challenge the existing ways of thinking are very powerful. Any attempt to force a really significant advance towards the reduction of arms export subsidies, like the establishment of a multilateral conventional arms control regime mentioned in the introduction, will fail as long as UK-based arms-producing companies and the New Labour government remain deeply interconnected.

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<sup>1</sup> E-mail, Roy Isbister, *Saferworld*, to the author, 19<sup>th</sup> February 2002.

<sup>2</sup> House of Commons, *Hansard*, 28<sup>th</sup> February 2000, Written Answers, column 35; Compare Lord Bach's description of the report, House of Lords, *Hansard*, 8 Jan 2002, column 515 and House of Lords, *Hansard*, 7 Feb 2002, Written Answers, column 109 with Malcolm Chalmers, Neil Davies, Keith Hartley and Chris Wilkinson, *The Economic Costs and Benefits of UK Defence Exports* (York: University of York Centre for Defence Economics, 2001).

A political party following this path is, of course, nothing new. The introduction to this thesis indicated that New Labour's approach to arms exports is, despite the rhetoric, a case of policy continuity between the previous Conservative government and the current Labour administration. This thesis has argued that the case for maintaining this support in New Labour's era does not hold up. But whether arms sales ever reaped these economic, strategic and political rewards for the UK and if so, at what point did these rewards begin to fall away is unclear and deserves researching in its own right. The evidence available, particularly that from the 1996 report *Gunrunners Gold*, does suggest that those rewards have not been forthcoming from at least the mid 1990s onwards. This means that regardless of the unique aspects of the connections between arms-producing companies and New Labour set out in detail in this thesis, they are part of a broader pattern that results from a structural connection between industry and government. This finding is both inconsistent with the existing literature and has particular repercussions for those involved in arms export advocacy work, two areas to which this concluding chapter will now turn.

#### IMPLICATIONS FOR ADVOCACY

Given that arms export subsidies do not bring the benefits claimed, it is important to shift the terms of the debate away from the government's preferred framing of the situation on exports as national interest versus ethical choice. If the support given to arms exporters is not about the pursuit of UK economic, strategic and political interests, if it is about the government's relationship with arms-producing companies then that is what the public debate should be about. This is what the debate should be about for both advocacy groups whose relationship with government requires them to present a more moderate face and those whose relationship does not. The former can accept the disproportionate influence of arms-producing companies contributing to the maintenance of arms exports support without having to accept the analysis of underlying causes put forward by this thesis. The latter are free to shift the debate so that it is about whether the public want their money spent funding UK-based arms-producing companies, and to an extent their largely institutional shareholders, because the interests of industry and government converge.

Given this relationship it is spurious for the representatives of arms-producing companies to argue time and time again that it is the government, not them, who set the criteria for arms export licencing so it is with the government, not them where exclusive responsibility for arms exports rests. Directing campaigners to redirect their anger rests on an argument that presupposes that the two can be divided. It fails to address the realities of arms company-government relations spelled out here and, as such, rests on the bogus assumption that arms-producing companies sit outside the policy-making process.

To begin to challenge this relationship, it would make sense to prevent MPs, salaried representatives of the people, receiving additional regular remuneration from the private sector as well as any other perks that might be on offer. It would make sense to restrict funding of political parties to capped donations from those individuals who believe in them enough to offer financial support. It would make sense to bar senior MoD staff from entering employment with arms-producing companies for a set number of years, to demand that all advisory bodies be carefully catalogued, their aims, membership and existence justified to the public and to call for a complete rethink of the entire PPP project.

These kinds of initiatives would start to address the means through which a mutually self-serving relationship between UK-based arms-producing companies and New Labour is allowed to continue. But they would not represent a complete solution because some aspects of corporate power run deeper still. The deeper problem is that with Labour's super majority in Parliament, the only thing standing in their way is the corporate community. This is a community whose leaders are under a legal obligation to pursue profit on behalf of their shareholders. They are effectively under a legal obligation to enforce and reinforce their influence over government so as to nurture a favourable corporate environment and thereby increase profits.

The leaders of the Labour Party are under a political obligation to remain both solvent and electorally viable. This means that in financial terms, party prospects have to come rely on corporate beneficiaries. Labour must refrain from pursuing



policies detrimental to the wider interests of big business because big business is exactly where most of their money comes from. In political terms, corporations wield the real power in the UK. That is why Blair was eager from the moment that he became leader of the party to start accommodating the business sector, as one former Labour party insider has concluded "not just to neutralise business opposition, but to bring business fully onboard."<sup>3</sup> This is why Blair had repeatedly reaffirmed Labour as "the natural party of business"<sup>4</sup> and that is why Blair strives to reaffirms Labour's ongoing business credibility. As an example, in 2000 he said

I'm delighted that we have business people and entrepreneurs who can today support the Labour Party. And I never ever want to see that situation change again.<sup>5</sup>

All this rhetoric has been underpinned by actual policy-change in favour of big business. The UK has seen the transfer of control of interest rates to the Bank of England's Monetary Policy Committee, changes to union recognition law,<sup>6</sup> the reduction of corporation tax to what is reportedly the lowest levels in the western world and the relaxation of planning laws and environmental standards.<sup>7</sup> In 2004, with the government's public credibility weakened, it is even more important for the party to avoid weakening its credibility with business, especially given the importance it has placed on its support from the very beginning.

A policy which begins to question the economic and political support given to any sector of big business, like a policy which looks to reduce arms export support, undermines the overall agenda of big business - to maintain the function of government as a promoter of corporate commercial interests. It undermines a major agenda of the Labour party - to remain economically viable and to be as credible as a party of big business as the Conservatives. In sum, any attempt to demarcate clearer industry-government lines would set a precedent that all major

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<sup>3</sup> David Osler, *Labour Party PLC: New Labour as a Party of Business* (Edinburgh: Mainstream Publishing, 2002) p. 45.

<sup>4</sup> Downing Street News Room, 14<sup>th</sup> April 1998 as quoted by Wyn Grant, *Globalisation, Big Business and the Blair Government*, August 2000.

<sup>5</sup> The Financial Times, 16<sup>th</sup> March 2000 as quoted by Wyn Grant, *Globalisation, Big Business and the Blair Government*, August 2000.

<sup>6</sup> Wyn Grant, *Globalisation, Big Business and the Blair Government*, August 2000.

<sup>7</sup> George Monbiot, 'The Business of Power', *The Guardian*, 5<sup>th</sup> February 2002.

companies and the Labour Party elite would prefer to avoid. Corporations are powerful and Labour must follow the path of least resistance in order to survive. The only way to counter this enormous pull for Labour is via a well-resourced and organised alternative movement working to expose the ways in which New Labour promotes the interests of big business at the expense of the public that they were elected to represent.

The most important mechanisms through which these corporate interests are promoted and to which such groups must turn their attention are global trade rules. Without exception they exclude military spending and direct financial support for arms-producing corporations from liberalising restrictions and as such protect and promote military spending at the expense of social spending. The Multilateral Agreement on Investment (MAI) would have taken this level of protection to a new level. Corporations and the richest states in the world were negotiating to remove all barriers to the free movement of investment. If successfully implemented, the agreement and specifically its provision that governments must treat foreign investment in the same way as domestic investment would have threatened social programmes. But because the entire agreement would have exempted military spending, it would have encouraged a reliance on military spending to achieve social goals, it could have discouraged arms export controls and it could have prevented the continuing imposition of many existing arms embargoes. None of these issues have been addressed by the existing literature examining New Labour and arms exports.

#### IMPLICATIONS FOR THE EXISTING LITERATURE

The findings of this thesis are inconsistent with existing literature which accepts at face value the government's claims that arms exports are good financially, strategically and politically for the UK. In particular, the conclusions put forward here suggest there is no need to continue to frame arms exports as a dilemma, a delicate balance between promoting the UK national interest on the one hand and taking into account ethical issues on the other. The findings suggest that an understanding of the continuance of supportive arms export policy needs to draw on more than that part of Phythian's conclusion that frames the policy as the

result of delusion or addiction, more than Will Self's "addict Britain's arms sales fix" or Samuel Brittan and Adair Turner's "economic myths".<sup>8</sup> A better understanding of arms export support must also move beyond anecdotal references to the relationship between industry and government like those made by Burrows, Rawnsley or Kampfner.<sup>9</sup> It must move beyond the idea of rational policy-makers choosing optimum outcomes for the good of the country or pluralist theories where a variety of competing groups influence policy-making.

MIC theories which focus on the rise of powerful interest groups attempting to promote their own vested interests provides an alternative although the conclusions of this thesis indicate the need for a revision of this approach in the Post Cold-War era. The specific form of economic globalisation being pursued has both undermined the powers of the nation state and protected and promoted the power and wealth of huge multinational corporations. In particular, the arms industry is increasingly operating beyond the control of those in government and the political power once enjoyed by nation states is increasingly being transferred to corporations. Canadian researcher and campaigner Steven Staples talks of the replacement of the military-industrial complex with a "military-corporate complex" characterised by the "dominance of corporate interests over those of the state."<sup>10</sup> Staples has argued that in the new global economy

The weakened state is no longer able to reign in weapons corporations and is trapped increasingly by corporate interests: greater military spending, state subsidies, and a liberalisation of the arms trade.<sup>11</sup>

The evidence put forward in this thesis suggests that in the UK, the party governing the state is now effectively as captive to corporate interests as Staples describes. It appears that arms-producing companies have not had to work hard to be highly successful in engaging with government at the expense of the non-

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<sup>8</sup> 'Addicted to Arms: A Will Self Investigation' *Correspondent*, BBC Television, April 2002; Samuel Brittan, 'Why exports are bad for Britain', *The New Statesman*, 31<sup>st</sup> January 2000 and *Exports and Arms Brief*, October 2000 <<http://www.samuelbrittan.co.uk>>; Adair Turner, *Just Capital*, pp. 43, 360-361.

<sup>9</sup> Gideon Burrows, *The Non-Nonsense Guide to the Arms Trade*, p. 90; Andrew Rawnsley, *Servants of the People: The inside story of New Labour* (London: Penguin, 2001) p. 170; John Kampfner, *Robin Cook* (London: Phoenix, 1998) p. 145.

<sup>10</sup> Steven Staples, 'The Relationship between Globalisation and Militarism', *Social Justice Magazine*, 27:4 (2000).

corporate constituency and where information is available, at the expense of other industrial sectors. In terms of their relationship with government, it may be mutually beneficial and self-serving but the benefits derived from this relationship for the Labour Party come about as a result of the power now wielded by corporations. The party has to be credible to big business for its political survival and it needs to attract the flow of corporate money for its physical survival. Neither of these needs would have been so vital if corporations did not wield such political power.

#### SUGGESTIONS FOR FURTHER RESEARCH

At the very start, this thesis presented the findings of a number of recent studies which have estimated the levels of subsidy on offer to UK-based arms exporters. First, there is a requirement to continuously re-examine the levels of support offered in the UK in the light of changes in governing party, in policy and in the international market. Second, there is a requirement to conduct comparative studies examining how the levels of financial and political support outlined above vary between major arms exporting states and between different UK-based industrial sectors. William Hartung at the World Policy Institute has been estimating the levels of subsidy offered to military industry by the American government.<sup>12</sup> But as far as is known, there is a lack of publicly available information detailing the levels of support available to those based in any of the other major exporting states like Russia, France, China and Germany. Of particular interest here are the rationales used by other major exporters in defence of any support offered and whether these justifications are substantiated and sustainable. Further comparative research would also be welcome which comprehensively compared and contrasted the support enjoyed by the military sector relative to that enjoyed by other civil sectors, especially those sectors which export broadly similar amounts and which employ a broadly similar number of people.

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<sup>11</sup> Steven Staples, 'The Relationship between Globalisation and Militarism'.

<sup>12</sup> William Hartung, *Military-Industrial Complex Revisited: How Weapons makers are Shaping U.S. Foreign and Military Policies* <<http://www.foreignpolicy-infocus.org/papers/micr/index.html>> Last

Given the findings of the first section of the thesis, namely that those rationales offered by the UK government cannot be substantiated, further research is needed to understand why the non-military corporate sector has seemingly adopted a permissive approach to New Labour's support for arms exports. This thesis put forward the argument above that any policy starting to question wide ranging support given to any industry would begin to demarcate clearer industry-government lines setting a precedent all major companies would prefer to avoid. But this statement is only part of the story. What needs to be understood is the way in which the non-military sector directly profits from arms exports and as such is unlikely to call for a reduction in subsidies which would harm the profits of both the military sector and their own, which they are legally obliged to pursue.

Two ways in which the non-military sector directly profit is via investment and banking. One example of the former is the relationship between BAe and Barclays. Significant interests in the issued ordinary share capital of BAe are held by a number of investment advisory firms and Barclays PLC. In September 2001, Barclays Bank Plc owned 93,632,529 shares in BAe<sup>13</sup> while the BAe annual report 2003 showed that Barclays PLC owned 3.96% of issued ordinary share capital.<sup>14</sup> Barclays not only holds a significant number of shares in BAe but is part of a group of high street banks that play a pivotal role financing arms deals in the international arms market. Banks considered this not only a lucrative market during the 1980s but a risk-free lucrative market given the levels of government protection on offer via the ECGD. In this way they make an unknown amount of profit through government subsidised and insured loans to arms buyers. The City/Whitehall alliance was highlighted in 1995 by the World Development Movement's report *Gunrunners Gold*. This report exposed the revolving door between the MoD and banks involved in financing the arms trade, particularly, banking secondees placed into DESO, bankers appointed onto the ECGD Advisory Council and the involvement of high street banks in specific deals. These included Lloyds' alleged financing of Alvis tanks to Indonesia in 1995, Midland's alleged financing of Hawks to Indonesia in 1993, Nat West's alleged

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accessed 23<sup>rd</sup> April 2004 and William Hartung, 'Welfare for Weapons Dealers', March 1998  
<<http://www.worldpolicy.org/projects/arms/reports/natocost.html>> Last accessed 23<sup>rd</sup> April 2004.

<sup>13</sup> House of Commons, Hansard, 25<sup>th</sup> June 2002, column 229.

<sup>14</sup> BAe Systems, *Annual Report 2003*, p. 31.

refinancing of Al Yamamah and Barclays' alleged lending in support of Iraq in the 1980s, part of which was earmarked for military sales.<sup>15</sup> Little follow on research has been conducted on how, and to what extent, banks are continuing to benefit from their involvement in the arms trade. It is not known to what extent this close City/Whitehall relationship has continued, particularly, how it has all panned out under New Labour and to what extent banks are involved in and profit from non UK-based arms exporting companies given that arms deal finance or brokering can be done by banks based in a state other than of the buyers or seller.<sup>16</sup>

It is in these states that other UK-based industries may well be benefiting, on a much wider scale, from the conditions promoted by the arms exports of UK-based firms. The three-way relationship between globalisation, militarism and non-military corporate profits is coming under increased scrutiny. On the one hand the economic policies associated with the form of globalisation being pursued promote economic inequality and resource competition, often the root cause of conflict. The same economic policies have been built into international trade agreements like the General Agreement on Tariffs and Trade and other agreements operated by the World Trade Organisation. These, without exception, exempt military spending from spending restrictions. In this way, international trade rules effectively protect and promote the industries that produce the weapons needed for participants to engage in the economic conflicts they fuel. This weaponry can then be used, or its use threatened in order to protect the interests of the non-military corporate community abroad.<sup>17</sup> In a 1999 New York Times article, Thomas Friedman argued that

For globalism to work, America can't be afraid to act like the almighty superpower that it is ... The hidden hand of the market will never work without a hidden fist - McDonald's cannot flourish without McDonnell Douglas, the designer of the F-15. And the hidden fist that keeps the world safe for Silicon Valley's

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<sup>15</sup> *Gunrunners Gold: How the Public's Money Finances Arms Sales*, pp. 35-42 (London: World Development Movement (WDM), 1995).

<sup>16</sup> Neil Cooper, 'The pariah agenda and New Labour's ethical arms sales policy', in Richard Little and Mark Wickham-Jones (eds.), *New Labour's Foreign Policy: A New Moral Crusade?* (Manchester: Manchester University Press, 2000).

<sup>17</sup> Steven Staples, 'The Relationship between Globalisation and Militarism', *Social Justice Magazine*, 27:4 (2000).

technologies is called the United States Army, Air Force, Navy and Marine Corps.<sup>18</sup>

Military power protects overseas investments from nationalisation, conflict and indigenous uprisings. The corporate elite profit from the economic effects of globalisation yet are protected by the military sector from its violent effects. UK arms exported under New Labour may have been working to repress indigenous opposition to resource exploitation. They could maintain the rule of a recipient state elite who might give western corporations access to their resources. UK sourced exports could facilitate conflict that provides cover for resource exploitation or lead to the replacement of hostile leaders with those who are more favourable to the west and neo-liberal policies, encouraging further commercial expansion by western corporations. Post-conflict states typically offer low wages without western workers' rights protection, ideal for the manufacturing needs of western corporations. The role of UK exported arms in all of this is unclear but a number of recent cases may prove to be revealing. These include part UK owned Rio Tinto and BP's coal exploitation of Borneo at the Kaltim Prima coal mine. They include Rio Tinto's gold and copper mines and BP's gas plant at the Tangguh project in Bintuni Bay, Irian Jaya/West Papua. They include the work of 12 UK-based multinationals including Barclays and DeBeers in their exploitation in the DRC of diamond and Coltan, a mineral needed to manufacture mobile phones and laptops. Without further research the true extent and the nature in which the non-military corporate community has profited under New Labour remains unclear.

Another reason for apparent non-military sector complicity in the levels of arms export support received may lie in the idea that corporations coordinate. On large corporations, Mills pointed out in 1956 "would it not be strange if they did *not* consolidate themselves, but merely drifted along, doing the best they could".<sup>19</sup> One indicator of coordination is interlocking directorships amongst the most powerful UK-based corporations. A study of interlocking directorships and the effects would require a thesis in its own right but as an illustration, appendix thirty three shows some of the directorships held by those who were Directors or Non-

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<sup>18</sup> Thomas Friedman, 'What the World Needs Now', *New York Times*, 28<sup>th</sup> March 1999 as quoted by Karen Talbot, 'Backing up globalisation with military might', *Covert Action Quarterly*, 68 (1999).

Executive Directors of BAe Systems during 2004. At a minimum this kind of finding suggests formal linkages between corporations exist from which potential channels of communication are opened between industries.

The findings of the first half of this thesis not only raises questions about the seemingly permissive approach of the non-military corporate constituency and what they might be gaining from UK arms exports but also raises question about the real costs of international arms control treaties. This is especially pertinent given the recent pressure on the international community to ratify an International Arms Trade Treaty. At present a coalition of specialist development and arms trade NGOs supported by 19 Nobel prize winning individuals and groups led by former President of Costa Rica Oscar Arias are pressing governments around the world to adopt an International Code of Conduct on Arms Transfers based on existing principles of international law. This is the latest in a series of attempts to legally obligate all arms transferring states to work within a set of universally applied minimum standards. In particular these standards would prohibit the sales of arms where they could be used to commit serious violations of human rights and would include a presumption of denial where sustainable development and regional stability could be adversely affected. As of February 2004 the proposal had attracted the support of Brazil, Cambodia, Costa Rica, Finland, Macedonia, Mali and the Netherlands, none of which are major arms exporters. The UK government supports a treaty in principle but only if it could attract the support of all major arms exporting states.<sup>20</sup> An important contribution to the debate surrounding the treaty would be a reappraisal of the costs and benefits the UK is likely to derive from fully complying with the Code should it be agreed.

The second half of the thesis highlights the need for further research on task forces, advisory groups and review groups. In order to properly monitor their impact on democratic accountability in the UK, a comprehensive list of all existing groups, their aims and their membership must be compiled and continuously

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<sup>19</sup> Mills, *The Power Elite*, pp. 122-123.

<sup>20</sup> House of Commons Quadripartite Committee, *First Joint Report: Strategic Export Controls - Annual Report for 2002, Licensing Policy and Parliamentary Scrutiny*, 18<sup>th</sup> May 2004, HC 390, paragraph 175 <<http://www.parliament.the-stationery-office.co.uk/pa/cm200304/cmselect/cmintdev/390/39009.htm>> Last accessed 18<sup>th</sup> May 2004.



monitored as and when further details are made public. Tony Barker engaged in just this kind of research in 1999. But a study which can offer a more contemporary list, an analysis of the changing nature of the task force phenomenon throughout Labour's two terms in office and a survey showing what kind of representatives make up the membership of these groups would be valuable.<sup>21</sup>

The second half of the thesis also drew heavily on the numbers and nature of personnel moving between arms-producing companies and government. Touched on here but not specifically focused on or comprehensively studied for reasons of space has been the numbers of military personnel passing through the revolving door between the forces and arms-producing companies. A study of this sort would complete an analysis of the three major groups involved in the arms export process. Such a study could be complemented by further comparative work looking at what kinds of relationships exist between these groups, between the military, political and arms-company elite, in other major arms exporting states. Hartung has undertaken extensive research on this issue in America but little work appears to have been undertaken to compare the UK with neighboring European exporters like France or Germany.

#### CONCLUDING COMMENTS

The relationship between UK-based arms-producing companies and New Labour represents a unique client/customer relationship. In principle, the government has absolute control over the commercial activities of an entire industry but the government re-empowers the position of industry by remaining publicly committed to a largely unsustainable set of rationales which claim that arms exports are crucial to the UK. Arms exporting companies and New Labour are so interconnected, their interests so bound up in each other that continuity in supportive export policy is to be expected. But these findings relate to more than just those who are concerned with UK involvement in the international arms market. They have relevance for those interested in the changing relationship

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<sup>21</sup> Tony Barker with Iain Byrne and Anjuli Veall, *Ruling by Task Force: Politico's Guide to Labour's New Elite* (London: Politico's Publishing, 1999).

between the Labour Party and corporations, at how this corporate-party relationship has panned out now that Labour are in power, at the extent to which New Labour is a "party of business", why it remains so and what policies are in place as a result. For the arms industry this is clear. Support is offered at levels incomparable with almost all other UK-based industries for arms exports, exports which in both financial and political terms represent more clearly than ever before, a dead giveaway.

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**Appendix One**  
**Estimates, in millions, of the financial costs and benefits to the government of supporting arms exports made by recent studies<sup>1</sup>**

	<b>Ben Jackson-Gunrunners Gold (1996)</b>	<b>Stephen Martin - The subsidy saving (1999) - at 1995 prices</b>	<b>Paul Ingram and Ian Davis - The Subsidy Trap (2001)</b>	<b>CAAT - Arms Trade Subsidies (2004)</b>	<b>Chalmers et al - The Economic Costs and Benefits of UK Defence Exports (2001)</b>
<b>Costs to government:</b>					
ECGD costs & losses due to arms	276	239	227	180	Upwards of 16-96
Cost of DESO	21	17	16	16	15
Embassy staff & defence attachés	9	8	23	24	4
Military assistance/use of MOD to promote sales	15	16	10	6	Unspecified
Further promotional activity	5	5	20	11	Unspecified
Distortion of MoD procurement costs	30	120	60 <sup>2</sup>	100	Not considered
Employment distortion	Unspecified cost	Not considered	Unspecified	Not considered	Unspecified
Overseas aid	27	26	Unspecified	Not considered	Assume use ended
Tax losses on bribes	Unspecified cost	Not considered	64	Not considered	Not considered
Offset and Balance of payments	Unspecified cost	Not considered	Unspecified	Not considered	Not considered
Research and Development (R & D) costs	Insufficient data	<i>(Total MoD cost: 2,000)</i>	Up to 570	670	Unspecified
Costs of military intervention	Not considered	Not considered	Incalculable	Not considered	Not considered
Other Costs	1	Not considered	<i>(Up to 4,250)</i>	6	Up to 12
<b>Total costs to government</b>	<b>384</b>	<b>431</b>	<b>420 up to 990</b>	<b>1013</b>	<b>35-127</b>

Appendix one continued

<b>Ben Jackson-Gunrunners Gold (1996)</b>	<b>Stephen Martin - The subsidy saving (1999) - at 1995 prices</b>	<b>Paul Ingram and Ian Davis - The Subsidy Trap (2001)</b>	<b>CAAT - Arms Trade Subsidies (2004)</b>	<b>Chalmers et al - The Economic Costs and Benefits of UK Defence Exports (2001)</b>
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<sup>1</sup> All figures are to the nearest million pounds. Figures in italics and brackets are not included in the overall estimates made by the studies because the authors consider the estimates so uncertain given the lack of information required to make accurate assessments. All subsidy studies suffer from key information being restricted or non-existent. As such as number of the figures produced are based on best estimates.

<sup>2</sup> Paul Ingram claims that "insiders" believe this figure to be a "considerable underestimate". *Tackling the Subsidy Trap: Strategies for Reducing Subsidies to Arms Exports: Brief Report*, 10th December 2001. Unpublished

		prices			Exports (2001)
<b>Savings to government:</b>					
Commercial Exploitation Levy	Insufficient data	40	50	Included in costs	38
Reduced overhead costs	Not considered	163	Negligible	125	325
Sales of surplus stock	Not considered	Not considered	Negligible	Not considered	17-35
<b>Total benefits to government</b>	<b>Included in costs</b>	<b>203</b>	<b>Included in costs</b>	<b>125</b>	<b>380-398</b>
<b>Total government subsidy</b>	<b>384<sup>3</sup></b>	<b>228<sup>4</sup></b>	<b>420 up to 990</b>	<b>888</b>	<b>-253 to -363</b>

<sup>3</sup> This figure excludes those costs that the World Development Movement could not estimate due to a lack of data at that time such as research and development costs not recovered or civil service work on promoting arms outside of the Defence Export Services Organisation. The figures given overall represent either the average over the past three years or, if possible, for the last year available. Jackson, *Gunrunners Gold: How the Public's Money Finances Arms Sales*, pp. 14-15

<sup>4</sup> The figures given are at 1995 prices and except those figures relating to procurement distortion, they are based on the average for the previous 10 years or on the most recent year(s) available, Martin, 'The subsidy saving from reducing UK arms exports', p. 16

Appendix Two: Areas experiencing high and low intensity conflict during 2001-2002

AREAS EXPERIENCING HIGH INTENSITY CONFLICT DURING 2001-2002											
State	Start of conflict	Estimated number of deaths 2001-2002	Estimated number of cumulative deaths	Value of licences approved during 2002		Value of licences approved during 2001		Value of licences approved during 2000		Value of licences approved during 1999	
				SIELs (GBP millions)	No. of new Open licences	SIELs (GBP millions)	No. of new Open licences	SIELs (GBP millions)	No. of new Open licences	SIELs (GBP millions)	No. of new Open licences
Russia (Chechnya)	1999	>25,000	>45,000	35.0	24	17.0	19	23.0	7	12.5	25
Democratic Rep. of Congo	1998	>20,000	1,5-2,500,000	<0.25	7	0.0	2	<0.25	None	0.0	5
Angola	1991	>20,000	>1,000,000	14.0	6	8.0	4	1.0	2	3.0	7
Sudan	1983	>10,000	>2,000,000	<0.25	2	<0.25	None	<0.25	None	0.5	6
Afghanistan	1978	>10,000	1,500,000	0.5	1	<0.25	None	<0.25	None	<0.25	1
Columbia	1964	>8,000	50,000-300,000	<0.25	22	<0.25	15	2.0	5	<0.25	26
Sri Lanka	1983	>5,000	65,000-80,000	1.5	15	15.5	13	8.0	3	1.5	21
India (Jammu & Kashmir)				118.0	62	62.5	66	64.5	34	57.5	71
Pakistan (Jammu & Kashmir)	1989	>4,000	34,000-80,000	15.0	13	14.0	20	6.0	3	11.5	38
Algeria	1990	3-7,000	109,000-200,000	10.5	10	5.0	13	2.0	4	5.5	15
Rwanda	1997	>2,000	>2,000	0.0	None	0.0	None	Not listed	Not listed	<0.25	1
Indonesia-Moluccas	1999	>2,000	5-10,000	41.0	15	15.5	6	2.0	None	2.0	32
Indonesia-Aceh	1990	>1,500	>7,000								
Democratic Rep. of Congo-Orientale Province	1999	>1,200	>7,000	<0.25	7	0	2	<0.25	None	0	5
Sierra Leone	1991	>1,000	50,000-600,000	<0.25	1	1.5	None	6.5	1	<0.25	4
Guinea	2000	>1,000	>1,000	None	5	None	1	Not listed	Not listed	<0.25	7
Israel	1999	<1,000	>3,300	10.0	27	22.5	20	12.5	18	11.5	39
Palestine				Not listed	Not listed	Not listed	Not listed	Not listed	Not listed	Not listed	Not listed
Burundi	1993	>1,000	201,000-250,000	Not listed	Not listed	<0.25	1	Not listed	Not listed	0.0	1
Pakistan-Sindh	1986	>1,000	>5,000	15.0	13	14.0	20	6.0	3	11.5	38
Philippines-Mindanao	1970	>1,000	30-120,000	<0.25	34	2.0	26	2.0	17	1.5	36
Pakistan-Punjab	1985	>1,000	>1,000	15.0	13	14.0	20	6.0	3	11.5	38
Nigeria-north	1997	>1,000	>10,000	7.0	13	10.0	9	4.5	2	6.0	8
Uganda	1996	>1,000	>1,000	<0.25	1	<0.25	1	<0.25	3	<0.25	4
Chad-Tibesti	1998	>1,000	>1,000	None	3	None	1	Not listed	Not listed	0.0	4

**AREAS EXPERIENCING LOW INTENSITY CONFLICT DURING 2001-2002**

State	Value of licences approved during 2002		Value of licences approved during 2001		Value of licences approved during 2000		Value of licences approved during 1999	
	SIELs (GBP millions)	No. of new Open licences	SIELs (GBP millions)	No. of new Open licences	SIELs (GBP millions)	No. of new Open licences	SIELs (GBP millions)	No. of new Open licences
<b>Central and Southern America</b>								
Columbia	<0.25	22	<0.25	15	2.0	5	<0.25	26
Dominican Rep	0.0	8	0.0	1	<0.25	None	<0.25	6
Haiti	0.0	3	Not listed		Not listed		0.0	4
Honduras	<0.25	8	<0.25	2	0.00	1	<0.25	5
Jamaica	<0.25	10	1.0	5	<0.25	1	0.5	10
<b>West, Central and Eastern Europe</b>								
Azerbaijan	<0.25	15	<0.25	4	<0.25	2	<0.25	10
Armenia	0.0	5	0.0	0	<0.25	None	0.5	None
Macedonia	0.0	4	1.0	0	<0.25	None	2.0	3
Turkey	27.5	76	179.0	72	34.0	37	188.0	62
FYR Serbia & Montenegro	3.0	7	0.5	None	4.5	1	2.0	2
<b>Sub-Saharan Africa</b>								
Cameroon	0	10	<0.25	3	<0.25	2	0.0	10
Central African Rep	Not listed		Not listed		Not listed		<0.25	1
Republic of Congo	0.0	4	0.0	2	<0.25	None	1.0	6
DRC	<0.25	7	0.0	2	<0.25	None	0.0	5
Ivory Coast	<0.25	13	<0.25	8	0.00	1	<0.25	10
Kenya	1.0	22	2.5	30	1.5	13	0.5	37
Liberia	Not listed		Not listed		Not listed			2
Nigeria	7.0	13	10.0	9	4.5	2	6.0	8
Senegal	<0.25	4	0.0	1	<0.25	None	<0.25	8
Somalia	<0.25	2	<0.25	None	Not listed		<0.25	2
South Africa	45.5	95	29.0	96	63.5	52	11.0	65
Tanzania	<0.25	9	19.5	2	<0.25	3	0.5	11
Uganda	<0.25	1	<0.25	1	<0.25	3	<0.25	4
<b>North Africa and Middle East</b>								
Algeria	10.5	10	5.0	13	2.0	4	5.5	15
Iran	11.0	2	19.5	0	12.0	1	39.0	None
Iraq	2.0	None	<0.25	0	<0.25	None	<0.25	None
Iran	11.0	2	19.5	0	12.0	1	39.0	None
Afghanistan	0.5	1	<0.25	None	<0.25	None	<0.25	1
Iran	11.0	2	19.5	0	12.0	1	39.0	None
Pakistan	15.0	13	14.0	20	6.0	3	11.5	38
Iran	11.0	2	19.5	0	12.0	1	39.0	None
Iraq	2.0	None	<0.25	0		None		None
Lebanon	1.0	11	<0.25	3	2.0	4	0.5	7
Palestine	Not listed		Not listed		Not listed		Not listed	
<b>Central and South Asia</b>								
Bangladesh	9.0	23	1.5	15	1.0	4	5.0	26
India	118.0	62	62.5	66	64.5	34	57.5	71
Kyrgyzstan	<0.25	None	2.0	1	Not listed		1.5	1
Nepal	0.5	4	6.0	1	1.0	None	1.0	4
Pakistan	15.0	13	14.0	20	6.0	3	11.5	38
Tajikstan	0.0	2	<0.25	1	<0.25	None	0.0	3
Uzbekistan	0.0	5	0.0	5	1.5	None	2.0	7
<b>Far East and East Asia</b>								
Indonesia	41.0	15	15.5	6	2.0	None	2.0	32
Burma	0.0	1	<0.25	None	<0.25	None	<0.25	2
Philippines	<0.25	34	2.0	26	2.0	17	1.5	36

Sources: Data derived from World Conflict Map (cols. 1-4); Strategic Export Control Reports '99, '00, '01 and '02 (cols. 5-7). Only the Annual Strategic Export Control Reports published between 1999-2002 detail the values of SIELs. Previous reports published by the government in 1997 and 1998 only specifies how many licensing decisions were authorised without further detail. All are available at <http://www.fco.gov.uk>.

Appendix Three

Values of UK standard licences approved from 1999-2002

Key

Non-Conflict (black/white)

State	TOTAL SIELs approved			
	2002	2001	2000	1999
Afghanistan	<0.25	<0.25	<0.25	<0.25
Albania	<0.25	0.0	0.0	0.0
Algeria	13.5	5.0	2.0	3.5
Angola	14.0	2.0	7.0	7.0
Antigua and Barbuda	<0.25	<0.25		<0.25
Argentina	1.5	1.0	7.5	<0.25
Armenia	0.0		<0.25	0.5
Aruba	<0.25			
Australia	16.0	25.0	20.0	77.0
Austria	2.0	5.0	9.0	3.5
Azerbaijan	<0.25	<0.25	<0.25	<0.25
Azores	<0.25			
Bahamas	11.0	<0.25	<0.25	<0.25
Bahrain	3.0	4.5	3.0	1.5
Bangladesh	9.0	1.5	1.0	5.0
Barbados	0.5	<0.25	2.0	<0.25
Belarus	<0.25	0.0		
Belgium	4.0	16.0	7.0	22.5
Belize		<0.25		<0.25
Bermuda	<0.25	<0.25	<0.25	<0.25
Bhutan	<0.25			
Bolivia		11.5	<0.25	
Bosnia	<0.25		<0.25	3.0
Botswana	1.0	4.5	2.0	3.5
Brazil	11.5	73.0	22.5	82.0
British Virgin Islands	<0.25			
Brunei	5.5	1.5	3.5	6.0
Bulgaria	1.5	0.5	1.5	<0.25
Burkina Faso				
Burma		<0.25	<0.25	<0.25
Burundi		<0.25		
Cambodia	<0.25	<0.25	<0.25	<0.25
Cameroon		<0.25	<0.25	
Canada	19.0	43.0	14.5	212.0
Canary Islands				<0.25
Cayman Islands	<0.25	<0.25	<0.25	<0.25
CAR				<0.25
Channel Islands	1.0		2.0	0.5
Chile	0.5	1.5	1.5	2.0



State	TOTAL SIELs approved			
	2002	2001	2000	1999
Algeria	5.0	1.0	1.0	0.25
Algeria (EU)	0.25		0.25	
Algeria (UNEP)	1.0		0.25	1.0
Costa Rica		<0.25	<0.25	<0.25
Croatia	1.5	1.0	<0.25	7.0
Cuba	<0.25		<0.25	<0.25
Cyprus	0.5	10.0	1.0	2.0
Czech Republic	4.0	5.5	14.0	10.0
Denmark	3.0	5.5	38.5	4.5
Dominican Republic	0.5		0.25	<0.25
East Timor	<0.25	<0.25		
Ecuador	0.5	<0.25	<0.25	0.5
Egypt	27.5	7.5	36.5	14.0
El Salvador	<0.25	0.5	<0.25	<0.25
Equatorial Guinea	1.0	1.0		
Eritrea	1.5	<0.25	<0.25	<0.25
Estonia	1.5	2.0	1.0	<0.25
Ethiopia	<0.25	<0.25	<0.25	<0.25
Falkland Islands	<0.25		<0.25	<0.25
Faroe Islands		<0.25	<0.25	<0.25
Fiji	<0.25		<0.25	
Finland	5.5	4.5	54.5	4.5
France	170.0	33.5	157.5	83.5
French Guyana				
FOT	<0.25		<0.25	
Gabon	0.5	3.5	1.5	<0.25
Gambia	<0.25	<0.25	<0.25	<0.25
Georgia	<0.25	<0.25	<0.25	<0.25
Germany	81.0	30.0	48.5	170.0
Ghana	<0.25	1.0	0.5	4.5
Gibraltar	4.5			<0.25
Greece	36.0	5.5	229.5	14.0
Greenland	<0.25			
Grenada		<0.25	<0.25	
Guatemala		<0.25		
Guam			<0.25	
Guinea		1.0		<0.25
Guyana	<0.25	2.0	<0.25	
Honduras	<0.25	<0.25		<0.25
Hong Kong	2.5	4.0	5.0	3.5
Hungary	2.5	1.0	4.5	1.0
Iceland	<0.25	<0.25	<0.25	1.5
India	118.0	62.5	64.5	57.5
Indonesia	41.0	15.5	2.0	2.0
Iran	11.0	19.5	12.0	39.0
Iraq	2.0	<0.25	<0.25	<0.25
Ireland	4.0	4.5	33.5	16.0
Israel	10.0	22.5	12.5	11.5

State	TOTAL SIELs approved			
	2002	2001	2000	1999
Ivory Coast	<0.25	<0.25		<0.25
Japan	53.5	49.5	40.0	45.0
Jordan	17.5	55.5	12.0	3.5
Kazakhstan	4.5	3.0	6.0	17.5
Kenya	1.0	2.5	1.5	0.5
North Korea		<0.25	<0.25	
South Korea	61.0	161.5	30.0	353.0
Kuwait	14.5	16.0	21.5	75.0
Kyrgyzstan	<0.25	2.0		1.5
Lao		<0.25		<0.25
Latvia	0.5	<0.25	<0.25	<0.25
Lebanon	1.0	<0.25	2.0	0.5
Lesotho		<0.25		
Libya	<0.25	2.0	0.5	6.5
Liechtenstein			<0.25	
Lithuania	0.5	1.0	1.5	<0.25
Luxembourg	0.5	4.0	2.0	3.0
Macau	<0.25	<0.25	<0.25	<0.25
Macedonia	0.5	1.0	<0.25	2.0
Malawi	<0.25	<0.25	<0.25	<0.25
Malaysia	67.5	23.0	138.5	495.5
Maldives	<0.25	<0.25	<0.25	<0.25
Malta	4.5	1.0	<0.25	1.5
Mauritius	1.5	<0.25	<0.25	<0.25
Mexico	1.0	1.5	1.0	0.5
Moldova	<0.25			
Mongolia		<0.25	<0.25	
Montserrat	<0.25			
Morocco	20.5	1.5	2.5	3.5
Mozambique	<0.25	<0.25	0.5	<0.25
Namibia	<0.25	<0.25	1.0	<0.25
Nepal	0.5	6.0	1.0	1.0
Netherlands	61.0	19.5	44.5	52.5
Netherlands Antilles	<0.25	<0.25		
New Zealand	2.0	1.0	1.5	2.5
Nigeria	7.0	10.0	4.5	6.0
Norway	8.5	11.5	7.5	14.5
Oman	304.0	121.0	96.5	65.0
Pakistan	15.0	14.0	6.0	11.5
Panama	<0.25		<0.25	<0.25
Papua New Guinea	<0.25	<0.25	<0.25	<0.25
Paraguay		<0.25	<0.25	
Peru	<0.25		2.5	0.5
Philippines	<0.25	2.0	2.0	1.5
Poland	6.0	5.5	24.0	18.5
Portugal	1.0	3.5	1.0	2.5
Puerto Rico	<0.25	<0.25		
Qatar	3.0	1.5	3.5	1.0
Romania	3.5	10.5	5.0	4.5
Russia	35.0	17.0	23.0	12.5

State	TOTAL SIELs approved			
	2002	2001	2000	1999
Bahrain				<0.25
Saudi Arabia	29.0	20.5	13.0	8.0
Senegal	<0.25		0.5	<0.25
Serbia and Mont.	3.0			
Seychelles	<0.25		0.5	<0.25
Singapore	24.0	38.5	27.5	29.0
Slovakia	1.5	<0.25	1.5	0.5
Slovenia	1.5	0.5	1.0	0.5
Somalia	<0.25	<0.25		<0.25
South Africa	45.5	29.0	63.5	11.0
Spain	20.0	13.5	48.0	8.0
Sri Lanka	1.0	1.5	0.5	1.5
St Helena	<0.25	<0.25	<0.25	<0.25
St Lucia		<0.25		
St Vincent	<0.25			
Sudan	<0.25	0.5	0.5	0.5
Swaziland			<0.25	<0.25
Sweden	48.0	24.5	16.5	43.5
Switzerland	60.5	8.0	11.5	53.0
Syria	<0.25	0.5	<0.25	1.0
Taiwan	37.0	86.0	35.5	180.0
Tajikistan	0.0	<0.25	<0.25	
Tanzania	<0.25	14.5	<0.25	0.5
Thailand	7.5	27.0	3.5	27.0
Togo		<0.25		
Trinidad and Tobago	<0.25	<0.25	1.5	<0.25
Tunisia	1.0	1.5	<0.25	1.0
Turkey	27.5	179.0	34.5	188.0
Turkmenistan	<0.25			<0.25
Turks and Caicos Islands	<0.25	<0.25	<0.25	<0.25
Uganda	<0.25	<0.25	<0.25	<0.25
Ukraine	1.5	1.0	10.0	<0.25
UAE	18.5	81.5	48.0	174.5
USA	256.5	304.5	367.5	350.5
Uruguay	0.5	1.5	0.5	1.0
Uzbekistan	0.0		1.5	2.0
Venezuela	1.5	2.5	13.0	3.5
Vietnam	2.0	<0.25	<0.25	0.5
Yemen	<0.25	0.5	<0.25	0.5
FRY Yugoslavia	0.0	0.5	4.5	2.0
Zambia	<0.25	3.5	1.5	0.5
Zimbabwe		<0.25	1.0	<0.25
<b>Total excluding values &lt;0.25</b>	<b>1928.5</b>	<b>1853.5</b>	<b>2021.0</b>	<b>3166.0</b>
Intense and low-intensity conflict	353.0	435.0	255.0	367.5
Non-Conflict	1575.5	1418.5	1766.0	2798.5
<b>Total</b>	<b>1928.5</b>	<b>1853.5</b>	<b>2021.0</b>	<b>3166.0</b>

Appendix Four  
Major UK based arms-producing companies

<b>Arms-producing company</b>	<b>Total sales (million)</b>	<b>Military sales as % of total sales</b>	<b>Employees in UK</b>
BAE Systems	12,145	76%	43,100
Rolls-Royce	5,788	32%	22,000
GKN	4,452	28%	10,900
Smiths Group	3,070	29%	9,200
Vosper	476	71%	7,500
Cobham	735	49%	4,149
Ultra Electronics	240	77%	2,376
Alvis	226	100%	1,100
Meggitt	435	23%	4,328

Source: CAAT<sup>5</sup>

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<sup>5</sup> CAAT, 'Companies' <<http://www.caat.org.uk/information/publications.php>> Last accessed 3<sup>rd</sup> October 2003

## **APPENDIX FIVE:**

### **Briefing of the major arms-producing companies and associated groups mentioned in the thesis**

**BAE SYSTEMS** BAE Systems, whose motto is “innovating for a safer world” is the largest UK-based arms-producing company and the third largest globally. 78% of the \$18.5 billion worth of sales made in 2000 were from arms sales.<sup>6</sup> BAE Systems sells completed weapons systems including air, land and sea capabilities. Air capabilities include the Tornado, the Hawk and the Eurofighter Typhoon as a major partner, head up displays, military helicopter avionics, and navigation systems. Land capabilities include electronic identification systems, battlefield radar, battlefield communication, artillery and guided weapons. Sea capabilities include the UK Navy's Type 45 destroyer, the three new Astute Class submarines and the Future Carrier Project.<sup>7</sup>

BAE Systems has joint ventures or is a major shareholder in hundreds of companies. It fully owns ammunition firm RO Defence,<sup>8</sup> it jointly owns Gripen International - the prime contractor for the Gripen aircraft,<sup>9</sup> the military electronics firm Alenia Marconi Systems,<sup>10</sup> Navy ship repair firm Fleet Support Limited<sup>11</sup> and training firm Flagship Training.<sup>12</sup> BAE Systems holds a 37.5% stake in missile systems firm MBDA,<sup>13</sup> 35% of high-tech manufacturer SAAB technologies<sup>14</sup> and 33% of Eurofighter GmbH, the consortium established to handle the management and production of the Eurofighter.<sup>15</sup> It is increasingly moving into the American market in the form of BAE Systems North America. BAE Systems is designing and manufacturing the rear fuselage stabilisers and is involved in the avionics of the cost-plus contract for the F-35 Joint Strike Fighter programme.<sup>16</sup> With a 20% interest in the passenger airline manufacturer Airbus, a joint venture with EADS established in 1970, BAE Systems is also involved in civil aerospace.<sup>17</sup>

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<sup>6</sup> SIPRI, 'The 100 largest arms-producing companies in the OECD and developing countries, 2000', <<http://projects.sipri.se/milex/aprod/100largest2000.pdf>> Last accessed 28<sup>th</sup> April 2004

<sup>7</sup> BAe Systems, 'Capabilities' <<http://www.baesystems.com/capabilities/index.htm>> Last accessed 28<sup>th</sup> April 2004

<sup>8</sup> BAe Systems, 'Operational/Capital/Services: RO Defence' <<http://www.baesystems.com/ocs/others/rodefence>> Last accessed 28<sup>th</sup> April 2004

<sup>9</sup> BAe Systems, 'International Partnerships: Gripen International' <<http://www.baesystems.com/ocs/intpartners/gripen.htm>> Last accessed 28<sup>th</sup> April 2004

<sup>10</sup> AMS, 'About AMS' <[http://www.amsjv.com/html\\_eng/default.asp](http://www.amsjv.com/html_eng/default.asp)> Last accessed 28<sup>th</sup> April 2004

<sup>11</sup> Fleet Support, 'Welcome' <<http://www.fleet-support.co.uk>> Last accessed 28<sup>th</sup> April 2004

<sup>12</sup> BAe Systems, 'BAe Systems and VT Group extend shareholding in Flagship' <<http://www.baesystems.com/newsroom/2002/sep/260902news1.htm>> Last accessed 24<sup>th</sup> May 2004

<sup>13</sup> BAe Systems, 'International Partnerships: MBDA' <<http://www.baesystems.com/ocs/intpartners/mbda.htm>> Last accessed 29<sup>th</sup> April 2004

<sup>14</sup> BAe International Partnerships: SAAB <<http://www.baesystems.com/ocs/intpartners/saab.htm>> Last accessed 29<sup>th</sup> April 2004

<sup>15</sup> Eurofighter GmbH, 'The organisation' <<http://www.eurofighter.com/Organisation/>> Last accessed 25<sup>th</sup> May 2004

<sup>16</sup> BAe Systems, *Annual Report 2002*, p 10

<sup>17</sup> Airbus, 'Airbus Today' <[http://www.airbus.com/about/euro\\_manufact.asp](http://www.airbus.com/about/euro_manufact.asp)> Last accessed 29<sup>th</sup> April 2004

BAE Systems is no stranger to controversy. From the 1980s British Aerospace have been the main beneficiaries of the two UK-Saudi Al Yamamah deals from which BAE Systems have reportedly been making £2 billion a year.<sup>18</sup> In 1996 four women were found not guilty of illegal entry and criminal damage after three caused damages costing £1.5 million to a Hawk destined for Indonesia. At their trial they defended their actions by arguing that they were disarming a fighter plane destined to be used against the civilians of East Timor and in doing so that they were legally "using reasonable force to prevent a greater crime", that of genocide.<sup>19</sup> In September 1999 the then Secretary of State for Trade and Industry Stephen Byers rejected the advice of John Bridgeman, the Direct General of Fair Trading, to refer the purchase of GEC Marconi by British Aerospace to the Competition Commission.<sup>20</sup> Until the end of 2002 BAE Systems owned small arms manufacturer Heckler and Koch which enjoy licenced production agreement of their MP5 sub-machine guns and G3 rifles in Burma and Turkey. In 2001 the DTI issued BAE Systems with a licence allowing it to export a £28 million air traffic control system to Tanzania, one of the poorest countries in the world despite opposition from Clare Short, Gordon Brown the International Civil Aviation Organisation and the World Bank. To add to the controversy, Barclays lent Tanzania money at concessional rates to enter into the deal at a time when Barclays owned 93,632,529 ordinary shares in BAE Systems and shortly after the bank secured a banking licence to work within Tanzania.<sup>21</sup> In 2002 a two year investigation by the Jersey attorney-General into trusts set up by the Foreign Minister of Qatar linked to the alleged payment of £7 million from BAE Systems to secure large arms contracts was suddenly dropped. He said that the investigation was not in "the public interest" and may "adversely affect relations" after the minister donated £6 million to Jersey for "damage perceived to have been sustained in the events that have happened."<sup>22</sup> Between December 2000 and February 2003, 12 separate ministerial visits took place during which the Indian government were reportedly pressed to agreed to the purchase of 60 BAE Systems Hawks at a time when Blair hoped that the UK "can have a calming influence" on tense India-Pakistan relations.<sup>23</sup> During the April 2003 AGM, the then Chair of BAE Systems Dick Evans confirmed that BAE Systems had been making depleted uranium ammunition up until "several years ago".<sup>24</sup> A sub group of the UN Human Rights Committee had classed "depleted" Uranium weapons together with nuclear, chemical, biological and cluster weapons as "weapons of indiscriminate effect."<sup>25</sup> Last September The Sunday Times published an article alleging that BAE Systems had paid a company to

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<sup>18</sup> Friends of the Earth, 'UK Democracy PLC'

<<http://www.foe.co.uk/pubsinfo/briefings/html/20020618112555.html>> Last accessed 29<sup>th</sup> April 2004

<sup>19</sup> Ploughshares Action, 'Seeds of Hope-East Timor Ploughshares'

<<http://www.plowsharesactions.org/webpages/weba.htm>> Last accessed 29<sup>th</sup> April 2004

<sup>20</sup> Red-Star-Research, 'British Aerospace/BAe'

<sup>21</sup> Barclays owned 93,632,529 shares in BAe as at September 2001. House of Commons, Hansard, 25th June 2002, columns 228-233

<sup>22</sup> Anthony Barnett and Conal Walsh, 'Straw faces grilling on arms 'bribes'', *The Observer*, 9<sup>th</sup> June 2002

<sup>23</sup> Mick Lambert, Judith Rattenbury and Ian Prichard, 'The Political Influence of Arms Companies', April 2003 <<http://www.caat.org.uk/information/publications/other/political-influence-0403.pdf>>

<sup>24</sup> Dick Evans, BAe AGM, Queen Elizabeth II Conference Centre, London, 29<sup>th</sup> April 2003

<sup>25</sup> Campaign Against Depleted Uranium, 'Introduction' <<http://www.cadu.org.uk/intro.htm>> Last accessed 29<sup>th</sup> April 2004

employ spies who had successfully infiltrated CAAT. When asked directly "Has BAE Systems paid for information on CAAT?" during BAE Systems' 2004 AGM, then BAE Systems Chair Dick Evans' reply "I'm not going to answer that" spoke for itself.<sup>26</sup>



## Rolls-Royce

A separate entity from the car business, Rolls Royce is the second largest arms-producing company based in the UK. It employs 35,000 people worldwide, 21,000 in the UK.<sup>27</sup> Rolls Royce's total sales in 2000 were worth \$8,890, 24% of which were military sales.<sup>28</sup> Rolls Royce does not produce end products like BAE Systems but supplies essential parts to weapons systems. The company engineers, sells and provides after sales care to 25% of all engines used in military aircraft. Rolls Royce engines power fighters like the Hawk, combat helicopters like the AgustaWestland EH101, the UK Apache and half military transport aircraft. The company also has a major stake in the Eurofighter and F-35 Joint Strike Fighters.<sup>29</sup> It has also become involved in marine propulsion systems. It is developing all those required for Royal Navy platforms including the Type 45 Destroyer, the Future Carrier and the Future Attack submarine. In 1998 the company won the contract to supply the Navy's new Astute class nuclear submarines with reactors.<sup>30</sup>

Like BAE Systems, Rolls Royce is no stranger to controversy. The company was facing an appearance in the High Court in 2003 to face charges that it offered a £15 million bribe in order to win the contract for a gas-fired Indian power station in 1993. The bribe was allegedly paid to a company controlled by Kishan Rao. Rao was also the Managing Director of power plant company, Spectrum Power responsible for issuing the contract.<sup>31</sup> In 2002 Rolls-Royce investors were calling for the removal of Chairman Ralph Robins in the face of alleged irregular accounting procedures although the company claims it's practices are unimpeachable.<sup>32</sup>

In March 2001 Channel Four News exposed how Rolls Royce has supplied 34 diesel engines used to pump oil along a Sudanese oil pipeline in the Western Upper Nile. The company also provided engineers to maintain the pipeline. Both are vital for the continued flow of oil. The pipeline was built following a 'scorched earth campaign' conducted by the Sudanese government in which at least 55,000 Sudanese villagers have been made homeless and some reportedly murdered. All were villages lying near a 50 mile road leading to what European firms have called excellent quality oil. The profits from the estimated 2 billion barrels of oil which could be sold are being ploughed back into indigenous Sudanese arms production that supplies troops involved in the 20 year civil war and for further arms imports. Christian Aid, in their report, *The Scorched Earth*:

<sup>26</sup> Dick Evans, BAe AGM, Queen Elizabeth II Conference Centre, London, 5<sup>th</sup> May 2004

<sup>27</sup> Rolls Royce, 'Overview' <<http://www.rolls-royce.com/about/overview/default.jsp>> Last accessed 29<sup>th</sup> April 2004

<sup>28</sup> SIPRI, 'The 100 largest arms-producing companies'

<sup>29</sup> Rolls Royce, 'Defence Aerospace' <[http://www.rolls-royce.com/defence\\_aerospace/default.jsp](http://www.rolls-royce.com/defence_aerospace/default.jsp)> Last accessed 29<sup>th</sup> April 2004

<sup>30</sup> Rolls Royce, 'Marine' <<http://www2.rolls-royce.com>> Last accessed 29<sup>th</sup> April 2004

<sup>31</sup> Anthony Barnett, 'Rolls-Royce accused of bribery', *The Observer*, 2<sup>nd</sup> February 2003

<sup>32</sup> Julia Finch, 'Investors seek Rolls Chairman's scalp', *The Observer*, 15<sup>th</sup> February 2002

Oil and War in Sudan, asked all companies, including Rolls Royce, to suspend their involvement in their fields immediately on the basis that they were bestowing legitimacy on the actions of the Sudanese government.<sup>33</sup> Rolls Royce refuse to comment on whether they still operate in Sudan.



GKN is the third largest UK-based arms-producing company employing 43,000 worldwide. Total sales in 2000 were US\$7,700, 23% of which were arms sales.<sup>34</sup> GKN acts as a first tier supplier through GKN Aerospace Services which supplies components and design services to military aircraft including the Eurofighter and the F22. But GKN's 50% stake in the world's second largest helicopter firm, AgustaWestland, also makes it a prime contractor. Agusta's products include EH101 machines for the Royal Navy and Airforce and the Apache, made under licence from Boeing.<sup>35</sup>

It was GKN subsidiary Glover Webb which made 303 Tactica armoured vehicles exported to Indonesia in the mid 1990s subsequently used against pro-democracy demonstrators in 1996 in which protesters were killed and injured.<sup>36</sup> GKN sold this part of the business to armoured vehicle manufacturer Alvis in 1998. GKN retained a 30% shareholding but exited the entire market when it finally sold its 29% share in Alvis to BAE Systems in 2003.<sup>37</sup>



Up until 1999 Marconi was listed as the fourth largest arms related company in the UK. In the 1990s, the GEC empire owned a number of companies which went under the Marconi name. GEC had made steady profits under its previous Managing Director, Arnold Weinstock. The company reportedly enjoyed close relationships with successive governments, a relationship that helped the company to attract cost-plus equipment contracting with the MoD. GEC lost the bulk of its lucrative military work when Lord Simpson de-merged GEC from Marconi Electronic Systems in 1999<sup>38</sup> and sold it to BAE Systems that represented almost all of GEC's involvement in the military sector. GEC then renamed itself Marconi, in part to resolve a dispute with the General Electric Company in America over trade names. Marconi then went on to merge with British Aerospace to form BAE Systems. The limited military communications work that remained was sold off to Italian firm Finmeccanica in 2002.<sup>39</sup>

<sup>33</sup> Julie Flint, 'British firms fan flames of war', *The Observer*, 11<sup>th</sup> March 2001; Christian Aid, 'The scorched earth: oil and war in Sudan', <<http://www.christian-aid.org.uk/indepth/0103suda/sudanoil.htm>> Last accessed 29<sup>th</sup> April 2004

<sup>34</sup> SIPRI, 'The 100 largest arms-producing companies'

<sup>35</sup> GKN, 'This is GKN' <<http://www.gknplc.com>> Last accessed 29<sup>th</sup> April 2003

<sup>36</sup> Mark Phythian, *The Politics of British Arms Sales*, p. 169

<sup>37</sup> GKN, 'History' <<http://www.gknplc.com/Groupoverview/History.asp>> Last accessed 29<sup>th</sup> April 2004; GKN News, 'GKN Sells Alvis Stake for £73 million' <<http://www.gknplc.com/news/NewsItem.asp?LastPage=Search&NewsID=209>> Last accessed 29<sup>th</sup> April 2004

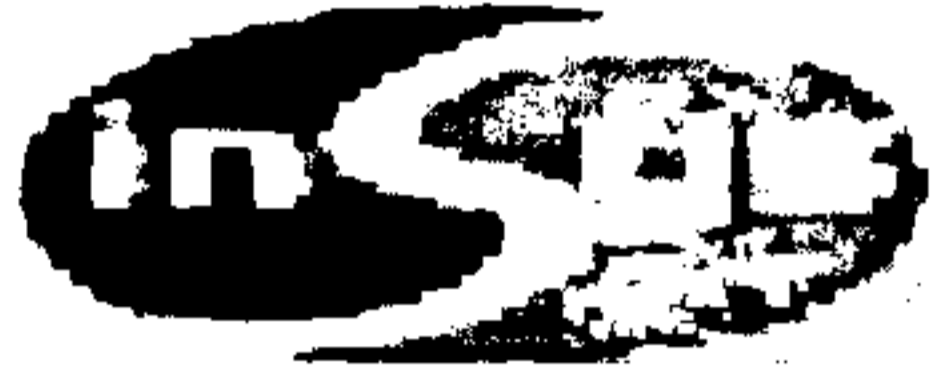
<sup>38</sup> Telegraph online, 'Lord Weinstock', 24<sup>th</sup> July 2002 <<http://www.telegraph.co.uk/news/main.jhtml?xml=%2Fnews%2F2002%2F07%2F24%2Fdb2401.xml>> Last accessed 23<sup>rd</sup> December 2003

<sup>39</sup> E-mail, Marconi Plc, to author, 2<sup>nd</sup> January 2003





Smiths Group Plc is an engineering firm involved in four sectors, one of which is aerospace. Military related sales mainly relate to the Aerospace division that supplies large prime contractors with parts, an activity that contributes 31% of company turnover.<sup>40</sup> These supplies include the propellers on the C130-J Hercules Transport, electrical systems of the Apache helicopter, a range of systems in the F-35 Joint Strike Fighter, the GKN Westland Super Lynx, the SAAB JAS 39 Gripen, BAE Systems Hawks, the Eurofighter and many other military helicopters, combat and transport planes.<sup>41</sup> Smiths also provide components and systems on all major military turbine engines. Major customers include BAE Systems, Rolls-Royce, Lockheed Martin, Boeing and Raytheon. Smiths merged with the TI Group in 2000.<sup>42</sup> The TI Group owned Matrix Churchill until 1997, the company which became famous in the arms to Iraq scandal.



Insys Ltd. was formed after a management buyout of Hunting Engineering Ltd. from Hunting Plc after the latter decided to concentrate on its oil interests.<sup>43</sup> Insys designs and develops weapons systems and installs military communications systems. The company were involved in the development of BL755 anti-armour cluster bombs<sup>44</sup> and also tests mobile rocket launchers along with developing and testing warhead designs. Hunting Engineering were involved in the European consortium making the Multiple Launch Rocket System which propels the AT2 anti-tanks land mine.<sup>45</sup>



Devonport Management both owns and runs Devonport Royal Dockyard in Plymouth The yard services and updates the Navy's submarines and warships. It is the major support contractor to the UK Navy employing 4,800 people. In 1987 Devonport Dockyards began to be run by Devonport Management after the government decided to allow a private management firm to run the yard to improve productivity and make further investment with the hope of reducing the Navy's procurement costs. In 1997, Devonport Management bought the yard.<sup>46</sup> Devonport now refit the new Vanguard Trident-carrying submarines, a contract which came about via a dramatic U-turn by the government which had already authorised that work start on facilities to refit the Vanguard submarines at Rosyth. This followed two years of intense lobbying by Devonport Management after it realised that a reduction in

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<sup>40</sup> Smiths Aerospace, 'Financial Information' <<http://www.smiths-aerospace.com/about/financial/>> Last accessed 29<sup>th</sup> April 2004

<sup>41</sup> Smiths Aerospace 'Products' <<http://www.smiths-aerospace.com/Products/>> Last accessed 29<sup>th</sup> April 2004

<sup>42</sup> Smiths Aerospace 'History' <<http://www.smiths-aerospace.com/about/history/>> Last accessed 29<sup>th</sup> April 2004

<sup>43</sup> The Defence Suppliers Directory, 'INSYS' <<http://www.armedforces.co.uk/companies/raq3f70542b5d6fe>> Last accessed 29<sup>th</sup> April 2004

<sup>44</sup> Oxfam, 'Eritrean Refugees live among UK cluster bombs' <[http://www.oxfam.org.uk/what\\_you\\_can\\_do/campaign/conflict/cases/eritrea.html](http://www.oxfam.org.uk/what_you_can_do/campaign/conflict/cases/eritrea.html)> Last accessed 29<sup>th</sup> April 2004

<sup>45</sup> Paul Donovan, 'Making a Killing', *The Guardian*, 7<sup>th</sup> February 2001

<sup>46</sup> DML Devonport, 'About DML' <<http://www.devonport.co.uk/about-toplevel.htm>> Last accessed 29<sup>th</sup> April 2004

the Navy fleet meant that only one of the two existing yards would be required in the future and as such the Vanguard contract was essential.

The company itself is owned by three shareholders - Halliburton KBR (51%), Balfour Beatty (24,5%) and The Weir Group (24.5%).<sup>47</sup> Halliburton is famous for its top level links with US governments. Halliburton was reportedly paid tens of millions of dollars by the Pentagon to build roads and military bases in southern Vietnam from 1962 - 1972. It was also reportedly one of the main companies involved in building the Diego Garcia air base on a forcibly depopulated Indian Ocean island. In the early 1990s, Dick Cheney as US secretary of State for Defence gave Halliburton US army contracts. On leaving the Pentagon he became Halliburton's CEO until he left in 2000 to become the Vice President.<sup>48</sup> Cheney declared in 2001 that he was being paid up to \$1 million per year by Halliburton.

A CorpWatch report claims that more recently Halliburton's subsidiary Brown and Root received \$16 million for the contract they won to build the Guantanamo Bay detention centre for allegedly Taliban prisoners who are kept in conditions almost universally condemned. Brown and Root have been investigated by the Government Accounting Office for huge over billing in military contracts and have been taken to court by the US Justice Department for defrauding the government although this was settled out of court when Brown and Root paid \$2 million. In 2001 the company was awarded a 10 year cost plus contract to provide logistics support to the US military reportedly worth \$830 million. As part of this Brown and Root began setting up tent towns in northern Kuwait complete with Burger King outlets in September 2002. The company was also reportedly engaged in logistics operations in Turkey to supply the troops who were patrolling the northern Iraqi 'no fly zone', a base in Uzbekistan housing troops patrolling Afghanistan as well as in operations in Jordan and in Georgia.<sup>49</sup>

**COBHAM** Engineering and avionics Group Cobham boats total sales of \$832 million (2003), 50% of which were military sales. It supplies key aircraft components to some of the largest procurement projects like the Eurofighter, the Joint Strike Fighter and the BAE Systems Hawk. The group also trains military helicopter pilots.<sup>50</sup>

**VT Group plc** Vosper Thornycroft, now VT Group, whose shipbuilding division is a prime MoD warships contractor, has a turnover of £400-£500 million per annum of which about 30% comprised of mainly military shipbuilding.<sup>51</sup> VT

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<sup>47</sup> DML Devonport, 'Background' <<http://www.devonport.co.uk/about-toplevel.htm>> Last accessed 29<sup>th</sup> April 2004

<sup>48</sup> CorpWatch, 'Halliburton' <<http://www.corpwatch.org/article.php?list=type&type=15>> Last accessed 25<sup>th</sup> May 2004

<sup>49</sup> Pratap Chatterjee, 'Halliburton makes a killing on Iraq war', CorpWatch, 20<sup>th</sup> March 2003 <<http://www.corpwatch.org/issues/PID.jsp?articleid=6008>> Last accessed 29<sup>th</sup> April 2004

<sup>50</sup> Cobham, 'Annual Report 2003' <<http://www.cobham.com/homePage.asp>> Last accessed 29<sup>th</sup> April 2004

used to derive 70% of its turnover from military sales<sup>52</sup> but the new services division that includes school inspectors and careers services, has increased turnover dramatically. Vosper shipbuilding designs and manufactures frigates, patrol vessels, attack craft and minesweepers not only to the UK Navy but to more than 30 Navies throughout the world.<sup>53</sup> Vosper is both working alongside BAE Systems in the design and manufacture of the Type 45 Destroyer and jointly with BAE Systems ship repair firm Fleet Support Limited and MoD training firm Flagship Training.<sup>54</sup> In June 2000, the group took over Bombardier Defence Services, now renamed VT Aerospace, which brought the group a stake in aircraft services.<sup>55</sup>



Alvis PLC makes completed armoured vehicles. 100% of their turnover is made up of these military sales which, in 2002, were worth £225 million. The group employs 2800 people in the UK, Scandinavia and South Africa. During its history, Alvis has exported more than 20,000 vehicles from battle tanks to armoured personnel carriers to more than 60 states.<sup>56</sup> It is now involved in European Consortium building the new Multi Role Armoured Vehicle.<sup>57</sup>

Once owned by United Scientific Holdings the group merged with GKN's armoured car division in 1998 although GKN has now sold its remaining shares in Alvis to BAE Systems. In 2002 Alvis PLC acquired Vickers Defence Systems from Rolls Royce. Vickers, the makers of the Challenger II tank, the Scorpion light tank and the Tactica vehicle was renamed Alvis Vickers Limited.<sup>58</sup>

Alvis' more infamous products include the Saladin and the follow up Saracen vehicles which were reportedly used in the late 1960s Nigerian war. Saladin upgrade kits and Scorpion armoured vehicles were exported from the UK to Indonesia in the mid and late 1990s on the basis that Suharto had assured the UK government that they would not be used in East Timor or for internal repression.<sup>59</sup> Later they were reportedly used to end demonstrations during which students died and were also seen on the streets of East Timor.<sup>60</sup>

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<sup>51</sup> Vosper Thornycroft, 'Annual Report 2002' <<http://www.vosperthornycroft.co.uk/ir/product.asp?ItemID=532&s=&catid=254>> Last accessed 24<sup>th</sup> May 2004

<sup>52</sup> SIPRI, '100 Largest Arms Producing Companies'

<sup>53</sup> VT Group, 'VT Shipbuilding' <<http://www.vosperthornycroft.co.uk/shipbuilding/>> Last accessed 24<sup>th</sup> May 2004

<sup>54</sup> Fleet Support, 'Welcome' <<http://www.fleet-support.co.uk/>>; BAe Systems, 'BAe Systems and VT Group extend shareholding in Flagship' <<http://www.baesystems.com/newsroom/2002/sep/260902news1.htm>> Last accessed 24<sup>th</sup> May 2004

<sup>55</sup> CAAT, 'Vosper Thornycroft 2002' <<http://www.caat.org.uk/campaigns/clean-investment-campaign/vosper-thornycroft-2002.php>> Last accessed 24<sup>th</sup> May 2004

<sup>56</sup> Alvis, 'Alvis Businesses' <<http://www.alvis.plc.uk/stdpage.asp?Pid=201>> Last accessed 29<sup>th</sup> April 2004

<sup>57</sup> CAAT, 'Alvis PLC 2002' <<http://www.caat.org.uk/campaigns/clean-investment-campaign/alvis-2002.php>> Last accessed 24<sup>th</sup> May 2004

<sup>58</sup> Alvis, 'History' <<http://www.alvis.plc.uk/>> Last accessed 24<sup>th</sup> May 2004

<sup>59</sup> Mark Phythian, *The Politics of British Arms Sales*, p 153

<sup>60</sup> David Hencke, 'Fresh row on 'secret' supply to Indonesia', *The Guardian*, 17<sup>th</sup> September 1999



Babcock International Group offers engineering support and facilities management to the civil and military sectors. Based at the Rosyth Dockyard, Babcock repairs and refits ships, services the Hercules fleet at RAF Lyneham, maintains RAF flight simulators and manages facilities like RAF Cranwell. It had an annual turnover of £423 million in 2002. In the past SIPRI has estimated that about 44% of turnover has represented military sales.<sup>61</sup>



Meggitt PLC design and supplies components to the aircraft and military industries worldwide.



Ultra Electronics Holdings PPL is a group of companies designing and manufacturing electronic systems for aerospace and military markets. It supplies prime contractors with products used in military airplanes, armoured vehicles, submarines and ships.<sup>62</sup> It employs 2,300 people and had an annual turnover of \$344 million in 2000. SIPRI found in 2000 that 75% of Ultra's turnover represented military sales.<sup>63</sup>



The Chemring Group is made up of a series of companies which supply the commercial marine sector and military sectors. These companies are involved in air, land and naval defensive countermeasures and protechnic products. The group includes PW Defence. The company, which sells military pyrotechnics, explosive devices and de-mining equipment, was accused in 2002 of continuing to market anti-personnel landmines although the company deny the claim.<sup>64</sup>

## THALES

In addition to UK-based arms-producing companies this thesis refers to a series of non UK-based firms, one of which is Thales. Based in France, Thales is a huge global electronics company operating in aerospace, military and IT in more than 30 countries. Formerly Thomson-CSF, Thales is now the eight largest arms-producing company in the world employing 57,000 people with registered total sales worth 10.6 billion Euros in 2003, 64% of which were military sales.<sup>65</sup>

Between 1999 and 2000 Thales bought Shorts Missile Systems and Racal giving it entry into the UK market.<sup>66</sup> The company now acts as a prime contractor, systems integrator and services provider involved in a series of major MoD projects including the Type 45 Destroyers, the Aster missile, the new Astute class submarine, the Challenger II tank, the MultiRole Armoured Vehicle and

<sup>61</sup> SIPRI, '100 Largest Arms Producing Companies'

<sup>62</sup> Ultra Electronics, 'Ultra at a glance' <[http://www.ultra-electronics.co.uk/about\\_ultra.htm](http://www.ultra-electronics.co.uk/about_ultra.htm)> Last accessed 28<sup>th</sup> April 2004

<sup>63</sup> SIPRI, '100 Largest Arms Producing Companies'

<sup>64</sup> David Pallister and Richard Norton-Taylor, 'Landmine claims dog UK arms firm', *The Guardian*, 14<sup>th</sup> May 2002

<sup>65</sup> Thales, 'Key Figures' <<http://www.thalesgroup.com/ga/profile/figures.htm>> Last accessed 27<sup>th</sup> April 2004

<sup>66</sup> Thales, 'UK profile' <<http://www.thalesgroup.co.uk/>> Last accessed 28<sup>th</sup> April 2004

Hellfire missiles. Thales Electronics is also one of five owners of Camelot, the UK lottery operator. In 2001 Thales along with fellow owners, shared a £70 million dividend pay out (£21.2 in 2000).<sup>67</sup>

LOCKHEED MARTIN



US based giant Lockheed Martin is a systems integrator boasting sales of US\$31.8 billion in 2003, employing 130,000

worldwide.<sup>68</sup> The company was classed at the world's largest arms-producing company in 2000 by SIPRI.<sup>69</sup> It manufactures the F-16 jet, the Hellfire missile, the Patriot missile and the F-117 stealth attack fighters. It has attracted controversy with its contributions to federal candidates and parties as well as allegations of bribery and insider trading.<sup>70</sup>



Alongside commercial aircraft, Boeing is also the Pentagon's second largest military supplier behind Lockheed. The products on offer include Apache helicopters, F18 fighters and F 22 fighters and the Brimstone which Boeing is developing as a major contractor to MBDA.<sup>71</sup> Controversy has surrounded what is reported to be \$1.6 million in major campaign contributions in 2002, the quality of parts sold by the company for the Apaches and the revolving door between it and the US government.<sup>72</sup>

## Raytheon

The fourth largest US based weapons contractor behind Lockheed, Boeing and Northrop, Raytheon is involved in military and commercial electronic systems, space and IT, although military sales reportedly account for 80% of all sales.<sup>73</sup> Makers of the Tomahawk Cruise Missile the company owns Raytheon Systems Limited. Based in the UK, the subsidiary is the prime contractor for ASTOR.<sup>74</sup>



The Italian based Finmeccanica group is principally involved in aeronautics, helicopters, space and defense. The company manufactures combat aircraft and military transport planes, it is involved in the design and manufacture of missile systems and is the world leader in manufacturing rotorcraft helicopters for civilian and military use. The

<sup>67</sup> David Teather, 'Huge Payouts for Camelot Chiefs', *The Guardian*, 27<sup>th</sup> July 2001

<sup>68</sup> Lockheed Martin, 'About Us'

<<http://www.lockheedmartin.com/wms/findPage.do?dsp=fec&ci=4&sc=400>> Last accessed 28<sup>th</sup> April 2004

<sup>69</sup> SIPRI, '100 Largest Arms Producing Companies'

<sup>70</sup> Corporate Watch, 'Lockheed Martin' <<http://www.corpwatch.org/article.php?list=type&type=9>> Last accessed 24<sup>th</sup> May 2004

<sup>71</sup> Boeing, 'Integrated Defence Systems' <<http://www.boeing.com/ids/flash.html>> Last accessed 24<sup>th</sup> May 2004

<sup>72</sup> Corporate Watch, 'Boeing' <<http://www.corpwatch.org/article.php?list=type&type=10>> Last accessed 24<sup>th</sup> May 2004

<sup>73</sup> CAAT, 'Raytheon' <<http://www.caat.org.uk/information/publications/companies/raytheon.php>> Last accessed 24<sup>th</sup> May 2004

<sup>74</sup> Raytheon, 'Products and Services' <<http://www.raytheon.co.uk/about/other.html>> Last accessed 24<sup>th</sup> May 2004; Raytheon Systems Limited, 'About us' <<http://www.raytheon.co.uk/about/other.html>> Last accessed 24<sup>th</sup> May 2004

Italian Ministry of the Economy owns 32.3% of all shares. In 2001 the company's net profit was 188 million euros and consolidated group turnover was 6.8 billion euros of which aerospace and defence contributed 65%. Finmeccanica's major partners include GKN Westland (AgustaWestland), BAE Systems (Alenia Marconi Systems) and BAE Systems/EADS (MBDA).<sup>75</sup>



German based Heckler and Koch manufacture pistols, submachine guns and rifles.<sup>76</sup> In 1991 the company were bought by Royal Ordnance, a subsidiary of BAE Systems. In December 1999, a UK documentary provided evidence of the Turkish company MKEK manufacturing Heckler and Koch MP5 machine guns under a licenced production agreement with BAE Systems and exporting them to Indonesia. 500 MP5 sub-machine guns were reportedly exported to Indonesian police in late August/early September 1999, a time when any UK sourced export would not probably not have secured a licence from the government.<sup>77</sup>

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## THE CARLYLE GROUP

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The Carlyle Group's ownership of US giant United Defence together with other arms-producing companies has effectively meant that the Group is the 11<sup>th</sup> largest military contractor to the US government.

In December 2002 the Carlyle Group fought off competition from 40 other venture capitalist companies to buy a 33.8% share in QinetiQ from the government in a hugely controversial PPP agreement carried out against the advice of the House of Commons Defence Committee. QinetiQ, most of which was formerly known until 2001 as the Defence Evaluation Research Agency (DERA) incorporates most of the MoD's non-nuclear equipment testing and evaluation establishments.<sup>78</sup> The MoD will receive £45 million, even though QinetiQ has been valued at £1 billion in the past and even though QinetiQ has assets valued at £342m net of its liabilities.<sup>79</sup> Further to this, Carlyle were reportedly given up to £100 million worth of warrantees to sweeten the deal.<sup>80</sup> The Defence Committee considered the PPP idea in a 1998 report and concluded "we would regard the risks to DERA's impartiality and critical mass of

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<sup>75</sup> Finmeccanica, 'Corporate info' <<http://www.finmeccanica.it/finmeccanica/default.htm>> Last accessed 23<sup>rd</sup> May 2004

<sup>76</sup> Heckler and Koch, 'The products' <<http://www.heckler-koch.de/html/index.html>> Last accessed 24<sup>th</sup> May 2004

<sup>77</sup> Saferworld, 'Export Control Bill Briefing-December 2001' <<http://www.saferworld.co.uk/export%20control%20peers%20brief.htm>> Last accessed 24<sup>th</sup> May 2004

<sup>78</sup> The Ministry of Defence, 'MoD Selects the Carlyle Group as preferred bidder for QinetiQ partnering arrangement', Press notice, notes to editors, 3<sup>rd</sup> September 2002 <[http://www.mod.uk/dpa/pressoffice/qinetiq\\_partnering\\_arrangement\\_announced.htm](http://www.mod.uk/dpa/pressoffice/qinetiq_partnering_arrangement_announced.htm)> Last accessed 28<sup>th</sup> April 2004

<sup>79</sup> Jamie Doward, 'QinetiQ stake was sold on the cheap' claim MPs', *The Guardian*, 26<sup>th</sup> January 2003

<sup>80</sup> David Hencke, 'Minister accused over £100m sweeteners', *The Guardian*, 7<sup>th</sup> January 2003

even *partial* privatisation, in the shape of Public Private Partnerships, as unacceptable and against the public interest."<sup>81</sup>

Highly controversial and one of the most powerful, well connected and secretive companies in the world, Carlyle buys faltering companies, mostly those involved in government regulated industries, turns them around and resells them for a profit.<sup>82</sup> Carlyle currently manages around \$14 billion of capital in the US. It has reportedly made millions for investment pension funds and a number of high profile multi-million dollar investors including global financier George Soros, the Saudi Royal family and the bin Laden family. Reportedly partners in the group have earned, on average, £25 million in equity.<sup>83</sup>

The group is Chaired by Frank Carlucci, former US secretary of Defence (1987 - 1989), former Deputy Director of the CIA (1978-1980) and former Princeton wrestling partner and reportedly good friend of the current US Defence Secretary, Donald Rumsfeld. Carlucci also sits on the board of United Defence. 'Senior Counsellor' to the group is James Baker. Baker was Chief of Staff at the White House under Reagan (1981 - 1985) and under Bush senior (1992 - 1993). He reportedly helped Bush junior during the Florida votes scandal.<sup>84</sup> George Bush junior was on Carlyle's payroll from 1990 when he was placed on the board of Caterair-one of Carlyle's big early purchases. His father is senior advisor to the Carlyle Asian Partners Fund<sup>85</sup> and gives speeches for the company for which he is reportedly paid at least \$80,000 for each appearance.<sup>86</sup> George Bush senior also visited the Saudi King in March 2000 reportedly, in part, on behalf of the Carlyle group.<sup>87</sup> One of Carlyle's founders and still a Managing Director is David Rubenstein who, at 27, became Deputy Domestic Policy Assistant to the President until 1981.<sup>88</sup> Since 2001 the Chair of Carlyle Europe has been John Major.<sup>89</sup> Another Managing Director is Afsaneh Mashayekhi Beschloss, former Treasurer of the World Bank.<sup>90</sup>

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<sup>81</sup> House of Commons Select Committee on Defence, *Sixth Report: The Defence Evaluation and Research Agency*, 6<sup>th</sup> July 1998, HC 621, summary of recommendations

<<http://www.parliament.the-stationery-office.co.uk/pa/cm199798/cmselect/cmdfence/621/62107.htm>> Last accessed 25<sup>th</sup> May 2004

<sup>82</sup> House of Commons Select Committee on Defence, *Minutes of evidence for Tuesday 21<sup>st</sup> January 2003*, HC 322-i, paragraph 1 <<http://www.parliament.the-stationery-office.co.uk/pa/cm200203/cmselect/cmdfence/322/3012101.htm>> Last accessed 25<sup>th</sup> May 2004

<sup>83</sup> Greg Palast, 'The Best Democracy Money Can Buy' <<http://tompaine.com/feature.cfm/ID/7310>> Last accessed 24<sup>th</sup> May 2004

<sup>84</sup> Robert Scheer, 'Making money the Bush way', *LA Times*, February 19<sup>th</sup> 2003

<sup>85</sup> Bush News, 'Bush watch' <<http://www.bushnews.com/bushmoney.htm>> Last accessed 24<sup>th</sup> May 2004

<sup>86</sup> Oliver Burkeman and Julian Borger, 'The ex-presidents' club', *The Guardian*, 31<sup>st</sup> October 2001

<sup>87</sup> Bush News, 'Bush watch'

<sup>88</sup> The Carlyle Group, 'Team: David Rubenstein' <<http://www.thecarlylegroup.com/eng/team/15-team446.html>> Last accessed 24<sup>th</sup> May 2004

<sup>89</sup> The Carlyle Group, 'Team: John Major' <<http://www.thecarlylegroup.com/eng/team/15-team439.html>> Last accessed 24<sup>th</sup> May 2004

<sup>90</sup> The Carlyle Group, 'Team: Afsaneh Mashayekhi Beschloss' <<http://www.thecarlylegroup.com/eng/team/15-team801.html>> Last accessed 24<sup>th</sup> May 2004

## Appendix Six

### Estimated UK employment dependent on military exports

Year	1980/81	1985/86	1990/91	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
<b>Direct</b>	75,000	60,000	75,000	70,000	90,000	45,000	50,000	35,000	30,000	30,000
<b>Indirect</b>	65,000	50,000	75,000	75,000	85,000	65,000	60,000	40,000	35,000	30,000
<b>Total</b>	<b>140,000</b>	<b>110,000</b>	<b>150,000</b>	<b>145,000</b>	<b>175,000</b>	<b>110,000</b>	<b>110,000</b>	<b>75,000</b>	<b>70,000</b>	<b>65,000</b>

Source: DASA<sup>6</sup>

## Appendix Seven

### Updated export market trends using Neil Cooper's trend indicators

	1990	1995	1999	% Change from 1990-1999
Value of all arms exports calculated by the US State Department's World Military Expenditures and Arms Transfers (WMEAT) in millions of \$ million (1999 prices)	67,163	46,087	51,570	-23%
Value of all UK arms exports calculated by WMEAT in millions of \$ million (1999 prices)	5,568	5,551	5,200	-7%
Value of deliveries of defence exports calculated by DASA in millions £ (2001 prices)	4,467	4,723	4,250	-5%
Arms exports as a % of all UK exports as calculated by WMEAT	2.5%	2.1%	1.9%	-24%
Value of UK defence export orders calculated by DASA in millions £ (2001 prices)	4,735	4,970	5,044	+7%
Number of jobs in the UK dependant on defence exports as estimated by DASA	150,000	145,000	75,000	-50%

Sources: WMEAT<sup>7</sup> and DASA<sup>8</sup>

<sup>6</sup> DASA, *UK Defence Statistics 2003*, table 1.9

<<http://www.dasa.mod.uk/natstats/ukds/2003/chap1frame.html>> Last accessed 27<sup>th</sup> April 2004; *UK Defence Statistics 2002*, table 1.11 <<http://www.dasa.mod.uk/natstats/stats/ukds/2002/ukds.html>> Last accessed 24<sup>th</sup> July 2003; DASA, *UK Defence Statistics 2001*, table 1.11

<<http://www.dasa.mod.uk/natstats/stats/ukds/2001/section1.html>> Last accessed 17<sup>th</sup> August 2003. Totals may not add up because DASA has rounded the figures to the nearest five thousand

<sup>7</sup> US Department of State, *World Military Expenditures and Arms Transfers (WMEAT)*, 1999-2000, table II

<sup>8</sup> DASA, *UK Defence Statistics 2001*, tables 1.13, 1.14; *UK Defence Statistics 2002*, table 1.11



## Appendix Eight

### Summary of studies on the experience of former defence workers post redundancy

Report	Area of study	Findings
<i>Career Change Guidance Service-Evaluation Report</i> , Fife Regional Council, 1993. <sup>9</sup>	344 clients made redundant in the Fife regions from February 1992 - June 1993.	By October 1993, 37.8% were employed 43.9% were unemployed 16.3% were in training 1% were self-employed
<i>Workers' experiences of redundancy: Evidence from Scottish defence-dependent companies</i> , Donnelly and Scolarios, 1995. <sup>10</sup>	Redundant defence workers experiences in the West of Scotland in the early 1990s.	By 1995, 48.3% were employed 29.4% were unemployed 20.6% retired 3.3% were self-employed 2.8% were training
<i>A Survey of Former Swan Hunter Shipyard Workers</i> , Tomaney et. al., 1995. <sup>11</sup>	Redundant workers experiences up to 18 months after redundancy in Tyneside, 1995.	32% were employed 48% were unemployed 15% were registered sick or disabled 4% were training
<i>Defence Industry Redundancies in the South West Region</i> , Hooper et al., 1996. <sup>12</sup>	The effects of 10,000 defence worker redundancies from 1989-1994 in the South West.	50% were re-employed within 12 months (of which 61.5% received a lower salary in their new jobs) 25% were unemployed for 2yrs or more 20% retired or pursued further education
<i>Redundant Defence Workers' Survey</i> , Ian Goudie, 1996. <sup>13</sup>	The experiences of 180 former workers, part of a wider focus on the local economic impact of the loss of 1,950 defence sector jobs in Strathclyde from 1993.	By 1995 half of those made redundant were re-employed but had encountered a shift towards short-term and part-time work and have, on average, suffered a reduced monthly income, from £975 to £850. One third remained unemployed. One fifth retired, most before the statutory requirement and most living on an MoD pension at 36% of take home pay. Multiplier effects meant that the local economy lost over £29 million per year from a reduction of former workers expenditure. Former defence workers have highly desirable and transferable core skills.

<sup>9</sup> Fife Regional Council, *Career Change Guidance Service-Evaluation Report*, 1993, Fife, as referenced by Ian Goudie, *The employment consequences of a ban on arms exports*

<sup>10</sup> Donnelly and Scolarios, 'Workers' experience of redundancy: Evidence from Scottish defence-dependent companies', *Personnel Review*, 27 : 4 (1998), pp. 325-342 as referenced by Ian Goudie, *The employment consequences of a ban on arms exports*

<sup>11</sup> Tomaney, Pike, Hayward, Thomas and Cornford, *A Survey of Former Swan Hunter Shipyard Workers*, University of Newcastle, 1995 as referenced by Goudie, *The employment consequences of a ban on arms exports*

<sup>12</sup> Nick Hooper, Barbara Butler, Keith Hartley, Derek Braddon and Paul Dowell, *Defence Industry Redundancies in the South West Region* (University of York Centre for Defence Economics, 1996)

<sup>13</sup> Ian Goudie, *The Redundant Defence Workers Survey*, 1996, report commissioned by Strathclyde Defence Industries Working Group, Glasgow, <<http://acp.gn.apc.org/acpframe2.html>> Last accessed 17<sup>th</sup> August 2003

Appendix Eight continued

Report	Area of study	Findings
<i>The Subsidy Trap</i> , Ingram and Davies, 2001. <sup>14</sup>	The experience of 400 former defence workers after being made redundant from the Vickers tank factory, Leeds, in 1998.	Vickers, the City Council the Employment Agency and other local training groups worked together within an existing "jobroute project" to offer a range of support to redundant workers. 378 of the 400 workers joined the project. Within 12 months of the project being established, 80% of the 400 redundant workers had achieved a "positive outcome" - they were re-employed, studying or not seeking work.
<i>The Employment Consequences of a Ban on Arms Exports</i> , Ian Goudie, commissioned by CAAT, 2002. <sup>15</sup>	The effects of a total ban on exports on the most affected regions and towns in the UK.	Because the number of export dependant jobs are so small and are mainly situated in areas experiencing labour shortages, the effects on employees would be limited especially if company diversification were encouraged and a multi-agency approach to employee retraining were adopted.

Appendix Nine

Recipient states who have defaulted on arms sales 1990-2000

Year	Defaulting arms sales recipient
1990-1991	Algeria, Argentina, Brazil, Egypt, Jordan, Kenya, Nigeria
1991-1992	Argentina, Brazil, Egypt, Jordan, Kenya
1992-1993	Brazil, Egypt, Jordan, Kenya, Venezuela
1993-1994	Brazil, Egypt, Jordan, Kenya, Venezuela
1994-1995	Algeria, Egypt, Jordan, Kenya, Venezuela
1995-1996	Algeria, Egypt, Jordan, Kenya, Venezuela
1996-1997	Algeria, Egypt, Jordan, Kenya
1997-1998	Algeria, Egypt, Jordan, Kenya
1998-1999	Indonesia, Jordan, Kenya
1999-2000	Indonesia, Zimbabwe

Source: House of Commons<sup>16</sup>

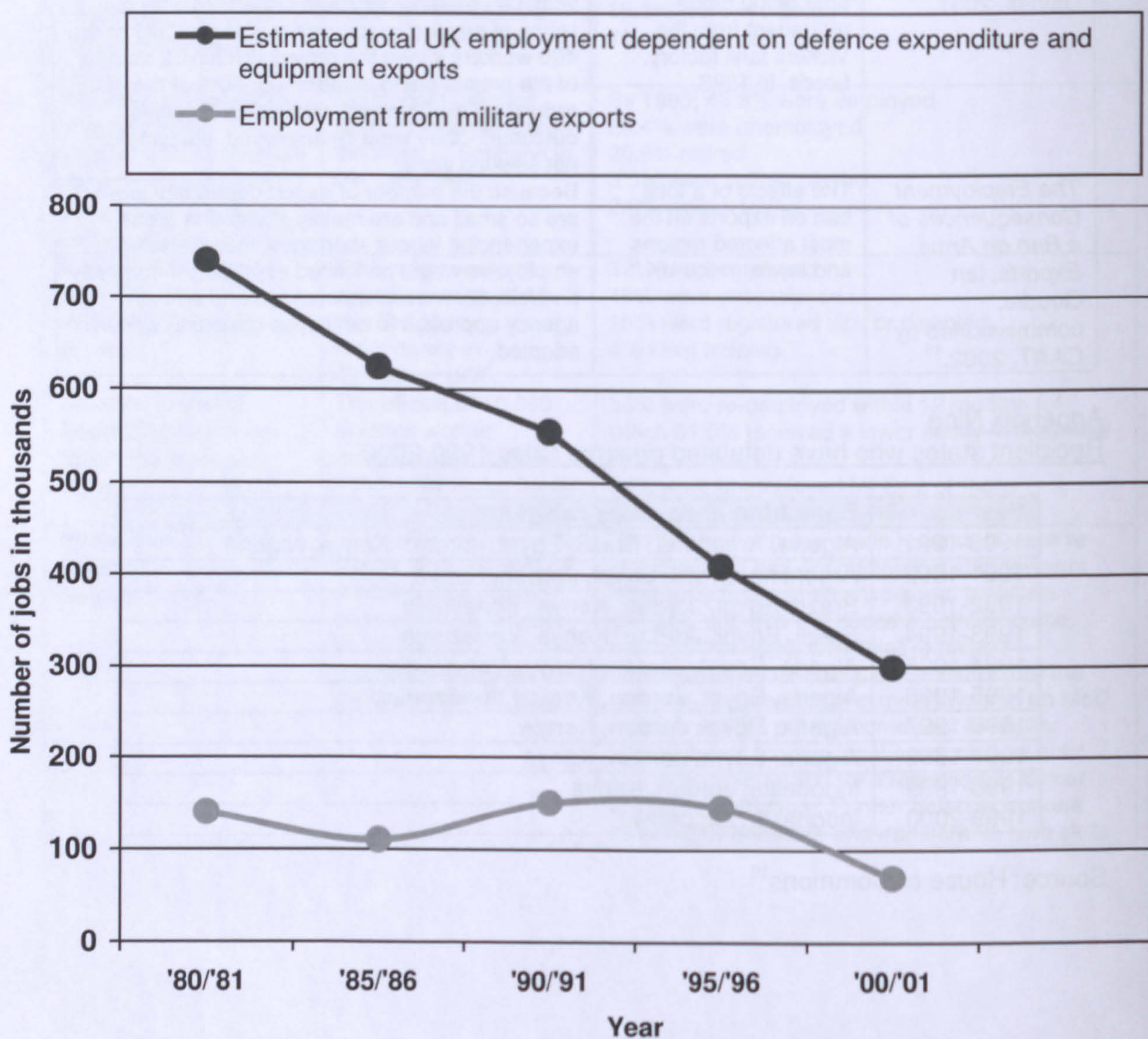
<sup>14</sup> Ingram and Davis, *The Subsidy Trap*, p. 40

<sup>15</sup> Goudie, *The employment consequences of a ban on arms exports*

<sup>16</sup> House of Commons, *Hansard*, 17<sup>th</sup> May 2000, Written Answers, columns 133-134

Appendix Ten

MoD estimated employment dependent on equipment expenditure and military exports



	'80/'81	'85/'86	'90/'91	'95/'96	'00/'01
Estimated total UK employment dependent on defence expenditure and equipment exports	740	625	555	410	300
Employment from military exports	140	110	150	145	70
Employment from military exports as a % of total employment from MoD expenditure & exports	19%	18%	27%	35%	23%

Source: DASA, *UK defence statistics 2001*, table 1.11<sup>17</sup>

<sup>17</sup> All figures exclude MoD service and civilian personnel

### Appendix Eleven

#### Change in Concentration Ratios, SIPRI Top 100 Global Arms-Producing Companies, 1990-1998

	% of all global arms sales made by corresponding groups of companies		
	1990	1995	2000
5 largest arms-producing companies	22	28	42
10 largest arms-producing companies	37	42	58
15 largest arms-producing companies	48	53	66
20 largest arms-producing companies	57	61	72

Source: Information from the Stockholm International Peace Research Institute (SIPRI)<sup>18</sup>

### Appendix Twelve

#### Delays and cost overruns on the largest 25 MoD equipment projects

	1994	1995	1996	1997	1998	1999
<b>Projects which have failed to meet estimated in-service dates</b>	90%+	84%	80%	88%	92%	92%
<b>Average slippage amongst major projects (months)</b>	37	31	40	37	43	47
<b>Number of projects which will be delivered over 5 years late</b>	5	-	7	6	8	-
<b>Cost overruns on major projects excluding Trident and Eurofighter (billions £)</b>	0.7	0.7	1.4	1.6	1.3	1.4
<b>Cost overruns on major projects including Trident forecast reductions and Eurofighter cost increases (billions £)</b>	-1.7 (Trident -£3.5b, Euro fighter +£1.1b)	-1.7 (Trident -£3.6b, Euro fighter +£1.3b)	-0.7 (Trident -£3.4b, Euro fighter +£1.4b)	3+ (Euro fighter +£1.4b)	2.8 (Euro fighter +£1.5b)	2.7 (Euro fighter +£1.4b)
<b>Expected cost of 25 largest projects (billions £)</b>	30	32	33	36	38	38

Sources: National Audit Office, Ministry of Defence: Major Projects Reports<sup>19</sup>

<sup>18</sup> SIPRI, 'Arms Industry Database: Change in Concentration Ratios, SIPRI Top 100 Companies, 1990-1998' <<http://projects.sipri.se/milex/aprod/trendstab5.html>> Last accessed 28<sup>th</sup> July 2003

<sup>19</sup> National Audit Office, *Ministry of Defence: Major Projects Report 1994*, 24<sup>th</sup> May 1995, HC 436, press notice; National Audit Office, *Ministry of Defence: Major Projects Report 1995*, 9<sup>th</sup> August 1996, HC 677, press notice; National Audit Office, *Ministry of Defence: Major Projects Report 1996*, 15<sup>th</sup> August 1997, HC 238, press notice; National Audit Office, *Ministry of Defence: Major Projects Report 1997*, 13<sup>th</sup> May 1998, HC 695, press notice; National Audit Office, *Ministry of Defence: Major Projects Report 1998*, 30<sup>th</sup> June 1999, HC 519, press notice; National Audit Office, *Ministry of Defence: Major Projects Report 1999*, 6<sup>th</sup> July 2000, HC 613, press notice. Figures have been rounded.

### Appendix Thirteen

Top current 20 major procurement projects post "main gate" stage and top 10 pre "main-gate" stage of development as at 31<sup>st</sup> March 2001<sup>20</sup>

Weapon	Contractor	Progress
<b>Air launched anti-armour weapon</b>	<b>MBDA (BAE Systems/EADS/Finmeccanica)</b>	The new £809 million bomb, known as Brimstone, has been delayed by 10 years after project funding was withdrawn in the 1980s. The delay has meant an extra cost of at least £48 million <sup>21</sup> and has left the army relying on the BL755 cluster bomb. This bomb is "only effective against soft-skinned targets", <sup>22</sup> not modern tanks. Only 0.5% of all BL755 bombs were used during the first Gulf War because they had to be dropped from only 500 feet. <sup>23</sup> After being updated and renamed RBL755, they were used in Kosovo but the manufacture estimates that at least 5% of the bomblets dropped will not detonate becoming, in effect, landmines. <sup>24</sup> The current air launched anti-armour weapon project was awarded to then GEC Marconi (now MBDA) in 1996. It was to be in service by September 2001 at a cost of £849 million. By 2002 the project was running at least 13 months late because the MoD requested that the Brimstone in-service date be aligned with the availability of its Tornado platform at an additional cost of £48 million. <sup>25</sup> But during 2003 the project suffered further time and cost slippages so that by 2004 the project was expected to cost £988 million (£139 more than approved) and be delivered by April 2004 (31 months more than approved). <sup>26</sup>
<b>ASRAAM Advanced air-to-air missile</b>	<b>British Aerospace Defence Division (now Matra BAE Dynamics)</b>	ASRAAM began as a collaborative project in 1980. It was a £857 million short-range fire-and-forget missile designed to replace the Sidewinder. Deliveries were to begin in December 1998 but were delayed until at least June 2001 mainly for technical reasons. <sup>27</sup> The RAF continues to use the less able Sidewinder. <sup>28</sup> BAE Systems announced service entry for the missile during 2002 but it is reportedly £250 million over budget and may be scrapped. <sup>29</sup>
<b>ASTOR-Airborne stand-off radar</b>	<b>Raytheon Systems. major sub contractor-Bombardier (now owned by Vosper Thornycroft)</b>	A theatre surveillance system comprising of 5 aircraft and 8 ground stations. The system was estimated to cost £938 million although it will cost at least an extra £75 million more, mainly because of changes in the £-\$ exchange rate. <sup>30</sup>

<sup>20</sup> 'Main gate' refers to projects where "performance, time and cost targets for the demonstration and manufacture phase are set" while "pre-main gate" refers to those projects yet to reach that stage. Major project reports consider the thirty largest projects, 20 post main gate and 10 pre main gate. Those presented are those listed in DASA, *UK Defence Statistics 2001*, table 1.16

<<http://www.dasa.mod.uk/natstats/stats/ukds/2001/section1.html>> Last accessed 17<sup>th</sup> August 2003

<sup>21</sup> House of Commons, Select Committee on Public Accounts, *Fifth Report: Ministry of Defence Major Projects Report 2000*, HC 368, 28<sup>th</sup> November 2001, minutes of evidence, question 2; Ingram and Davis, *The Subsidy Trap*, Appendix 5

<sup>22</sup> House of Commons, Select Committee on Public Accounts, *Fifth Report: Ministry of Defence Major Projects Report 2000*, paragraph 21

<sup>23</sup> House of Commons Select Committee on Public Accounts, *Fifth Report: Ministry of Defence Major Projects Report 2000*, Minutes of evidence, question 54

<sup>24</sup> House of Commons Select Committee on Public Accounts, *Thirty-third Report: Ministry of Defence Major Projects Report 1998*, 16<sup>th</sup> August 2000, HC247, supplementary memorandum submitted by the Ministry of Defence, PAC 00-01/170

<sup>25</sup> National Audit Office, *Ministry of Defence: Major Projects Reports 2002*, 4<sup>th</sup> December 2002, HC 91, p. 6, pp. 44-47

<sup>26</sup> National Audit Office, *Ministry of Defence Major Projects Report 2003*, 23<sup>rd</sup> January 2004, HC 195, p. 32

<sup>27</sup> National Audit Office, *Ministry of Defence: Major Projects Reports 2001*, 23<sup>rd</sup> November 2001, HC 330, pp. 35-40

<sup>28</sup> National Audit Office, *Ministry of Defence Major Projects Report 2000*, 22<sup>nd</sup> November 2000, HC 971, p.

12

<sup>29</sup> Nick Cohen, 'Our sky-high arms fiasco', *The Observer*, 22<sup>nd</sup> September 2002

<sup>30</sup> National Audit Office, *Ministry of Defence: Major Projects Reports 2002*, p. 6, 49

Appendix Thirteen continued

Weapon	Contractor	Progress
ASTUTE class attack submarine	BAE Systems Astute Class Ltd.	Three new nuclear attack submarines were to replace the aging Swiftsure submarines in 2005 at a cost of £2.7 billion. The contract, including both design and production, was accepted on a fixed price basis early on. BAE Systems has renegotiated with the MoD to separate the type of contracting used for design and for production. Design is now contracted on a target cost incentive fee to reward good performance but removing some of the risks to BAE Systems. BAE Systems claims that because of the risks associated with such a highly technical programme, they have borne "significant additional costs" which has caused at least a 43 month delay to the project and a cost overrun of £886 million of which BAE Systems is paying £250 million. <sup>31</sup>
Apache attack helicopter	Prime contractor- Westland Helicopters. Main sub-contractor- Boeing. Main ammunition supplier Hunting (now INSYS)	The MoD is buying 67 Apache helicopters at an estimated cost of £3.17 billion, £171 million more than approved and 13 months late. The delay was mainly caused by the need to meet the MoD's available budget. <sup>32</sup> Supporting the existing Lynx helicopters until the Apaches are in service will cost an extra £2 million. <sup>33</sup> But there have also been technical problems with the helicopter. The Hellfire rocket that the Apache uses causes, according to a leaked MoD report, "damage to the aircraft from motor debris on firing" which means the helicopter cannot fly once it has fired a missile. <sup>34</sup> Also, problems on the Apache pilot training programme have meant that no pilots will be able to fly the MoD's new US-designed Apaches until 2007 instead of 2005. This training contract was given to the private sector. The extra cost to the MoD of storing the helicopters until that time is estimated to be £6 billion. <sup>35</sup>
CASOM stand off missile	MBDA	Otherwise known as Storm Shadow, this is an air-launched missile carried by Harrier GR7, Eurofighter and Tornado GR4 aircraft costing £981 million. The project will cost £47 million less than approved after the MoD decided not to integrate the missile onto Harrier aircraft <sup>36</sup> but will be operational 11 months later than expected because of contractual negotiations, technical problems and to align the missiles' in-service date with the availability of Tornados. <sup>37</sup>
ERO/MCS gun component	Royal Ordnance Defence (BAE Systems)	Costing £188 million, £48 million more than approved, this is an upgrade of the AS90 self-propelled Howitzer gun. The Howitzer suffered from plastic air filters melting in the desert which meant that it could only be used at night. <sup>38</sup> The increased cost of the upgrade has been due to technical problems and additional MoD requirements. The project is also 62 months late because of technical problems, contractual negotiations and changed budgetary priorities at the MoD. <sup>39</sup>

<sup>31</sup> National Audit Office, *Ministry of Defence Major Projects Report 2003*, p. 27-29

<sup>32</sup> National Audit Office, *Ministry of Defence: Major Projects Reports 2002*, p. 6

<sup>33</sup> National Audit Office, *Ministry of Defence: Major Projects Reports 2002*, pp. 7, 69-70

<sup>34</sup> Jonathon Carr-Brown, 'No 10 tells generals how to spin', *The Sunday Times*, 7th April 2002

<sup>35</sup> Mark Oliver, 'MoD disasters: from Apache to Nimrod', *The Guardian*, 31<sup>st</sup> October 2002

<sup>36</sup> National Audit Office, *Ministry of Defence: Major Projects Reports 2002*, p. 6

<sup>37</sup> National Audit Office, *Ministry of Defence: Major Projects Reports 2002*, p. 81

<sup>38</sup> Mark Oliver, 'MoD disasters: from Apache to Nimrod', *The Guardian*, 31<sup>st</sup> October 2002

<sup>39</sup> National Audit Office, *Ministry of Defence: Major Projects Reports 2001*, pp. 74-75

Appendix Thirteen continued

Weapon	Contractor	Progress
Eurofighter / Typhoon	<p><b>Airframe:</b> BAE Systems, EADS, Alenia</p> <p><b>Engine:</b> FIAT, ITP, MTU, Rolls Royce</p>	<p>This is a collaborative project between BAE systems, EADS based in Germany, Alenia Aerosazio based in Italy and EADS based in Spain. BAE Systems are providing the systems integration, airframe manufacture and are heavily contributing to the electronic systems.<sup>40</sup> The MoD has ordered 232 to replace the Tornado F3 and the Jaguar even though the project has been heavily criticised. Alan Clark said the Eurofighter is "essentially flawed and out of date ... we must find a less extravagant way of paying people to make buckets with holes in them".<sup>41</sup> The plane was specifically designed to defend against the Soviet MiG and Sukhoi planes.<sup>42</sup> In 2000-2001, the MoD estimated that the project would cost £18.9 billion<sup>43</sup> but during 2002 the cost of the project increased by a further £1 billion.<sup>44</sup> These increases have arisen mainly because of technical problems.<sup>45</sup> The project is also running nine years late<sup>46</sup> following technical problems, budgetary problems, the changed strategic environment and negotiation delays. The delayed in-service date is costing at least £168 million in supporting the Tornado and Jaguar.<sup>47</sup></p>
Hercules C130J	Lockheed Martin	<p>The introduction of the £1 billion aircraft fleet has been delayed for 23 months due to technical difficulties<sup>48</sup> despite Lockheed-Martin and the RAF categorically assuring the Public Accounts Committee that the in service date timeframe would be met. The Head of procurement admits that Lockheed-Martin is amongst the worst for delays to in-service dates.<sup>49</sup></p>
HVM missile	Shorts Missile Systems (now Thales Air Defence)	<p>The £933 million HVM project, otherwise known as Starstreak, was delayed from December 1990 to September 1997. This left the 1<sup>st</sup> (UK) Armoured Division without a "very short-range Air Defence capability".<sup>50</sup> The project is costing £1 million more than approved.<sup>51</sup> It is currently 81 months late because of technical problems.<sup>52</sup></p>
Landing platform dock-HMS Albion and HMS Bulwark	BAE Systems Marine & Thales Communications	<p>HMS Albion and HMS Bulwark were to replace the aging HMS Fearless and HMS Intrepid at a cost of £786 million but the former is four and a half years late and the later is three years late.<sup>53</sup> The MoD's head of procurement admits that he made "a wrong judgement" in overloading BAE Systems Barrow shipyard with contracts which caused the majority of the delays.<sup>54</sup> It will cost an additional £25 million to run on HMS Fearless.<sup>55</sup></p>

<sup>40</sup> BAE Systems, *Annual Report 2002*, p 7

<sup>41</sup> House of Commons, *Hansard*, 9<sup>th</sup> July 1997, column 855

<sup>42</sup> Tim Webb, *The Armour-Plated Ostrich*, (Kent: Comerford & Miller, 1998) pp. 15-16

<sup>43</sup> DASA, *UK Defence Statistics 2002*, tables 1.16

<sup>44</sup> Richard Norton-Taylor and David Gow, '£3 billion hole in defence budget', *The Guardian*, 23<sup>rd</sup> January 2004

<sup>45</sup> National Audit Office, *Ministry of Defence: Major Projects Reports 2002*, pp. 86-87

<sup>46</sup> Mark Oliver, 'MoD disasters: from Apache to Nimrod', *The Guardian*, 31<sup>st</sup> October 2002

<sup>47</sup> National Audit Office, *Ministry of Defence: Major Projects Reports 2002*, p. 89

<sup>48</sup> National Audit Office, *Ministry of Defence: Major Projects Reports 2001* pp. 80-82

<sup>49</sup> House of Commons Select Committee on Public Accounts, *Fifth Report: Ministry of Defence Major Projects Report 2000*, Minutes of evidence, questions 285-287

<sup>50</sup> National Audit Office, *Ministry of Defence: Major Projects Reports 2002*, p. 109

<sup>51</sup> National Audit Office, *Ministry of Defence: Major Projects Reports 2002*, p. 6

<sup>52</sup> National Audit Office, *Ministry of Defence: Major Projects Reports 2002*, p. 7

<sup>53</sup> Ingram and Davis, *The Subsidy Trap*, Appendix 5

<sup>54</sup> House of Commons Select Committee on Public Accounts, *Fifth Report: Ministry of Defence Major Projects Report 2000*, Minutes of evidence, question 289

<sup>55</sup> National Audit Office, *Ministry of Defence: Major Projects Reports 2002*, p. 94

Appendix Thirteen continued

Weapon	Contractor	Progress
<b>Merlin MK3 support helicopter</b>	<b>GKN Westland</b>	The MoD is buying 22 MK3 (also known as the EH101) helicopters at a cost of £755 million. There has been a two-year delay to the in-service date from June 2000 to June 2002 after technical and resource problems with industry. <sup>56</sup>
<b>Merlin MK1 helicopter</b>	<b>Augusta, GKN Westland, Lockheed Martin</b>	The MK1 will cost £4.18 billion, £970 million above approved costs because of technical problems, including the loss of three prototype helicopters, improved safety features and inflation. The project is running at least 63 months late, again, mainly because of technical problems but also MoD budget restrictions and contracting issues. <sup>57</sup>
<b>Multi-role armoured vehicle</b>	<b>Alvis, Krauss-Maffei Wegmann, Rheinmetall Landsysteme &amp; STORK PWV</b>	This is a £335 million UK/German/Dutch collaborative project. The armoured utility vehicles are expected to enter service in 2008. The Project will cost £110 million less than approved because the MoD has reduced its order. <sup>58</sup> Programme completion will be eight months late following technical problems and management difficulties. <sup>59</sup>
<b>Nimrod MK4 Maritime surveillance and attack aircraft</b>	<b>Prime contractor - BAE Systems Sub contractor - Boeing</b>	The Nimrod MK4 aircraft will replace the Nimrod MR2. Although the contract was placed with BAE Systems in 1996, technical and resource problems led to it being renegotiated in 1999. BAE Systems was suffering from the same contractual problems experienced with the ASTUTE submarines and renegotiated the contract with the MoD in the same way. The £2.8 billion project will now cost at least £3.4 billion <sup>60</sup> even though in 2002 the MoD cut its order from 21 to 18 planes. <sup>61</sup> The project also now 31 months late beyond its in-service date at approval. <sup>62</sup> Reportedly part of the setback has arisen because the wings, made by BAE Systems, were the wrong size. <sup>63</sup> In 2003 Sir Kevin Tebbit, permanent Secretary at the MoD admitted that the department lost up to £1 billion bailing out BAE Systems on the Nimrod contract because of "the damage that this was doing to the company". <sup>64</sup>
<b>Sea-Wolf update</b>	<b>Alenia Marconi Systems</b>	This is an upgrade to the existing sea-wolf system that will cost £284 million. The project was running at least 13 month late because of MoD budgetary constraints. <sup>65</sup>
<b>Spearfish torpedo</b>	<b>GEC Marconi Underwater Systems (now BAE Systems Electronics)</b>	The £1.3 billion Spearfish project provides heavyweight submarine-launched torpedo capability. The project is running £101 million above approved costs because of technical factors and inflation. <sup>66</sup> The project suffered from a 75-month in-service date delay which, according to the MoD, resulted in a "significant and extended capability gap in anti-submarine warfare and anti-surface warfare". The delay was caused by technical problems. It cost an extra £30 million to support the existing Tigerfish torpedo during this time. <sup>67</sup>
<b>Sting Ray torpedo life extension and capability upgrade</b>	<b>GEC-Marconi Underwater Systems Group (now BAE Systems Electronics)</b>	Upgrading the capability and extending the life of Sting Ray torpedo to keep it in service until 2025 will cost at least £189 million. That is £43 million more than was approved because of changes to MoD safety policy, budgetary adjustments and because of an in-service delay. It is 41 months late beyond its in-service date at approval because of lengthy contractual negotiations and because of a lack of MoD resources. <sup>68</sup>

<sup>56</sup> National Audit Office, *Ministry of Defence: Major Projects Reports 2001*, pp. 97-101

<sup>57</sup> National Audit Office, *Ministry of Defence: Major Projects Reports 2001*, pp. 104-107

<sup>58</sup> National Audit Office, *Ministry of Defence: Major Projects Reports 2002*, p. 6

<sup>59</sup> National Audit Office, *Ministry of Defence: Major Projects Reports 2002*, p. 111

<sup>60</sup> Richard Norton-Taylor and David Gow, '£3 billion hole in defence budget', *The Guardian*, 23<sup>rd</sup> January 2004

<sup>61</sup> Oliver Morgan, 'Friendly fire downs BAE', *The Observer*, 15<sup>th</sup> December 2002

<sup>62</sup> National Audit Office, *Ministry of Defence: Major Projects Reports 2002*, p. 7, 120

<sup>63</sup> Nick Mathiason, 'The First Privatised War', *The Guardian*, 2<sup>nd</sup> March 2003

<sup>64</sup> House of Commons Select Committee on Public Accounts, *MoD Major Projects Report 2003*, Corrected Evidence, 23<sup>rd</sup> February 2004, HC 383-i, question 42

<sup>65</sup> National Audit Office, *Ministry of Defence: Major Projects Reports 2001*, pp. 124-125

<sup>66</sup> National Audit Office, *Ministry of Defence: Major Projects Reports 2001*, pp. 129-131

<sup>67</sup> National Audit Office, *Ministry of Defence: Major Projects Reports 2001*, pp. 131-132

<sup>68</sup> National Audit Office, *Ministry of Defence: Major Projects Reports 2002*, p. 134, 135



Appendix Thirteen continued

Weapon	Contractor	Progress
Updates to Swiftsure and Trafalgar submarines	Prime contractor-BAE Systems. Sonar-GEC-Marconi Naval Systems (now Thomson Marconi Sonar Systems)	This project will cost an estimated £687 million, £68 million more than approved because of additional requirements and changes in an associated project. This final phase of the project is running 24 months late because of technical problems and because of a delay to an associated project. <sup>69</sup>
Tornado update	BAE Systems, EADS, Alenia	This is an update of the Tornado aircraft's avionics and armaments. 144 planes will be modified. Cost and in-service date slippage forced the MoD to reduce the programme in the mid 1990s. The project cost is estimated to be £943 million, £330 million more than approved mainly due to technical problems. The project is running 63 months late also due to technical problems but also contractual issues and a revised requirement from the MoD. <sup>70</sup>
BVRAAM missile	MBDA	The missile project, a collaborative £1.4 billion European venture, is designed for the Eurofighter. The project is currently running £40 million under budget <sup>71</sup> but over three years late because of the complexity of the missile and the need to accommodate all participants during the assessment phase. <sup>72</sup>
BOWMAN communications system	(ITT, Siemens Plessay/Racal) Computing Devices Canada Ltd.	The Bowman data and voice communications system was to replace the cumbersome and insecure 1970s Clansman combat radio in 1985. But the MoD varied the amount it was prepared to pay and suffered from specification creep. So when the two competing consortia ITT together with Siemens Plessay / Racal presented their bids they were both rejected. Each bid cost "hundreds of millions of pounds each", half of which was paid by the MoD and half paid by the consortia. <sup>73</sup> In response the consortia merged on this project in 1996 to form the Archer company but the MoD rejected new bid in July 2000 and reopened the competition. Computing Devices Canada won. The assessment phase has cost £397 million, £267 million more than approved. <sup>74</sup> Operational impacts have been severe. In Kosovo UK army commanders complained that all their personal communications could be listened to by the Serbs. Nicknames had to be used by soldiers. <sup>75</sup> In the huge 2001 Saif Sareea II exercise in Oman, the Clansman radio system failed in the heat and dust of the desert. Because there is no coverage for mobile phones in the Oman desert, as there was in Kosovo, tank squadrons were forced to disembark their tanks to consult, in person, with those from other tanks. <sup>76</sup>
Future aircraft carrier	BAE Systems Thales	The two new carriers will replace the three invincible class carriers. Each will carry up to 50 aircraft including the future carrier borne aircraft. The carriers will enter service between 2012 and 2015. BAE Systems won the lead role in January 2003. In July 2003, BAE Systems informed the MoD that the two new aircraft carriers it was building, which were to cost £2.8 billion in January 2003, would now cost up to £4 billion. The MoD may have to design smaller ships carrying as few as 20 aircraft instead of 48 as no further money is forthcoming. <sup>77</sup>

<sup>69</sup> National Audit Office, *Ministry of Defence: Major Projects Reports 2001*, pp. 142-143

<sup>70</sup> National Audit Office, *Ministry of Defence: Major Projects Reports 2001*, pp. 147-150

<sup>71</sup> National Audit Office, *Ministry of Defence: Major Projects Reports 2002*, p. 7

<sup>72</sup> National Audit Office, *Ministry of Defence: Major Projects Reports 2000*, p.161; National Audit Office, *Ministry of Defence: Major Projects Reports 2002*, p. 77

<sup>73</sup> Interview, former Bowman project officer, with author, April 2002

<sup>74</sup> National Audit Office, *Ministry of Defence: Major Projects Reports 2002*, p. 158

<sup>75</sup> Richard Norton-Taylor and David Gow, 'Culture of Failure', *The Guardian*, 12<sup>th</sup> January 2000

<sup>76</sup> National Audit Office, *Ministry of Defence: Exercise Saif Sareea II*, 1<sup>st</sup> August 2002, HC 1097, p. 20

<[http://www.nao.gov.uk/publications/nao\\_reports/01-02/01021097.pdf](http://www.nao.gov.uk/publications/nao_reports/01-02/01021097.pdf)> Last accessed 5<sup>th</sup> August 2003

<sup>77</sup> Unnamed, 'BAE 'budget warning' over new aircraft carriers', *The Guardian*, 14<sup>th</sup> July 2003

Appendix Thirteen continued

Weapon	Contractor	Progress
<b>Eurofighter training aid</b>	<b>Eurofighter GmbH</b>	This is a ground-based aircrew training facility for the Eurofighter fleet. The project is forecast to cost £4 million less than approved and be in-service three months earlier than expected because the risk assessment has been recalculated. <sup>78</sup> There was a delay of 58 months during the assessment phase as the MoD explored the idea of using a Private Finance Initiative instead of a collaborative approach.
<b>Future joint combat aircraft</b>	<b>Lockheed Martin</b>	This aircraft will replace the Sea Harrier and Harrier GR7. The UK has contributed \$200 million to the Joint Strike Fighter project as a collaborative partner. The current in-service date is 2012. <sup>79</sup>
<b>Future transport aircraft</b>	<b>Airbus Military Company</b>	The MoD are buying 25 A400M aircraft to replace the remaining Hercules C130K from a European consortium (Germany, France, Turkey, Spain, Portugal, Belgium, Luxembourg, and the UK). The project is running at least 6 months later than the initial in-service date because of changed budgetary procedures. <sup>80</sup> It will cost the MoD £33 million to keep the Hercules aircraft in-service for those 6 months. <sup>81</sup>
<b>Lightweight artillery weapon system</b>	<b>BAE Systems</b>	The project involves towed 155mm guns and lightweight rocket launchers. The part of the project developing 155mm guns was reviewed in February 2002 because of changed MoD priorities and lack of resources and it was decided to defer the programme for three years. The rockets launchers are still at a concept stage. <sup>82</sup>
<b>SKYNET 5</b>	<b>Matra Marconi Space (now Astrium) &amp; Lockheed</b>	This satellite communications system will meet its in-service date in February 2005 instead of May 2003 as first thought. <sup>83</sup>
<b>TRACER</b>	<b>Not applicable</b>	The US and UK have jointly decided to end the Tactical reconnaissance armoured combat equipment requirement programme in October 2001 because of the potential cost. The project's assessment phase cost £131 million. <sup>84</sup>
<b>Type 45 destroyer</b>	<b>Prime contractor- BAE Systems Electronics. Sub-contractors - BAE Systems Marine &amp; Vosper Thornycroft</b>	Six Type 45 destroyers were to have entered service to replace the Type 42s in 2002 but have been delayed until at least November 2007. It will cost an extra £565 million to support their predecessors until they are ready. <sup>85</sup> This predecessor, the Type 42, relies on the Sea Dart missile. Although operating in conjunction with other systems, this only has "limited effectiveness against modern sea-skimming missiles". <sup>86</sup> The Sea Dart missile upgrade is running eight years late partly because it cannot distinguish a target against the sun. <sup>87</sup>

<sup>78</sup> National Audit Office, *Ministry of Defence: Major Projects Reports 2002*, p. 94

<sup>79</sup> National Audit Office, *Ministry of Defence: Major Projects Reports 2002*, pp. 169-170

<sup>80</sup> National Audit Office, *Ministry of Defence: Major Projects Reports 2002*, p. 36

<sup>81</sup> National Audit Office, *Ministry of Defence: Major Projects Reports 2002*, p. 39

<sup>82</sup> National Audit Office, *Ministry of Defence: Major Projects Reports 2002*, pp. 171-172

<sup>83</sup> National Audit Office, *Ministry of Defence: Major Projects Reports 2002*, p. 174

<sup>84</sup> National Audit Office, *Ministry of Defence: Major Projects Reports 2002*, p. 178

<sup>85</sup> Ingram and Davis, *The Subsidy Trap*, Appendix 5; House of Commons Select Committee on Public Accounts, *Fifth Report: Ministry of Defence Major Projects Report 2000*, Minutes of Evidence, question 41 and 42

<sup>86</sup> House of Commons Select Committee on Public Accounts, *Fifth Report: Ministry of Defence Major Projects Report 2000*, paragraph 5 vi

<sup>87</sup> House of Commons Select Committee on Public Accounts, *Fifth Report: Ministry of Defence Major Projects Report 2000*, paragraph 5 vii

Appendix Fourteen

The 15 Leading recipients of UK arms sales in terms of cumulative value between 1997-1999 and human rights indicators<sup>88</sup>

Recipient	Arms transferred (m. of US \$) & UK ranking as supplier	Suffrage	Political Parties	Summary of human rights situation from Amnesty International and the FCO
Saudi Arabia	9700 (2nd)	None	None	<p><b>Amnesty 1999</b> - Scores of people were arrested as suspected political or religious opponents of the government... The cruel judicial punishments of amputation and flogging continued to be imposed. An unknown number of people were sentenced to death and at least 29 people were executed after trials which fell far short of international standards.</p> <p><b>Amnesty 2003</b> - Gross human rights violations continued and were exacerbated by the government policy of "combating terrorism"... Women continued to suffer severe discrimination. Torture and ill-treatment remained rife. At least 48 people were executed... the government failed to respond to any of the concerns raised by AI.</p> <p><b>The Foreign Office 2003</b> - The UK Government has a number of concerns about human rights in Saudi Arabia. These include the implementation of basic international human rights norms; aspects of the judicial system; corporal and capital punishment; torture; discrimination against women and non-Muslims; and restrictions on freedom of movement, expression, assembly and worship.</p>
US	1500 (2nd)	18 years +	Yes	<p><b>Amnesty 1999</b> - Sixty-eight prisoners, including three juvenile offenders, were executed... More than 3,500 people remained on death row. There were continuing reports of torture and ill-treatment by police and prison officers.</p> <p><b>Amnesty 2003</b> - More than 600 foreign nationals - most arrested during the military conflict in Afghanistan - were detained without charge or trial or access to counsel or family members in the US naval base in Guantánamo Bay, Cuba... There were concerns about the situation of others taken into US custody outside the USA, some of whom were held in undisclosed locations... Death sentences continued to be imposed and carried out... There were reports of police brutality, deaths in custody and ill-treatment in prisons and jails.</p>
Indonesia	1000 (1st)	17 years +	Yes	<p><b>Amnesty 1999</b> - Although political reforms began, serious human rights violations continued. At least 358 prisoners of conscience were detained. Torture and "disappearances" continued. Dozens of people were killed by the security forces in suspicious circumstances.</p> <p><b>Amnesty 2003</b> - In Aceh and Papua provinces... the human rights situation remained grave, with hundreds of reported cases of extrajudicial execution, "disappearance", torture and unlawful arrest... Human rights defenders suffered human rights violations, including extrajudicial execution, torture and unlawful arrest.</p> <p><b>The Foreign Office-</b> Serious sporadic human rights violations still occur</p>

<sup>88</sup> A similar but less extensive table has been compiled by Mark Phythian, *The Politics of British Arms Sales Since 1964*, pp. 38-39

Appendix Fourteen continued

Recipient	Arms transferred (m. of US \$) & UK ranking as supplier	Suffrage	Political Parties	Summary of human rights situation from Amnesty International and the FCO
Qatar	750 (2nd)	Limited	No	<p><b>Amnesty 1999</b> - Up to a dozen political opponents of the government were detained. Three political trials took place which may not have met international standards of fairness. Allegations of torture were made.</p> <p><b>Amnesty 2003</b> - Past patterns of human rights violations remained unchanged and were sustained by global and regional security policies in the wake of the 11 September 2001 attacks in the USA... Allegations of ill-treatment were reported and new information on past torture came to light.</p>
Malaysia	675 (1st)	21 years +	Yes	<p><b>Amnesty 1999</b> - Hundreds of non-violent demonstrators were arrested... Detainees were at times ill-treated or degraded ... Caning was inflicted for a range of crimes. At least six people were sentenced to death.</p> <p><b>Amnesty 2003</b> - Throughout 2002 the authorities used an array of restrictive laws... to deny or place unjustified restrictions on fundamental human rights ... Opposition leaders were subject to politically motivated arrest and prosecutions... Peaceful demonstrations and meetings were broken up or prevented by the police... Hundreds of people were sentenced to be caned... seven people were sentenced to death.</p>
Kuwait	600 (2nd)	10% population eligible	None	<p><b>Amnesty 1999</b> - Scores of political prisoners, including prisoners of conscience, remained in prison... At least three people were sentenced to death and six others were executed.</p> <p><b>Amnesty 2003</b> - The effects of the attacks on 11 September 2001 in the USA continued to be felt in Kuwait. Dozens of men were detained on suspicion of involvement in "terrorist" activities. More than 30 political prisoners, including prisoners of conscience, continued to be held... Four men were executed during 2002 and at least four others were sentenced to death. There were reports of torture, none of which appeared to have been independently investigated.</p>
Brazil	230 (2nd)	16 years +	Yes	<p><b>Amnesty 1999</b> - Torture and ill-treatment by police were reported to be widespread... Hundreds of people were killed by police and death squads linked to the security forces... Human rights defenders were threatened, harassed and attacked. Most of those responsible for human rights violations continued to benefit from impunity.</p> <p><b>Amnesty 2003</b> - Thousands of people were killed in confrontations with the police, often in situations described by the authorities as "resistance followed by death". Police were responsible for numerous killings in circumstances suggesting extrajudicial executions. Torture and ill-treatment continued to be widespread and systematic in police stations, prisons and juvenile detention centers. In some cases police reportedly used torture as a method of extortion ... Human rights defenders continued to be intimidated, threatened, attacked and even killed... Land and environmental activists, as well as indigenous peoples fighting for land rights were also threatened, attacked and killed by police or those acting with the acquiescence of the authorities.</p>

Appendix Fourteen continued

Recipient	Arms transferred (m. of US \$) & UK ranking as supplier	Suffrage	Political Parties	Summary of human rights situation from Amnesty International and the FCO
Italy	220 (2nd)	18 years +	Yes	<p><b>Amnesty 1999</b> - Several people were prosecuted for peacefully exercising their right to freedom of expression. Further cases of alleged torture and ill-treatment of Somalis by members of the Italian armed forces in Somalia in 1993 emerged... Three political prisoners continued to serve prison sentences imposed in 1997 after possibly unfair trials.</p> <p><b>Amnesty 2003</b> - Reports of excessive use of force and ill-treatment, sometimes amounting to torture, by law enforcement and prison officers persisted, together with reports of detainee and prisoner deaths in disputed circumstances.</p> <p><b>Amnesty 1999</b> - There were further allegations of ill-treatment of detainees, many of whom were asylum-seekers, by police officers.</p> <p><b>Amnesty 2003</b> - There were allegations that police officers had ill-treated and used excessive force against detainees; one man allegedly died as a result.</p>
Germany	180 (2nd)	18 years +	Yes	<p><b>Amnesty 1999</b> - Five possible prisoners of conscience were released after approximately eight months in detention, during which they were allegedly tortured or ill-treated. At least six people were executed and another was reportedly sentenced to death.</p> <p><b>Amnesty 2002</b> - At least 15 men were executed. At least two others were sentenced to death.</p> <p><b>Foreign Office</b>- Oman's human rights record is good, and suffrage was recently extended to all Omanis over the age of 21. However, the instruments of Omani Government are not representative, and the Sultan still has absolute governance over all defence and foreign affairs.</p>
Oman	170 (1st)	None	None	<p><b>Amnesty 1999</b> - Over 150 political prisoners, including prisoners of conscience, were released in amnesties, but hundreds of others remained in prison. Almost 400 people were arrested under the National Security Law and hundreds of trade unionists were detained or had warrants issued against them... There were reports of police ill-treatment and of prison conditions that did not conform to international standards. At least 37 people remained under sentence of death at the end of the year.</p> <p><b>Amnesty 2003</b> - Detentions under the National Security Law (NSL) continued. At least 52 prisoners were believed to be under sentence of death... Harassment and arrests of trade union leaders continued... Some 1,600 conscientious objectors were in prison, most of them Jehovah's Witnesses.</p> <p><b>Foreign Office</b>- There continue to be improvements, not least under the leadership of President Kim Dae-jung, who was awarded a Nobel Peace Prize in 2000 for his work to promote democracy and human rights in East Asia.</p>
South Korea	120 (5th)	20 years +	Yes	

Appendix Fourteen continued

Recipient	Arms transferred (m. of US \$) & UK ranking as supplier	Suffrage	Political Parties	Summary of human rights situation from Amnesty International and the FCO
Turkey	90 (5th)	18 years +	Yes	<p><b>Amnesty 1999</b> - Hundreds of people were detained because of their non-violent political activities... Torture was commonplace... There were at least 10 reported deaths in custody apparently as a result of torture. Five people reportedly "disappeared" and at least 15 people were killed in circumstances suggesting that they had been extrajudicially executed.</p> <p><b>Amnesty 2003</b> - Legal reforms led to the abolition of the death penalty for crimes committed in peacetime... However, many prisoners of conscience continued to face trial or imprisonment... Torture in police custody remained widespread and was practised systematically in the Anti-Terror branches of police stations in the southeast. The perpetrators were rarely brought to justice. Dozens of killings by security officers were reported; some may have been extrajudicial executions.</p> <p><b>Foreign Office-</b> There are still reports that torture remains a serious problem... the continuing conflict between the Turkish authorities and the PKK (Kurdistan Workers' Party) has led to serious human rights violations on both sides</p>
South Africa	80 (1st)	18 years +	Yes	<p><b>Amnesty 1999</b> - There were frequent reports of deaths in custody, some of which resulted from torture or ill-treatment of detainees and prisoners by police, the military or prison warders. A number of people shot dead by police may have been extrajudicially executed, and some political killings were carried out apparently with the complicity of security forces.</p> <p><b>Amnesty 2003</b> - Deaths in custody in suspicious circumstances, torture and excessive use of force by the police continued to be reported. Levels of reported rape of women and girls remained high; few of those responsible were brought to justice.</p>
China	70 (4th)	18 years +	No	<p><b>Amnesty 1999</b> - Hundreds, possibly thousands, of activists and suspected opponents of the government were detained during the year. Thousands of political prisoners jailed in previous years remained imprisoned... Torture and ill-treatment remained endemic, in some cases resulting in death. The death penalty continued to be used extensively.</p> <p><b>Amnesty 2003</b> - Serious human rights violations continued and in some respects the situation deteriorated. Tens of thousands of people continued to be arbitrarily detained or imprisoned for peacefully exercising their rights to freedom of expression, association or belief. The "strike hard" campaign... led to at least 1,921 death sentences, many imposed after unfair trials, and 1,060 executions. Torture and ill-treatment remained widespread and appeared to increase as a result of the campaign.</p> <p><b>Foreign Office-</b> We have concerns about a wide range of human rights issues in China including freedom of religious belief; the extensive use of the death penalty; the use of torture; arbitrary detention, including the practice of reeducation through labour; freedom of expression; freedom of association.</p>
Philippines	50 (2nd)	18 years +	Yes	<p><b>Amnesty 1999</b> - At least 145 political prisoners, including possible prisoners of conscience, remained in detention. Detainees continued to be tortured and ill-treated during interrogation... More than 400 people were sentenced to death.</p> <p><b>Amnesty 2003</b> - Serious human rights abuses, including unlawful killings, committed by government forces and opposition armed groups continued... Harassment, killings or "disappearances" of opposition politicians, activists and journalists were also reported. Reports of torture and ill-treatment of criminal suspects by police, including rape and sexual assault of female prisoners and mistreatment of children, highlighted deficiencies in the administration of justice.</p>

Sources: WMEAT (cols. 1-2), CIA (cols. 3-4), Amnesty International and FCO (Col. 5).<sup>89</sup>

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<sup>89</sup> US Department of State, *World Military Expenditures and Arms Transfers*, 1999-2000, table III; CIA, *The CIA World Factbook 2001* <<http://www.cia.gov/cia/publications/factbook>> Last accessed 7<sup>th</sup> August 2003; Amnesty International Annual Report 2003 <<http://web.amnesty.org/report2003/index-eng>> Oman entry from Amnesty International Annual Report 2002 <<http://web.amnesty.org/web/ar2002.nsf/home/home>> Last accessed 7<sup>th</sup> August 2003; FCO and DFID, *Annual Human Rights Reports and FCO Country Profiles* FCO <[www.fco.gov.uk](http://www.fco.gov.uk)> Last accessed 23<sup>rd</sup> April 2004

## Appendix Fifteen

### Values of UK standard licences approved from 1999-2001 to states classified as medium and low on the UN's Human Development Index

#### *Values of licences approved to states classified as medium on the UN's Human Development Index*

UN Development Ranking (total 173)	State	Value of SIELs approved (GBP millions)				Total debt service as % GDP	Examples of sales ordered from 1997 onwards
		2002	2001	2000	1999		
54	Mexico	1	1.5	1.0	0.5	10.1	
55	Cuba	<0.25		<0.25	<0.25		
56	Belarus	<0.25				0.8	
57	Panama	<0.25		<0.25	<0.25	9.4	
58	Belize		<0.25		<0.25	8.1	
59	Malaysia	67.5	23.0	138.5	495.5	6.7	In '01, the gov. of Malaysia ordered and estimated 48 Sea Skua anti-ship missiles for 6 Lynx helicopters. An estimated 48 were delivered in '02.
60	Russia	35	17.0	23.0	12.5	4.6	
61	Dominica					3.8	
62	Bulgaria	1.5	0.5	1.5	<0.25	9.9	
63	Romania	3.5	10.5			6.4	
64	Libya	<0.25	2.0	0.5	6.5	n/a	
65	Macedonia		1.0	<0.25	2.0	4.5	
66	St. Lucia		<0.25			5.7	
67	Mauritius	1.5	<0.25	<0.25	<0.25	12.6	
68	Columbia	<0.25	<0.25	2.0	<0.25	6.4	
69	Venezuela	1.5	2.5	13.0	3.5	4.9	
70	Thailand	7.5	27.0	3.5	27.0	11.5	In 1997, the Thai government ordered 3 Khamronsin Class OPV's. They received 2 in 2000.
71	Saudi Arabia	29	20.5	13.0	8.0	n/a	In 1998, the Saudi government received an estimated 10 Battelfield radars from the UK and 25 in 2000.
72	Fiji	<0.25		<0.25		2	



## Appendix fifteen continued

UN Development Ranking (total 173)	State	Value of SIELs approved (GBP millions)				Total debt service as % GDP	Examples of sales ordered from 1997 onwards
		2002	2001	2000	1999		
73	Brazil	11.5	73.0	22.5	82.0	10.5	In 2000, the Brazilian gov. ordered an estimated 12 L-118 105 mm towed guns. They were delivered in '01.
74	Suriname						
75	Lebanon	1	<0.25	2.0	0.5	11	
76	Armenia			<0.25	0.5	2.2	
78	Oman	304	121.0	96.5	65.0	7.7	In 1997, the Oman government ordered 20 Challenger-2 battle tanks in a deal worth \$172 million. They were delivered in 2000. In 2000, 80 Piranah APCs were ordered. They were delivered in 2000 and 2001.
79	Kazakhstan	4.5	3.0	6.0	17.5	10.1	
80	Ukraine	1.5	1.0	10.0		11.5	
81	Georgia	<0.25	<0.25	<0.25	<0.25	3.9	
82	Peru	<0.25		2.5	0.5	8.1	
83	Grenada		<0.25	<0.25		2.9	
84	Maldives	<0.25	<0.25	<0.25	<0.25	3.6	
85	Turkey	27.5	179.0	34.0	188.0	10.6	In 1999, the Turkish gov. ordered 840 Rapier MK-2 SAMs in a deal worth \$130-150 m. Reportedly 50 were delivered in 2002 and the rest will be delivered over the next 8 yrs.
86	Jamaica	<0.25	1.0	<0.25	0.5	8.7	
87	Turkmenistan	<0.25				10.9	
88	Azerbaijan	<0.25	<0.25	<0.25	<0.25	3.4	
89	Sri Lanka	1.5	15.5	8.0	1.5	4.5	In '98, Sri Lanka ordered an estimated 2 C-130K Hercules Transport aircraft. 2 were delivered in '00
90	Paraguay		<0.25	<0.25		4.4	
91	St. Vincent	<0.25				4.6	
92	Albania	<0.25				0.7	
93	Ecuador	0.5	<0.25	<0.25	0.5	9.4	

Appendix fifteen continued

UN Development Ranking (total 173)	State	Value of SIELs approved (GBP millions)				Total debt service as % GDP	Examples of sales ordered from 1997 onwards
		2002	2001	2000	1999		
94	Dominican Republic			<0.25	<0.25	2.6	
95	Uzbekistan			1.5	2.0	11.7	
96	China	50	32.0	51.5	42.0	2	
97	Tunisia	1	1.5	<0.25	1.0	9.8	
98	Iran	11	19.5	12.0	39.0	3.3	
99	Jordan	17.5	55.5	12.0	3.5	8	In 1999, the Jordan government ordered an estimated 288 ex-UK army Challenger battle tanks from the UK. They were delivered over the following two years. In 2000, 4 Aigis APCs were ordered and delivered between 2000 and 2001.
100	Cape Verde					2.9	
101	Somalia					3.6	
103	Guyana	<0.25	2.0	<0.25		16.2	In 2000, the government ordered an ex-UK river class minesweeper. It was delivered in 2001.
104	El Salvador	<0.25	0.5	<0.25	<0.25	2.8	
105	Moldova	<0.25				10.5	
106	Algeria	10.5	5.0	2.0	5.5	8.4	
107	South Africa	45.5	29.0	63.5	11.0	3.1	
108	Syria	<0.25	0.5	<0.25	1.0	2	
109	Vietnam	2	<0.25	<0.25	0.5	4.2	

## Appendix fifteen continued

UN Development Ranking (total 173)	State	Value of SIELs approved (GBP millions)				Total debt service as % GDP	Examples of sales ordered from 1997 onwards
		2002	2001	2000	1999		
110	Indonesia	41	15.5	2.0	2.0	12.2	In '97, the Indonesian gov. ordered an estimated 45 Scorpion-90 Light tanks in a deal worth \$134 million. 30 were delivered in '98 and 15 in '99. Also in '97, an estimated 14 Tactica APC with water canons for police were ordered. 12 were delivered in '97 and 2 in '98 although more than 100 could have been delivered.
111	Equatorial Guinea	1	1.0			0.4	
112	Tajikistan		<0.25	<0.25		8.8	
113	Mongolia		<0.25	<0.25		3	
114	Bolivia		11.5	<0.25		8	
115	Egypt	27.5	7.5	36.5	14.0	1.8	
116	Honduras	<0.25	<0.25		<0.25	9.7	
117	Gabon	0.5	3.5	1.5	<0.25	9.5	
118	Nicaragua					12.5	
119	Sao Tome					9.5	
120	Guatemala		<0.25			2.3	
121	Soloman Islands					3.3	
122	Namibia	<0.25	<0.25	1.0	<0.25		
123	Morocco	20.5	1.5	2.5	3.5	10	
124	India	118	62.5	64.5	57.5	2.2	In 1997, the Indian government ordered 2 Harrier T-4 trainer aircraft. 1 was delivered in 2002.
125	Swaziland			<0.25	<0.25	2.2	
126	Botswana	1	4.5	2.0	3.5	1.3	In '97, the Botswana gov. ordered an estimated 18 ex-UK army L-118 105mm towed guns. 18 were reportedly delivered in '99.
127	Burma		<0.25	<0.25	<0.25		

## Appendix fifteen continued

UN Development Ranking (total 173)	State	Value of SIELs approved (GBP millions)				Total debt service as % GDP	Examples of sales ordered from 1997 onwards
		2002	2001	2000	1999		
129	Ghana	<0.25	1.0	0.5	4.5	9.1	In 2000, the government of Ghana ordered an estimated 10 Tactica APCs in a deal worth \$9 million. They were all delivered in 2000 and 2001.
130	Cambodia	<0.25	<0.25	<0.25	<0.25	1	
131	Vanuatu					1	
132	Lesotho		<0.25			7.3	
133	Papua New Guinea	<0.25	<0.25	<0.25	<0.25	8	
134	Kenya	1	2.5	1.5	0.5	4.6	
135	Cameroon		<0.25	<0.25		6.3	
136	Republic of Congo			<0.25	1.0	1.3	
137	Comoros					1.3	

*Values of licences approved to states classified as low on the UN's Human Development Index*

UN Development Ranking	State	Value of SIELs approved (GBP millions)				Total debt service % GDP
		2002	2001	2000	1999	
139	Sudan	<0.25	<0.25	<0.25	0.5	0.5
140	Bhutan	<0.25				1.4
141	Togo		<0.25			2.4
142	Nepal	0.5	6.0	1.0	1.0	1.8
143	Lao		<0.25		<0.25	2.5
144	Yemen	<0.25	0.5	<0.25	0.5	2.6
145	Bangladesh	9	1.5	1.0	5.0	1.7
146	Haiti					1
147	Madagascar					2.4
148	Nigeria	7	10.0	4.5	6.0	2.5
149	Djibouti					2.4
150	Uganda	<0.25	<0.25	<0.25	<0.25	2.6
151	Tanzania	<0.25	19.5	<0.25	0.5	2.4
152	Mauritania					10.7
153	Zambia	<0.25	3.5	1.5	0.5	6.4
154	Senegal	<0.25		<0.25	<0.25	5.2
155	DRC	<0.25		<0.25		0.3
156	Cote d'Ivoire					10.9
157	Eritrea	1.5	<0.25	<0.25	<0.25	0.5
158	Benin					3.5
159	Guinea		1.0		<0.25	0.4
160	Gambia	<0.25	<0.25	<0.25	<0.25	4.4
161	Angola	14	8.0	1.0	3.0	13.6
162	Rwanda				<0.25	2
163	Malawi	<0.25	<0.25	<0.25	<0.25	3.5
164	Mali					4.2
165	CAR				<0.25	1.5
166	Chad					1.9
167	Guinea-Bissau					2.9
168	Ethiopia	<0.25	<0.25	<0.25	<0.25	2
169	Burkina Faso					2.5
170	Mozambique	<0.25	<0.25	0.5	<0.25	2.3
171	Burundi		<0.25			3.1
172	Niger					1.6
173	Sierra Leone	<0.25	1.5	6.5	<0.25	6.7

## Notes

**Column A** - UN Development Ranking and classification: This is taken from the 2001 annual Human Development Report, table 1. This report classifies all member states according to a Human Development index which takes into account life expectancy at birth, adult literacy, school enrolment and GDP per Capita.

**Columns C, D and E** - The value of UK government approved SIELs are taken from the annual Strategic Export Control Reports published at [www.fco.gov.uk](http://www.fco.gov.uk). These figures exclude Government to Government transfers of weapons, for example, under the Al Yamamah Saudi deal, but do include the sale of surplus equipment. They are based on HM Customs and Excise figures showing the movement of equipment through ports based on EC Tariff Codes which means dual use goods are also not included. The total values of the SIELs shown here are much lower than the total value of 'defence exports' recorded by DASA. See the introduction for further information on differences between various published data.

**Column F** - These figures are also taken from the 2001 annual Human Development Report, table 16.

**Column H** - This Column shows where details of specific exports have become public and as such, have been entered into the SIPRI database of conventional weapons transfers at [www.first.sipri.org](http://www.first.sipri.org).

## Key

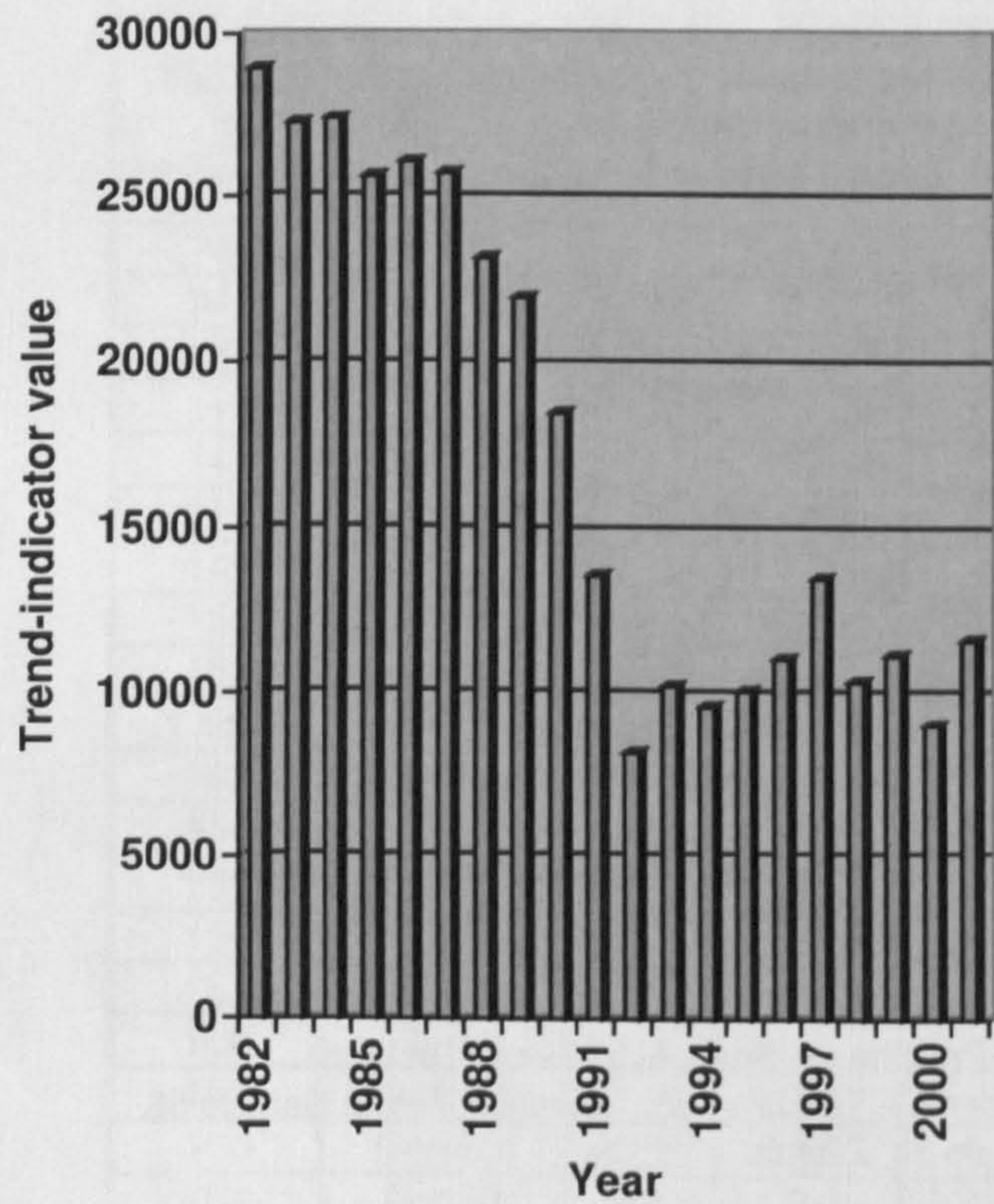
Zambia

All states in red are those that form 63 excluded from receiving British Export Credit from January 2000 onwards. The full list is 1. Afghanistan 2. Albania 3. Angola 4. Bangladesh 5. Benin 6. Bhutan 7. Bolivia 8. Burkina Faso 9. Burundi 10. Cambodia 11. Cameroon 12. Cape Verde 13. Central African Republic 14. Chad 15. Comoros 16. Cote d'Ivoire 17. Democratic Republic of Congo 18. Djibouti 19. Equatorial Guinea 20. Eritrea 21. Ethiopia 22. Ghana 23. Guinea 24. Guinea-Bissau 25. Guyana 26. Haiti 27. Honduras 28. Kenya 29. Kiribati 30. Lao People's Democratic Republic 31. Lesotho 32. Liberia 33. Madagascar 34. Malawi 35. Maldives 36. Mali 37. Mauritania 38. Mongolia 39. Mozambique 40. Myanmar 41. Nepal 42. Nicaragua 43. Niger 44. Republic of Congo 45. Republic of Yemen 46. Rwanda 47. Samoa 48. Sao Tome and Principe 49. Senegal 50. Sierra Leone 51. Solomon Islands 52. Somalia 53. Sri Lanka 54. Sudan 55. Tajikistan 56. Tanzania 57. The Gambia 58. Togo 59. Tonga 60. Uganda 61. Vanuatu 62. Vietnam 63. Zambia

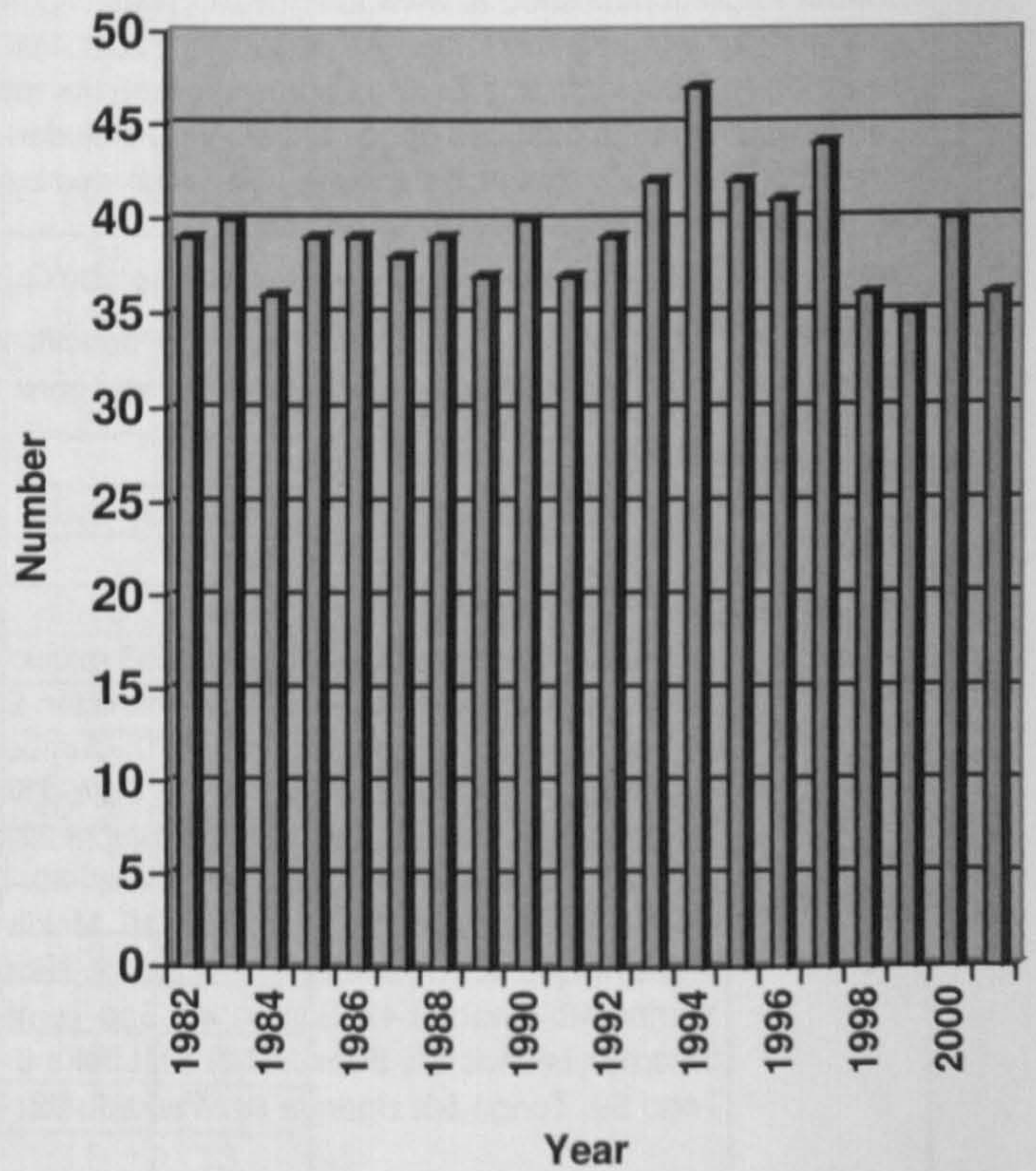
Appendix Sixteen

Graphs to show the value of global arms transfers compared to the number of supplier states 1982-2001

SIPRI trend-indicator value of worldwide arms transfers (in millions \$ at constant 1990 prices)



Number of supplier states in the arms market 1982-2001



Source: Data taken from SIPRI arms transfers database<sup>90</sup>

<sup>90</sup> Information from SIPRI, *Arms Transfers Database*, supplied on request. The trend-indicator values reflect actual deliveries of major conventional weapons. For further details and comment on SIPRI's data and methodology see the introduction.

Appendix Seventeen

Summary of selected empirical studies on arms trade and conflict

Author (s)	Sellers & recipients	Area of Study	Timeframe	Conclusions
Smaldone & Anderton (1995)	All suppliers to Sub-Saharan African states	Impacts of arms transfers on Sub-Saharan regional wars and major internal conflicts in terms of duration, casualties and refugees	1972-1991	Arms transfers correlate with duration, casualties and refugees of wars and internal conflicts
Kinsella (1994)	US & USSR to Israel, Egypt & Syria	Impact of US and USSR transfers on the Arab/Israeli conflict	1949-1985	USSR transfers, more than US transfers, acerbated Middle East rivalry & encouraged compensatory transfers by the other
Maniruzzaman (1992)	All suppliers to 80 developing states	Impact of transfers on coups and length of military rule in developing states	1963-1980	(arms transfers/GNP) significantly related with coups and nearly significant with length of military rule
Gieffer (1988)	All suppliers to 87 developing states	Relationship between arms imports as fraction of GNP and inter-state war	1968-1980	Military aid hinders the restoration of peace. There is a positive, but insignificant, relationship between arms imports and war outbreak.
Laugh & Squires (1983)	NATO and WTO to selected developing country war dyads	Impact of transfers on war outbreaks and impact on war outbreaks on transfers	1950-1965	NATO aircraft and WTO tank transfers occur contemporaneously with wars; NATO aircraft transfers occur prior to wars
Schrodt (1993)	All suppliers to selected states in the Arabian Sea area and Middle East	Correlation of transfers with cooperation/conflict	1948-1978	Transfers correlate strongly with conflict/cooperation; transfers seem to cause behavior rather than vice versa
Herwin (1983)	All suppliers to 87 developing states	Correlation of transfers with conflict. Extent to which transfers cause conflict	1967-1976	In most cases, conflict and transfers not linked causally; variations in the two occur simultaneously. For a small subset of countries, arms imports precede conflict.
Robrow et al. (1975)	5 "great powers" to 15 Asian nations	Impact of military assistance on recipient, political strife and foreign policy	1955-1966	Military assistance not significantly correlated with domestic conflict in recipient nations in most cases; a few cases have robust correlations, but in both directions. Military assistance correlated to increased international cooperation in recipient nations in 6 of 7 cases of robust results.
Wilstein (1972)	US and USSR to selected Middle East states	Impact of US/USSR economic and military aid on Arab/Israeli violence	1948-1967	Violent behaviour between Israeli and Arabs is dominated by unresolved conflict issues; US/USSR aid and trade have little impact on Arab/Israeli violence

Source: Anderton<sup>91</sup>

<sup>91</sup> Charles Anderton, 'Economics of Arms Trade' pp. 551-552



### Appendix Eighteen

All categories of registrable interests in the House of Commons and share of these related to arms-producing companies

Registered Interests	The Commons Total number of MPs is 659	
	Total members registering this type of interest in 2001	Total registering this type of interest in military companies during 2001
1. Remunerated Directorships	88	0
2. Remunerated Employment	402	0
3. Clients	7	0
4. Sponsorship/financial support	188	0
5. Gifts benefits & hospitality	176	2
6. Overseas visits	175	3
7. Overseas Benefits and Gifts	14	0
8. Land and property	160	0
9. Registrable Shareholdings <sup>92</sup>	83	0
10. Misc. & unremunerated interests	227	0

Source: Register of Members' Interests, November 2001 edition<sup>93</sup>

### Appendix Nineteen

Relevant categories of Lords' registrable interests and proportion of these related to military companies

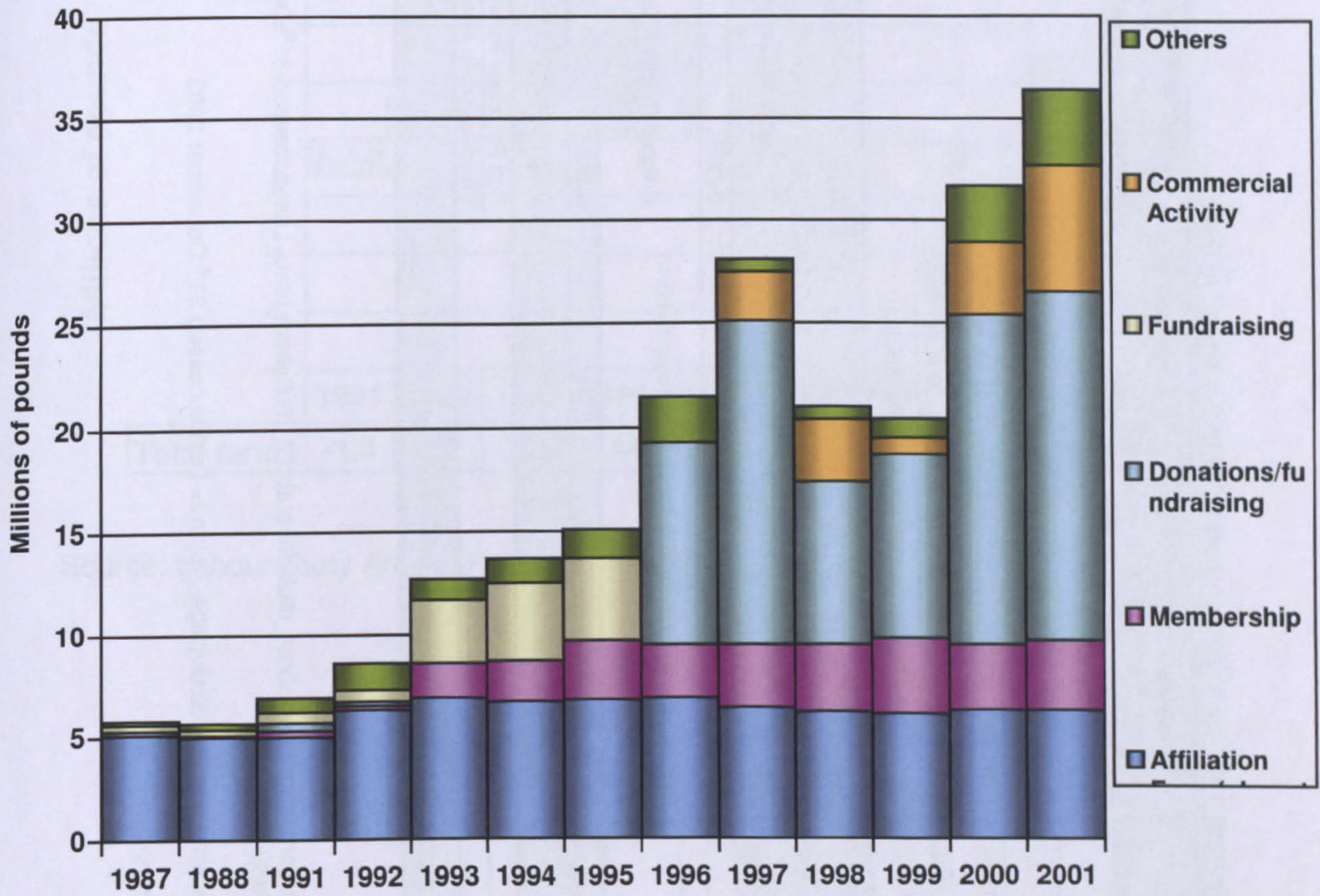
Registered Interests	The Lords Total number of Peers is 681	
	Total members registering this type of interest for 2002	Total registering this type of interest in arms-producing companies for 2002
Remunerated Directorships	234	6
Non-Parliamentary Consultant	114	3
Controlling Shares	61	0
Research Assistance	28	0
Remunerated Employment	258	3

Source: Register of Lords' Interests, December 2002 edition<sup>94</sup>

<sup>92</sup> Shareholdings become registrable when a Commons member holds more than 1% of the shares of a company or if they hold shares in a company worth more than £25,000

<sup>93</sup> The Register of Members' Interests as at November 2001 <<http://www.parliament.the-stationery-office.co.uk>> Last accessed 23<sup>rd</sup> December 2003

Appendix Twenty One  
Sources of Labour Party funding from 1987 to 2001



Source: Labour Party Annual Reports 1988-2002

## Appendix Twenty

Donations, sponsorship and other benefits given to the party from 1997 by arms companies or those linked to them

	Donations in excess of £5,000	Sponsorship of party events or activities in excess of £5,000	Tickets for dinners/events or gift prizes at Labour dinners in excess of £5,000	Sponsorship of conference events
1997	David Brown, MD of Multidrive which makes commercial & military vehicles <sup>95</sup>	Raytheon Systems Ltd.		
	Lord Hollick reportedly donated between £25,000 and £50,000 <sup>96</sup>	Bergmans, a lobbying company which has represented Lockheed Martin, Thales, Boeing, GKN and Babcock Int.		
	Sir Sigmund Sternberg, chair of ISYS software whose clients include BAE Systems	Citigate Westminster whose sister company Citigate Public Affairs represent Rolls Royce		
	Caparo Group, a steel manufacturer whose clients include those in military industry and which owns CMT Dynamics, a supplier of parts to military industry reportedly donated £76,000 <sup>97</sup>	GJW, a lobbying company representing GKN Westland		
	Professor Bhattacharyya director of the Warwick Manufacturing group which has long term relationships with BAE Systems and Rolls Royce <sup>98</sup>	UK Defence Forum, UK military trade association		
1998	Caparo Group reportedly donated £101,000 <sup>99</sup>	British Aerospace	GJW	BAE Systems sponsored "Welfare to Work/New Deal" breakfast & co-hosted fringe meeting on the Strategic Defence Review
1999	Professor Bhattacharyya	Citigate Westminster	Sir Sigmund Sternberg	
	Sir Sigmund Sternberg	BAE Systems	GJW	BAE Systems sponsored a "Welfare to Work/New Deal" breakfast & a question & answer session on employment & education
2000	David Brown of Multidrive	Bell Pottinger, lobbying firm recently represented BAE Systems	Citigate Public Affairs	
	Professor Bhattacharyya	Thomson-CSF Racal	GJW	BAE Systems sponsored an education fringe meeting
	Sir Sigmund Sternberg	Sir Sigmund Sternberg	Citigate Public Affairs	
2001	Caparo Group	BAE Systems	Bell Pottinger Public Affairs	
	Sir Sigmund Sternberg donated £100,000 in May		Citigate Public Affairs	
2002	Caparo Group			
	Caparo Group donated £5,500 in August	Citigate donated £5,450 in October <sup>100</sup>		
	Sir Sigmund Sternberg donated £10,000 in February & £100,000 in March			

Source: Labour Party Annual Reports 1998-2002

<sup>95</sup> Multidrive Limited, 'About Multidrive' <[http://www.multidrive.co.uk/content/generic/about\\_multidrive/about\\_multidrive.htm](http://www.multidrive.co.uk/content/generic/about_multidrive/about_multidrive.htm)> Last accessed 31<sup>st</sup> December 2003

<sup>96</sup> Labour Party, *Annual Report 1998*, p. 55; David Osler, *Labour Party plc*, p. 239

<sup>97</sup> Red Star Research, 'Lord Swraj Paul'

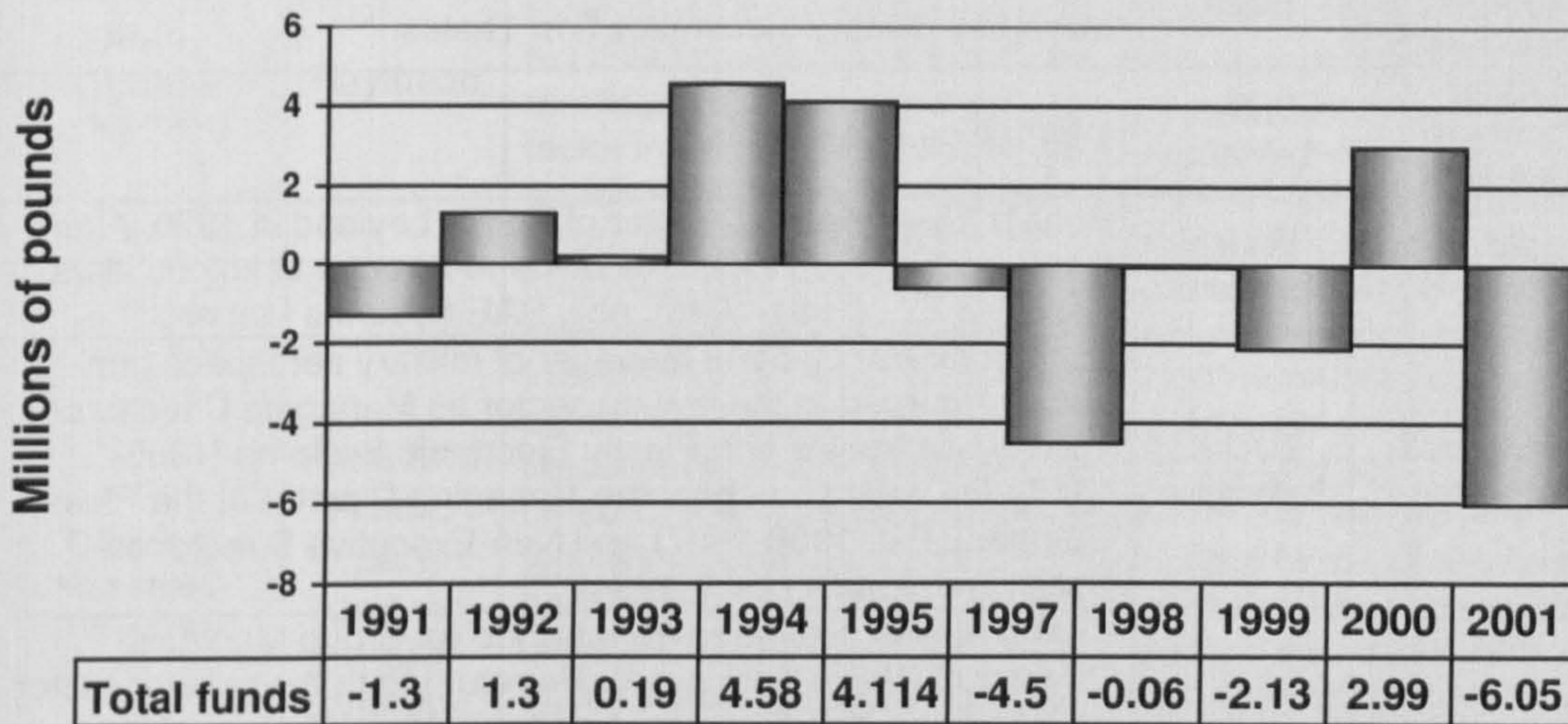
<sup>98</sup> Warwick Manufacturing Group, 'The Director's Page' <<http://www.wmg.warwick.ac.uk/page-7.phtml>> Last accessed 31<sup>st</sup> December 2003

<sup>99</sup> Red Star Research, 'Lord Swraj Paul'

<sup>100</sup> The Electoral Commission, 'Register of donations to political parties'

Appendix Twenty Two

Net surplus/deficits per year in Labour Party accounts since 1991



Source: Labour Party Annual Reports 1992-2002

### Appendix Twenty Three

#### The careers of the heads of the DSO/DESO

Name & date of position	Seconded from	Career
<b>Raymond Brown</b> (1966 -1969)	Racal	Raymond Brown founded military electronics firm Racal, now owned by military electronics firm Thales. <sup>101</sup>
<b>Lester Suffield</b> (1969-1976)	British Leyland	Information unavailable
<b>Ronald Ellis</b> (1976-1981)	British Leyland	Ronald Ellis was the Director of British Leyland in 1970. After his position in the DSO, Ellis became Director of shipbuilders Yarrow & Co. (1981-1986), now BAE Systems Marine. <sup>102</sup>
<b>James Blyth</b> (1981-1985)	Lucas Aerospace	Blyth, a former General Manager of military aerospace firm Lucas, returned to the private sector as Managing Director of military electronics firm Plessey Electronic Systems (1985-1986). He went on to become Managing Director of the Plessey Company Plc (1986-1987) and Non-Executive Director of British Aerospace (1990-1994). <sup>103</sup>
<b>Colin Chandler</b> (1985-1989)	British Aerospace	Chandler was seconded from his job as Group Marketing Director of British Aerospace. He returned to the military sector as Non-Executive Director of military electronics supplier Siemens Plessey Electronic Systems, now part of BAE Systems, (1990-1995), of the TI Group, now part of aerospace manufacturer Smiths Group, from 1992 and of Racal Electronics Plc/Thales, (1999-2000). Chandler also became Managing Director of tank maker Vickers Plc (1990-1992), Chief Executive of Vickers (1992-1998), Chair of Vickers (1997-2000), <sup>104</sup> Deputy Chair of Smiths and Director of Thales. <sup>105</sup> While on secondment at DESO more than half of Chandler's salary was paid for by British Aerospace, an arrangement that was subsequently investigated in a 1989 report by the Select Committee on Defence. To avoid any conflict of interest with military industry the head of DESO now receives a civil servant salary topped up by the Defence Industries Council, a Council made up of senior executives from military industry and Chaired by Dick Evans, Chair of BAE Systems. <sup>106</sup>

<sup>101</sup> Thales, *Thales-Our History*

<[http://www.thalesgroup.co.uk/Thales\\_Corporate/about/history/history\\_home.cfm](http://www.thalesgroup.co.uk/Thales_Corporate/about/history/history_home.cfm)> Last accessed 15<sup>th</sup> June 2004.

<sup>102</sup> *Who's Who*, 2003, p 658.

<sup>103</sup> *Who's Who*, 2003, p 207.

<sup>104</sup> *Who's Who*, 2003, p 381.

<sup>105</sup> Cranfield University, *Officers of the University* <<http://www.cranfield.ac.uk/university/prochancellor.htm>> Last accessed 26<sup>th</sup> June 2004.

<sup>106</sup> House of Commons Select Committee of Defence, *Second Report: The Appointment of the New Head of Defence Export Services*, HC 147, minutes of evidence paragraphs 16-17; House of Commons, *Hansard*, 23<sup>rd</sup> January 2003, Written Answers, Column 444.

Appendix Twenty Three continued

Name & date of position	Seconded from	Career
<p><b>Alan Thomas</b> (1989-1994)</p>	<p>Raytheon</p>	<p>Thomas was seconded from his job as Vice President of arms giant Raytheon Co. (1985-1989) and President as well as Chief Executive Officer of Raytheon Europe (1985-1989).<sup>107</sup> His move to DESO sparked a report by the Select Committee on Defence that found that the post had not been advertised openly. One factor in this decision was "to reassure certain overseas customers".<sup>108</sup> One is believed to be the Saudi government with whom the UK government had signed the Al Yamamah deal.<sup>109</sup></p>
<p><b>Charles Masefield</b> (1994-1998)</p>	<p>Avro and Aibus, part owned by BAE Systems</p>	<p>Masefield was seconded from his job as President of Avro international Aerospace and Commercial Director of Airbus Industrie by the MoD. According to the biography that used to be posted on the BAE Systems website, as head of DESO Masefield enjoyed "direct access to Major and Blair" and "close personal relationships with prestigious Prime Minister and royal families around the world."<sup>110</sup> These contacts may have been helpful when he returned to the private sector immediately after leaving DESO to become Chair of GEC (1998-1999), although Masefield was reportedly not involved in any contracts between the MoD and GEC during his time at DESO and GEC's competitors raised no objections to this appointment.<sup>111</sup> Masefield went on to become a Marketing Director of BAE Systems in 1999 and Vice-Chair in January 2002.<sup>112</sup></p>

<sup>107</sup> *Who's Who*, 2003, p 2140.

<sup>108</sup> House of Commons Select Committee on Defence, *Second Report: The Appointment of the New Head of Defence Export Services*, HC 147, paragraph 4.

<sup>109</sup> Phythian, *The Politics of British Arms Sales Since 1964*, p 75.

<sup>110</sup> BAE Systems, *About us-Leader Biographies* <<http://www.BAEsystems.com/aboutus/cmasefield.htm>>

Last accessed November 30<sup>th</sup> 2002.

<sup>111</sup> The Cabinet Office, The Advisory Committee on Business Appointments, *Second Report 1998-1999*, p

10.

<sup>112</sup> BAE Systems, 'BAE Systems Organisation and Structure', *Virtual News Room*, 17<sup>th</sup> January 2002

<<http://www.BAEsystems.com/newsroom/2002/jan/170102news1.htm>> Last accessed 26<sup>th</sup> June 2004.

Appendix Twenty Three continued

Name & date of position	Seconded from	Career
<p><b>Tony Edwards</b> (1998-2002)</p>	<p>TI Group (now Smiths)</p>	<p>Edwards was Group Managing Director at Lucas Industries and Chief Executive of the TI Group Plc until his DESO appointment in 1998.<sup>113</sup> When questioned by the Select Committee on Defence in 1999 about remuneration and the potential for conflict of interest, Edwards explained "I can say openly I am beholden to the industry and grateful to them for this top up but then I am working for them openly and overtly anyway."<sup>114</sup> He has been Chair of the Defence Aerospace Sector Panel, involved in the OST technology foresight programme from 1995-1997. He was on SBAC's member council from 1989-1998 after which he became Vice President (1990-1991), President (1991-1992) and Deputy President (1992-1993). Edwards also sat on the DTI Aviation Committee from 1992-1998.<sup>115</sup></p>
<p><b>Alan Garwood</b> (2002-)</p>	<p>BAE Systems and MBDA</p>	<p>Since September 2002, the head of DESO has been Alan Garwood. Garwood joined British Aerospace in 1977 dealing with Middle East military export contracts. He became Sales and Customer Support Director of BAE Dynamics then Managing Director, Europe and North America in 1996. Garwood became Deputy Chief Executive of Matra BAE Dynamics in 1998, Europe's largest missile manufacturer just before it merged with two other companies to become MBDA Missile Systems, of which BAE owns a third.<sup>116</sup></p>

Source: Phythian, *The politics of British Arms Sales since 1964* (Columns 1 and 2 only); DESO website; *Who's Who* (column 3)

<sup>113</sup> *Who's Who, 2003*, p 644.

<sup>114</sup> House of Commons, Select Committee on Defence, *Second Report: The Appointment of the New Head of Defence Export Services*, HC 147, Minutes of Evidence, question 16.

<sup>115</sup> *Who's Who, 2003*, p. 644

<sup>116</sup> DESO, 'Senior DESO officials' <<http://www.deso.mod.uk/officials1.htm>> Last accessed 3<sup>rd</sup> December 2003

#### Appendix Twenty Four

#### Staff seconded from industry into the MoD between April 2000 and November 2002

Seconded from	Role within the MoD	Duration of placement
BAE Systems	Business Development	6
Addleshaw, Booth & Co.	Legal Advisor	12
BAE Systems	Acquisition Training	12
BAE Systems	Avionics	8
AXA plc	Claims Manager	8
QinetiQ	Director or Marketing	36
BAE Systems	Air Systems Technology Manager	24
BAE Systems	Commercial Support	6
PricewaterhouseCoopers	Commercial Adviser	12
Babtie Group	Commercial Support	9
BAE Systems	Warship Support	36
URS Ltd.	Risk Manager	5
BAE Systems	Support Chain Adviser	12
Ernst & Young	Commercial Adviser	12
Rolls Royce	Propulsion Project Engineer	24
QinetiQ	Future Business Group	32
QinetiQ	Customer Support manager	24
Burges Salmon	Legal Adviser	8
BAE Systems	Support Chain Adviser	24
MASS Consultants	Electronic Warfare Technical Support	48
Hagglunds Vehicle AB	Engineering Advice and Support	22
Wragg & Co.	Legal Advisor	10
BAE Systems	Logistics Capability Development	24
Rolls Royce	Maritime Team Leader	36
PricewaterhouseCoopers	Public Private Partnering Adviser	12
BAE Systems	Head Defence Export Services	36
BAE Systems	Air Logistics Support	12
BAE Systems	Ship Systems Project Leader	24
BAE Systems	Graduate Trainee (acquisition assessment)	6

Source: House of Commons, Hansard<sup>117</sup>

#### Appendix Twenty Five

#### Staff seconded from the MoD into industry between April 2000 and November 2002

Role within the MoD	Seconded to	Duration of placement
Director	Thomson-CSF/Thales Defence Ltd.	24 months
Strategy Director	Electronic Data Systems	24 months
Senior Project Manager	Rolls Royce plc	24 months
Manager Operational Development	BAE Systems	24 months
Deputy Technical Director	Thales Defence Ltd.	24 months
Research & Technology Liaison Officer	BAE Systems	6 months

Source: House of Commons, Hansard<sup>118</sup>

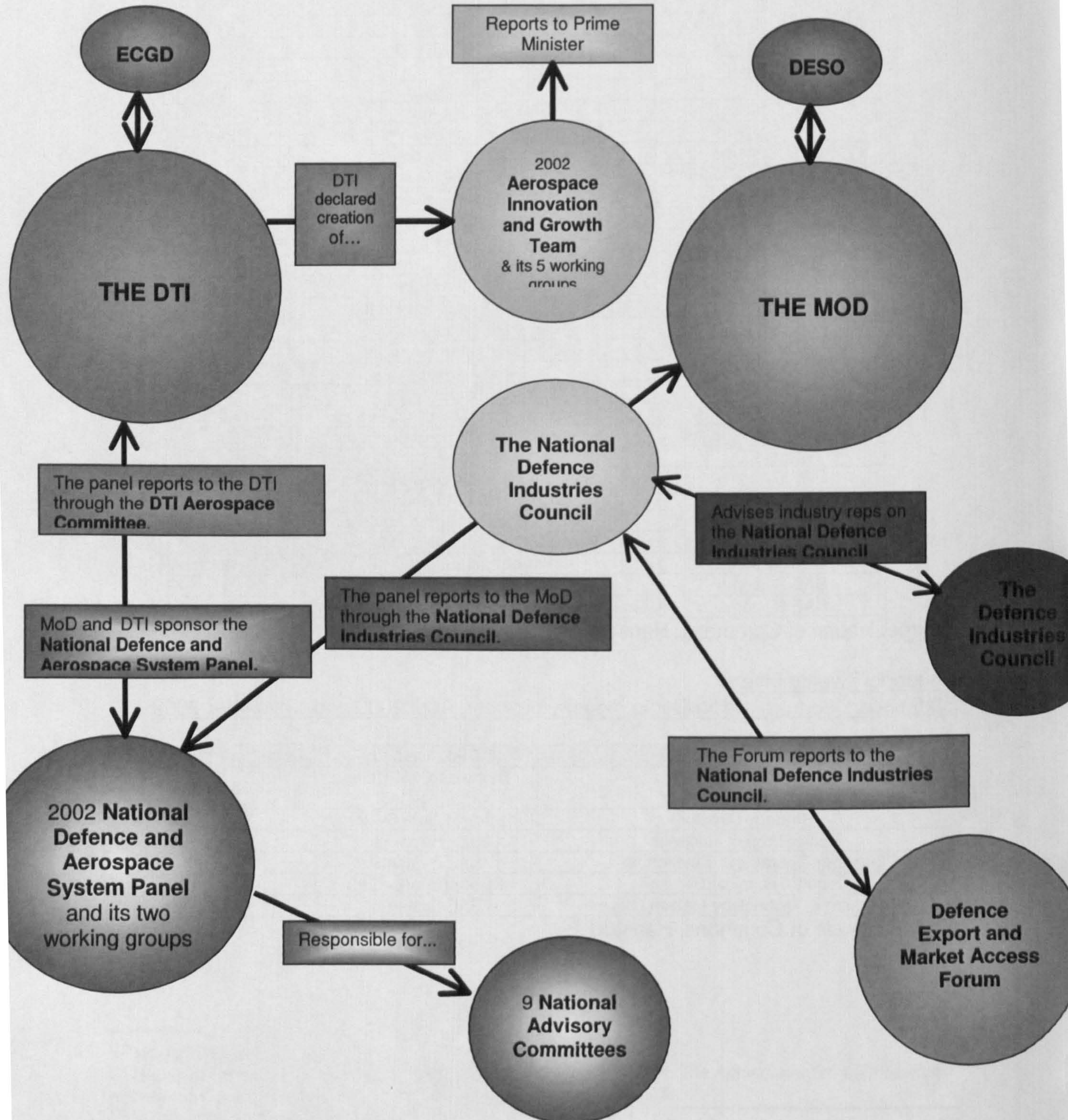
<sup>117</sup> House of Commons, *Hansard*, 25<sup>th</sup> November 2002, Written Answers, column 10

<sup>118</sup> House of Commons, *Hansard*, 25<sup>th</sup> November 2002, Written Answers, column 11



Appendix Twenty Six

Organisation diagram showing some of the departments relevant to arms exports policy and their affiliated groups



## Appendix Twenty Seven

### National Defence Industries Council members as at January 2003

Name	Affiliation	Type of Affiliation
Sir Richard Evans	Chair Defence Industries Council and BAE Systems	Arms-producing company
Mr. David Singleton	Defence, Intellect	Lobbying Group
Mr. Martin Jay	Society of Maritime Industries	Trade Association
Sir David Lees	GKN plc	Arms-producing company
Mr. Nick Prest	Defence Manufacturers Association	Trade Association
Mr. Gordon Page	Society British Aerospace Companies	Trade Association
Mr. David Marshall	Defence Industries Council	Lobbying group
Mr. Simon Frost	Claverham Group	Arms-producing company
Mr. Alex Dorrian	Thales Defence Ltd	Arms-producing company
Mr. Geoffrey Hoon	Secretary of State for Defence	Government
Lord Bach	Under-Secretary of State and Minister for Defence Procurement	Government
Mr. Adam Ingram	Minister of State for the Armed Forces	Government
Mr. Alan Johnson	Minister of State for Employment Relations, Industry & Regions, DTI	Government
Sir Kevin Tebbit	Permanent Under-Secretary	Government
Sir Robert Walmsley	Ministry of Defence Chief Executive Defence Procurement Agency	Government
Malcolm Pledger	Ministry of Defence Chief Defence Logistics	Government
Keith O'Nions	Ministry of Defence Chief Scientific Adviser	Government
Mr. Alan Garwood	Head of Defence Export Services	Government
Mr. David Gould— DTI Director TBC	Defence Procurement Agency	Government

Source: House of Commons, Hansard<sup>119</sup>

## Appendix Twenty Eight

### National Defence Industries Council Research and Technology Group as at January 2003

Name	Affiliation	Type of Affiliation
Mr. David Marshall	Society of British Aerospace Companies Ltd.	Trade Association
Mr. Andrew Sleigh	QinetiQ	Academia/Government
Dr. Andy Low	Thales UK	Arms-producing company
Mr. Derek Marshall	Defence Industries Council	Lobbying Group
Mr. Lambert Dopping Hepenstal	BAE Systems	Arms-producing company
Mrs. Linda Pike	Defence Industries Council	Lobbying Group
Louis Wilkes	Defence Manufacturers Association	Trade Association
Mr. Ken Maciver	Consultant (former CEO) TRW Aeronautical Systems	Arms-producing company
Mr. Mike Steeden	Society of British Aerospace Companies Ltd.	Trade Association
Mr. Bill Bardo	AMS	Arms-producing company
Phillip Goddard	Westland Helicopters Ltd	Arms-producing company
Mr. Ric Parker	Rolls-Royce	Arms-producing company
Robert Limmergard	Intellect	Lobbying group
Prof Terry Knibb	BAE Systems	Arms-producing company
Graham Jordan	Chair, Ministry of Defence	Government
Dr Dai Morris	Ministry of Defence	Government
Mr. David Way	Department of Trade and Industry	Government
Ms Fiona Strens	Ministry of Defence	Government
Mr. Mike Markin	Ministry of Defence	Government
Mr. Nick Helbren	Defence Science and Technology Laboratories	Government
Nigel Raby RN	Ministry of Defence	Government
Richard Westgarth	Ministry of Defence (Seconded from QinetiQ)	Government
Robert Beckham	Ministry of Defence	Government

Source: House of Commons, Hansard.<sup>120</sup>

<sup>119</sup> House of Commons, *Hansard*, 23<sup>rd</sup> January 2003, Written Answers, column 446

## Appendix Twenty Nine

### Aerospace Committee members and their employers as at February 2003

Name	Affiliation	Type of Affiliation
Mr. Colin Green (Chair)	President-Defence Aerospace, Rolls-Royce	Arms-producing company
Dr David Anderson	Managing Director, Future Systems, QinetiQ	Academia/government
Mr. Martin Broadhurst	MD, Marshall of Cambridge Aerospace	Arms-producing company
Mr. Robin Clark	Director, Cobham	Arms-producing company
Mr. Graham Cole	Director of Government Affairs, GKN	Arms-producing company
Professor Bill Dawes	Engineering Dept, Cambridge University	Academic
Dr. John Ferrie	Group Managing Director Aerospace, Smiths	Arms-producing company
Mr. Simon Frost	Chief Executive, Claverham	Arms-producing company
Mr. Chris Geoghegan	Chief Operating Officer, BAE Systems	Arms-producing company
Mr. Ken Maciver	Consultant (former CEO) TRW Aeronautical Systems	Arms-producing company
Mr. David Marshall	Director General, SBAC	Trade Association
Ms Eva Persson	Business Development Director, Rolls-Royce	Arms-producing company
Professor Ian Poll	Head of the College of Aeronautics, Cranfield	Academic
Mr. John Quigley	National Officer, (Shipbuilding & Aerospace) AMICUS	Union
Mr. Michael Ryan	General Manager, Aerospace, Bombardier & Shorts	Arms-producing company
Mj.General Alan Sharman	Director General, Defence Manufacturers Association	Trade Association
Mr. John Sharman	Executive Director, Spectrum Capital Ltd.	Finance company
Mr. Tom Williams	MD and General Manger, Airbus UK	Arms-producing company
Mr. Richard Wood	Managing Director, Weston Aerospace	Arms-producing company

Source: House of Commons Library<sup>121</sup>

<sup>120</sup> House of Commons, *Hansard*, 23<sup>rd</sup> January 2003, Written Answers, column 447

<sup>121</sup> E-mail, DTI, to author, 31<sup>st</sup> October 2002; House of Commons Library, 'Aerospace Innovation and Growth Team Working Groups' Members and their Employers', entered 23<sup>rd</sup> January 2003 ref. Dep. 03/289 following Parliamentary Question 91919 Cohen/Johnson, column 500

Appendix Thirty

Current National Defence and Aerospace Panel and its task forces

**2002 National Defence and Aerospace System Panel**

Name	Affiliation	Type of Affiliation	<b>Aim and Output:</b> Sponsored by the MoD (reporting through the NDIC), DTI (reporting through the aerospace committee) and industry. Ad hoc task forces are used by the panel to pursue specific issue before reporting them to key decision-makers particularly on R & D policy. The panel coordinates a series of Defence & Aerospace Research Partnerships (DARPS) in 12 areas - Rotorcraft, Advanced Metallic Airframes, High Integrity Real Time, Modelling & Simulation or Turbulence for Aerospace, Aeroengine Materials, Sensor fusion, Unsteady Modelling, DARP for design, Safety and Integrity for Advanced Maritime Structures, Propagation Measurement and Modelling for Defence, Aerospace & Composite Structures, Aerodynamic Flows. They are supported by the EPS Research Council, the DTI, the MOD and industry.
Ken Maciver (Chair)	Consultant (former CEO) TRW Aeronautical Systems	Arms-producing company	
Ric Parker	Vice Chair, Rolls Royce	Arms-producing company	
David Clark	Engineering and Physical Sciences Research Council	Research Council	
Lawrence Freedman	Kings College London	Academia	
Phil Goddard	Consultant to Westland	Consultant to arms-producing co.	
Iain Gray	Airbus UK	Arms-producing company	
Terry Knibb	BAE Systems	Arms-producing company	
Philip Lawrence	UWE	Academia	
Andrew Little	Royal Aeronautical Society	Professional Body	
David Marshall	SBAC	Trade Association	
Alan Sharman	DMA	Trade Association	
Andrew Sleigh	QinetiQ	Academia/ Government	
Adrian Smith	CMG/SciSys	Arms-producing company /Private business	
Paul Wrobel	Thales	Arms-producing company	
Mike Markin	MoD	Government	
Damien McDonnell	Defence Diversification Agency	Government	
Graham Coleman	Defence Science & Technology Laboratories	Academia/ Government	
David Way	DTI	Government	

**2002 National Defence and Aerospace System Panel: Defence Task Force**

Name	Affiliation	Type of Affiliation	<b>Aim and Output:</b> Reporting to the 2002 National Defence and Aerospace System Panel. This will focus on the Nation Defence Technology Strategy.
Paul Wrobel (Chair)	Thales	Arms-producing company	

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**2002 National Defence and Aerospace System Panel: Research and Technology Task Force**

<b>Name</b>	<b>Affiliation</b>	<b>Type of Affiliation</b>	<b>Aim and Output:</b> Reporting to the 2002 National Defence and Aerospace Panel, the task force will take forward DARPs and the NACs.
Ric Parker (Chair)	Rolls Royce	Arms-producing company	
Geoff Byham	Westland Helicopters	Arms-producing company	
Andrew Bourne	Engineering and Physical Sciences Research Council	Research Council	
Ian Risk	Airbus	Arms-producing company	
Cyril Hilsum	No further information given	-	
Terry Knibb	BAE Systems	Arms-producing company	
Andrew Little	Royal Aeronautical Society	Professional Body	
Jim McGuirk	Loughborough University	Academia	
John Tunnicliffe	QinetiQ	Academia/ Government	
Paul Vangasse	BAE Systems	Arms-producing company	
Nigel Chew	MoD	Government	
Graham Coleman	DSTL	Government	
Ray Kingcombe	DTI	Government	

Source: House of Commons, Hansard<sup>122</sup>

<sup>122</sup> House of Commons, *Hansard*, 23<sup>rd</sup> January 2003, Written Answers, columns 447- 448; E-mail, DTI, to author, 3<sup>rd</sup> December 2002

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National Advisory Committees and their members

<b>1. Aerodynamics</b>	<ul style="list-style-type: none"> <li>● G Coleman, DERA</li> <li>● P Hedges, EPSRC</li> <li>● R Kingcombe, DTI</li> <li>● J Smith, MoD</li> <li>● T Woods, CAA</li> <li>● R Onions, DERA</li> <li>● B Williams, DERA</li> <li>● D Butler, ARA</li> </ul>	<ul style="list-style-type: none"> <li>● C Clarkson, BAE Systems</li> <li>● C Eaton, Alenia Marconi</li> <li>● R Harrison, GKN</li> <li>● P Stow, Rolls Royce</li> <li>● R Williams, Airbus</li> <li>● P Bearman, Imperial College</li> <li>● J McGuirk, Loughborough</li> <li>● A Little, RAeS</li> </ul>
<b>2. Avionics and Flight Systems</b>	<ul style="list-style-type: none"> <li>● Prof. D Allerton, Cranfield University</li> <li>● R. Brockie, BAE Systems</li> <li>● G. Butler, MOD</li> <li>● P. Durrant, Thales Avionics</li> <li>● R. Fountain, BAE Systems</li> <li>● A. Gillespie, DERA</li> <li>● R. Harrison, DTI</li> <li>● K Leslie, EPS Research Council</li> </ul>	<ul style="list-style-type: none"> <li>● A. Liddell, MOD</li> <li>● J McDermid, York University</li> <li>● C. Overden, Smiths Group</li> <li>● I. Postlethwaite, Leicester University</li> <li>● I. Slater, MOD</li> <li>● D. Tyler, GKN Westland</li> <li>● R. Axford, FEI (Secretary)</li> </ul>
<b>3. Human factors</b>	No further information available	
<b>4. Synthetic Environments</b>	No further information available	
<b>5. Systems Engineering</b>	No further information available	
<b>6. Aerospace manufacturing</b>	<ul style="list-style-type: none"> <li>● Steve Johnston, BAE Systems</li> <li>● Sarah Bishop, DTI</li> <li>● Brian Ginty, BAE Systems</li> <li>● Nabil Gindy, Nottingham University</li> <li>● Stephen Burgess, Rolls Royce</li> <li>● Neil McDougal, Cranfield University</li> </ul>	<ul style="list-style-type: none"> <li>● John Garside, Warwick University</li> <li>● Neil Bateman, EPSRC</li> <li>● Tony Curry, Shorts</li> <li>● Ian Palin, Goodrich</li> <li>● Karl Smith, UK LAI</li> <li>● Jaffa Tall, SBAC</li> <li>● Mike Gregory, Cambridge University</li> </ul>
<b>7. Transmissions and Mechanical systems</b>	<ul style="list-style-type: none"> <li>● Neill Forrest, Rolls-Royce</li> <li>● Prof John Fielding, Cranfield University</li> <li>● Graham Penning, David Brown</li> <li>● Brian Farley, Dowty</li> <li>● Geoff Byham, Westland Helicopters</li> </ul>	<ul style="list-style-type: none"> <li>● Martin Salzer, Westland Helicopters</li> <li>● Andy Olver, Imperial College, London</li> <li>● Chris Weir, TRX Aerospace Systems</li> <li>● John Lowery, Systems &amp; Airbourne TAC</li> </ul>

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<p><b>8. Electronic materials and devices</b></p>	<ul style="list-style-type: none"> <li>● Keith G Barraclough, QinetiQ</li> <li>● Andrew J Bell, University of Leeds</li> <li>● Steve Bland, IQE</li> <li>● D. Burgess, DSTL</li> <li>● Clive Dyson, CEO, NMI</li> <li>● John Ellis, Zarlink</li> <li>● Martin Goosey, Shipley Europe</li> <li>● C Hayter, EPSRC</li> <li>● Cyril Hilsum</li> <li>● Roger Hopper, Roke Manor Research Ltd</li> <li>● Colin J Humphreys, University of Cambridge</li> </ul>	<ul style="list-style-type: none"> <li>● Ray Kingcombe, DTI</li> <li>● Mike Mertens, Thales</li> <li>● David Pedder, TWI</li> <li>● Andrew Phillips (Chair), Marconi</li> <li>● C Snowdon, Filtronic</li> <li>● Peter Smith, EPSRC</li> <li>● Richard R A Syms, Imperial College</li> <li>● Roger W Whatmore, Cranfield</li> <li>● Colin R Whitehouse, University of Sheffield</li> <li>● Arthur Willoughby, University of Southampton</li> </ul>
<p><b>9. Materials and structures</b></p>	<ul style="list-style-type: none"> <li>● S. Garwood (Chair), Rolls Royce</li> <li>● David Driver (Secretary)</li> <li>● Geoff Armstrong, Goodrich</li> <li>● Sarah Bishop, DTI</li> <li>● Brian Cantor, York University</li> <li>● Paul Curtis, DSTL</li> <li>● Glyn Davies, Imperial College</li> <li>● Jonathan Dee, Airbus</li> <li>● Sue Dunkerton, TWI</li> <li>● Brian Gittos, GKN</li> <li>● Ian Gurnell, Advanced Composites</li> </ul>	<ul style="list-style-type: none"> <li>● Richard Jones, DSTL</li> <li>● Dan Kells, BAE Systems</li> <li>● John Lindley, Messier Dowty</li> <li>● Peter Morgan, Corus</li> <li>● Alex Morris, Alcoa</li> <li>● Chris Peel, QinetiQ</li> <li>● Alan Hooper, QinetiQ</li> <li>● G. Tomlinson, Sheffield University</li> <li>● Lindsey Weston, EPSRC</li> <li>● David Wilkes, MOD</li> </ul>

Source: DTI<sup>123</sup>

<sup>123</sup> Aerodynamics National Advisory Committee, *Annual Report*; S.H. Johnston, *2003 NACAM Activities Report*; Electric Materials and Devices National Advisory Committee, *Report of the Defence and Aerospace National Advisory Committee*, April 2002; M & S National Advisory Committee, *Annual Review 2003* <<http://62.173.95.10>> Last accessed 1<sup>st</sup> July 2004.

## Appendix Thirty Two

### The Aerospace Innovation and Growth Team and affiliated working groups

#### 2004 Aerospace Innovation and Growth Team (AeIGT)

Name	Affiliation	Type of Affiliation	<b>Aim and Output:</b> Another body set up to "improve innovation and competitiveness in the defence industry" with the aim of securing "agreement between government and industry on a shared vision and strategy for the future". The team will identify key challenges to the defence industry, suggest and cost solutions and look for support for implementation. The team reports their recommendations in March 2003 to the Prime Minister although the AeIGT web pages are hosted by SBAC. The AeIGT and its four working groups, membership of which is outlined below, are supported by an "implementation team " based at the DTI. They are: <ul style="list-style-type: none"> <li>● Oliver Towers, Project Director, Rolls Royce</li> <li>● Bob Insley, Assistant Project Director, DTI</li> <li>● Manjit Sahota, Project manager, BAE Systems</li> <li>● James Benn, Communications and Information Officer, SBAC</li> <li>● Kelly Fowles, Team Administrator</li> </ul>
Richard Evans (Chair)	BAE Systems	Arms-producing company	
Noel Forgeard	President and CEO Airbus	Arms-producing company	
Sally Howes	SBAC	Trade association	
Gordon Page	Chair Cobham Plc and President SBAC	Arms-producing company Trade association	
Denis Ranque	President and CEO Thales International	Arms-producing company	
John Rose	Rolls Royce	Arms-producing company	
Kevin Smith	GKN Aerospace	Arms-producing company	
Keith Butler-Wheelhouse	CEO Smiths Group	Arms-producing company	
Michael Ryan	Bombardier	Arms-producing company	
Jonathan Wood	Chair and CEO St Bernard Composite	Private company	
John Wall	Amicus	Trade Union	
Sir Alex Broers (Vice Chair)	Royal Academy of Engineering	Academia	
Sir Kevin Tebbit	Permanent Secretary, MoD	Government	
Sir Robin Young	Permanent Secretary, DTI	Government	
John Kingman	Treasury	Government	
Roy Griffins	Department of Transport	Government	
Bryan Gray	Chair Northwest Development Agency	Development Agency	
Desmond Bowen	Cabinet Office	Government	
Geoffrey Norris	Special Advisor Number 10 policy unit	Government	
Mike Clasper	BAA	Private company	



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**2004 AeIGT Working Group one: Technology**

<b>Name</b>	<b>Affiliation</b>	<b>Type of Affiliation</b>
Ken Maciver (Chair)	Consultant (former CEO) TRW Aeronautical Systems	Arms-producing company Trade Association
Ross Bradley	Farnborough Aerospace Consortium	Trade Association
Geoff Byham	Head of Engineering Augusta Westland	Arms-producing company
Lambert Dopping- Hepenstal	BAE Systems	Arms-producing company
Iain Gray	Airbus	Arms-producing company
Jerry Haller	Smiths Aerospace	Arms-producing company
Geoff Lindsley	MoD DSTL	Government
Andy Low	Thales	Arms-producing company
Phil McCarthy	Messier-Dowty	Arms-producing company
Chris Peel	QinetiQ	Academia/government
Rick Parker	Rolls Royce	Arms-producing company
Ian Poll	Cranfield University	Academia
David Way	DTI	Government
Chris Weir	Goodrich	Arms-producing company
Bob Young	SEEDA	Development Agency
Mike Steeden	SBAC	Trade Association
Tristan Crawford	Airbus	Arms-producing company

**2004 AeIGT Working Group Two: Process Excellence**

<b>Name</b>	<b>Affiliation</b>	<b>Type of Affiliation</b>
John Ferrie (Chair)	Smiths Aerospace	Arms-producing company
Brian Fleet	Airbus	Arms-producing company
Martin Evans	MBDA UK	Arms-producing company
Mary O'Gorman	DLO	Government
Simon Frost	Claverham	Arms-producing company
Michael Gregory	University of Cambridge	Academia
Maurice Hesford	SBAC	Trade Association
Bob Collier	DTI	Government
Jan Reid	Scottish Enterprise Network	Development agency
Mike Gardiner	Goodrich	Arms-producing company
Tony Miller	Thales	Arms-producing company
Barry Mills	University of Cambridge	Academia
Andy Start	BAE Systems	Arms-producing company
Jafar Tall	SBAC	Trade Association
Peter Mooney	Claverham	Arms-producing company
Mike Sparrow	BAE Systems	Arms-producing company
John Whalley	CE Aerospace Wales	Unknown
Jonathon Brook	Smiths Aerospace	Arms-producing company

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**2004 AeIGT Working Group Three: Skills and People Management**

<b>Name</b>	<b>Affiliation</b>	<b>Type of Affiliation</b>
John Rivers	Rolls Royce	Arms-producing company
Ian Carnell	Sector Skills Council (SEMTA)	Forum
Julie Cook	DFES	Government
Alan Jocelyn	AAU	Forum
Ged Leahy	Rolls Royce	Arms-producing company
John Lloyd	AMICUS	Union
Andrew Mair	UK Aerospace Forum	Trade Association
Derek Marshall	Defence Industries Council	Lobbying group
David Ramsay	Smiths	Arms-producing company
Steve Robinson	MoD	Government
Josanne Stewart	Regional Development Agencies	Development agency
Mark Stewart	Airbus UK	Arms-producing company
Peter Dallaway	DTI	Government
Louise Wallwork	BAE Systems	Arms-producing company
Nigel Macvean	BAE Systems	Arms-producing company
Jonathon Cook	SBAC/Rolls Royce	Arms-producing company

**2004 AeIGT Working Group Four: Socio-Economic Environment**

<b>Name</b>	<b>Affiliation</b>	<b>Type of Affiliation</b>
Colin Green	Rolls Royce	Arms-producing company
John Alty	DTI	Government
David Gould	MoD	Government
Iain Gray	Airbus	Arms-producing company
Keith Hartley	University of York	Academia
Sally Howes	SBAC	Trade Association
Alan Johnston	Westland	Arms-producing company
Rob Johnston	AMICUS	Union
Peter Lovering	NDI representing UK Aerospace Forum	Trade Association
Michael McGhee	Credit Suisse	Private company
Neil McKeever	Smiths	Arms-producing company
Ray Newell	EMDA representing the Regional Development Agencies	Development Agency
Richard Price	HMT	Unknown
Andy Scott	CBI	Lobbying organisation
Alison Wood	BAE Systems	Arms-producing company
Helen Harman	Rolls-Royce	Arms-producing company

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**2002 AeIGT Working Group Five: Safety, Security and the Environment**

<b>Name</b>	<b>Affiliation</b>	<b>Type of Affiliation</b>
Jeff Jupp	Airbus	Arms-producing company
Colin Beesley	Rolls-Royce	Arms-producing company
Michael Burns	QinetiQ	Academia/government
Graham Coleman	DSTL	Government
Ann Dowling	Cambridge University	Academia
Roger Gardner	DfT	Government
Martyn Graham	SBAC	Trade Association
Tony Houseman	AECMA	Trade Association
Peter Hunt	Civil Aviation Authority	Regulator
Tim Johnson	Aviation Environment Federation	NGO
James Kilazoglou	Thales	Arms-producing company
Keith Mans	RAeS and Greener by Design	Professional body
Tom Needham	Airport Operators Association	Trade Association
Peter Newton	DTI	Government
Ian Poll	Cranfield University	Academic
Gill Richards	DTI	Government
Mike Steeden	SBAC	Trade Association
Tom Gunner	SBAC	Trade Association
Anthony Barlow	Fire Protection Coatings	Unknown
David Creswell	Eastern Aerospace Alliance	Trade Association
Michael Polson	Invest Northern Ireland	Development Organisation

Source: DTI and House of Commons Library.<sup>124</sup>

<sup>124</sup> E-mail, DTI, to author, 31<sup>st</sup> October 2002; House of Commons Library, 'Aerospace Innovation and Growth Team Working Groups' Members and their Employers', entered 23<sup>rd</sup> January 2003 ref. Dep 03/289 following Parliamentary Question 91919 Cohen/Johnson.

Appendix Thirty Three

The interests of the Directors and Non-Executive Directors of BAE Systems in 2004

<b>Directors</b>	<b>Other remunerated positions</b>	<b>Sector</b>
Richard Evans (Chair 1998-2004)	Non-executive Chair of United Utilities plc since 1997	Electricity and water
	Former Non-Executive Director NatWest plc (1998-2000)	Banking
Richard Olver (Chair 2004)	Non-Executive Director of Reuters Group plc	Information
	Deputy Chair TNK-BP	Oil
	Former Deputy Group Chief Executive BP plc (2003-2004)	Oil
Mike Turner (Chief Executive since 1999)	Non-executive director of Babcock International Group Plc	Military and engineering
Chris Geoghegan (Chief Operating Officer)	None found	-
Michael Lester (Group legal director)	Former Director and Vice Chair of GEC	Military
	Non-Executive Director Premier Farnell plc	Electronics
Steve Mogford (Chief Operating Officer)	None found	-
Mark Ronald (Chief Operating Officer)	None found	-
George Rose (Group Finance Director)	Former Non-Executive Director Orange (1995-)	Communications
	Non-Executive Director SAAB AB (from 1998)	Military, aviation, space
	Non-Executive Director National Grid Transco plc (from 2000)	Electricity and gas

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<b>Non-Executive Directors</b>	<b>Other remunerated positions</b>	<b>Sector</b>
Sue Birley	Former Non-Executive Director NatWest Bank	Banking
Ulrich Cartellieri	Member of Supervisory Board of Deutsche Bank AG	Banking
	Director of Robert Bosch GmbH	Automotive, consumer goods
Michael Hartnall	Former Finance Director Rexam plc	Packaging
	Non-Executive Director of Lonmin plc	Mining
	Non-Executive Director Elementis plc	Chemicals
Lord Hesketh	Non-Executive Deputy Chair Babcock International Group plc	Military and engineering
Peter Mason	Former Executive Director of BICC plc	Engineering
	Former Chair and Chief Executive of Balfour Beatty Ltd.	Construction, engineering
	Former Chief Executive of Norwest Holst Group plc	Construction
	Chief Executive AMEC plc	Engineering
Michael Portillo	None found	-
Paolo Scaroni	Chief Executive Enel SpA	Electricity
	Non-Executive Director of Alliance Unichem plc	Healthcare
	Member of the Supervisory Board of ABN Ambro Bank NV	Banking
	Former Chief Executive and Deputy Chair of Pilkington plc	Glass and glazing products
	Former Non-Executive Director of Burmah Castrol plc	Oil