

# Arms trading at UKTI

UKTI  
ARMED &  
DANGEROUS

**There is a UK Government unit that exists to promote arms sales. These sales are not identified as being needed by UK allies or for defence; they are identified purely because they are market opportunities for companies. In short, UK civil servants are being tasked to proliferate weaponry on behalf of international arms companies.**

## A committed arms exporter

In September 2008, Foreign Secretary David Miliband wrote an article for *The Independent* as part of a re-launch of the Arms Trade Treaty. He stated, "War was a defining symbol of the 20th century, with tens of millions dead. Today conflicts still blight large parts of Africa and Asia. We have seen the fighting in Georgia, on Europe's doorstep. Are we destined to repeat the last century's mistakes?"

He knew the answer. Earlier in the year, the UK supplied arms to both Georgia and Russia. The previous year, it sold arms to 11 of the 13 countries identified as being locations with at least one major armed conflict. These included Colombia, Israel, the Philippines and Turkey.

Similarly, the Foreign & Commonwealth Office (FCO) publishes a Human Rights annual report. The most recent report listed 21 "major countries of concern", apparently unembarrassed that another FCO report identified ten of these as recipients of UK arms during the same period. Sales included a wide range of arms to China, Iraq, Israel, Pakistan and Saudi Arabia.

There are many Government pronouncements on the evils of conflict, human rights abuse, underdevelopment and corruption, and we are told that it is the business of Government to control arms exports. But the small parts of Government that appear genuinely interested in controlling the arms trade are eclipsed by the overarching policy that is to sell arms and by the bodies that help that happen.

## Abetting the arms companies

Chief among the UK Government bodies that promote arms sales are, predictably, the Ministry of Defence (MoD) and, perhaps less predictably and certainly less well-known, UK Trade & Investment (UKTI).

## Introducing UK Trade & Investment

UKTI's aim is "to add value to the UK economy by helping business succeed internationally." Until April 2008 it focused almost exclusively on civil business.

It is a fairly complex body. It supports both trade promotion and inward investment, with the bulk of resources, around 75 per cent, going to trade. It has two parent departments – the Foreign Office (FCO) and the Department for Business, Enterprise and Regulatory Reform (BERR). Its 2,400 staff are widely distributed with 1,300 in 99 overseas markets, 700 in offices in London and Glasgow, and 400 in International Trade Teams in the English regions. Scotland, Wales and Northern Ireland have their own trade and investment operations which use UKTI services and the overseas network.

UKTI's route to "helping business succeed internationally" was set out in its 2006 five year strategy. It involves a tight "focus" on identified high-growth markets (including China, India, Brazil and Russia); on marketing strategies for specific sectors; and on companies that are active in Research & Development. It also emphasises "Partnerships", including with Regional Development Agencies and a "Ministerial visits co-ordination committee" that ensures "that all Ministers making overseas visits carry a UKTI brief where relevant."

Despite its name, UKTI does not limit itself to marketing UK goods. It has "no policy with regard to foreign content". Companies just need an "active UK trading address" to qualify for support.

## Who's in charge?

The politician with responsibility for UKTI is Gareth Thomas MP, Minister of State for Trade and Investment, who took up the role in October 2008. The Chief Executive is Andrew Cahn, a civil servant who spent several years as Director of Government and Industry Affairs at British Airways before returning to Government in 2006 to head-up UKTI. Andrew Cahn leads a board that comprises six other executive and four non-executive members.

UKTI has additional support from "Special Representative" Prince Andrew and a new network of Business Ambassadors unveiled by Gordon Brown in October 2008. The ambassadors include the Chair of BAE Systems.

## The arrival and work of UKTI DSO

### The closure of DESO

On 25 July 2007, Prime Minister Gordon Brown announced that the MoD's highly influential arms sales unit, the Defence Export Services Organisation (DESO), was to shut and that responsibility for arms trade promotion would move to UKTI.

The statement appeared to be in response to a CAAT-coordinated campaign that was greatly bolstered by the widespread negative reaction to the ending of the Serious Fraud Office investigation into BAE's arms deals with Saudi Arabia in which DESO was a major player. The industry's response to the statement was dismay, with *Jane's Defence Weekly* reporting that the decision was "universally condemned across UK industry and from within the MoD" and the Chief Executive of BAE writing to Gordon Brown demanding a meeting.

The argument that seemed to have a particular impact on the Treasury and Gordon Brown was the difference between the trade support given to arms exports via DESO and that given to other sectors. Indeed, Gordon Brown's announcement started: "The Government believe trade and promotion for defence exports should be more effectively integrated with the Government's general trade support activities." Having a separate unit with so much power was clearly embarrassing, especially when most of the UK public considered its core activity to be distasteful at best.

Moving some of DESO's functions to the UKTI was a way of making arms promotion less influential and, to some extent, less obvious. Even though it was presented as being good for arms exporters, presumably to mollify the arms trade lobby, there is no disguising the impact of the change. DESO was a substantial one-stop-shop at the centre of the MoD with a high-level head from the arms industry who had access to the Prime Minister. Its size and position meant it could coordinate arms promotion activities across Government, lobby effectively on wider issues and rely on a culture of secrecy.

But the good news over DESO's closure goes only so far. The down-grading of the arms trading operation and the increased distance from the centres of relevant power cannot compensate for the fact that the arms trade continues to receive Government support that is vastly disproportionate to its economic importance and to which the human costs are an irrelevance.

### Establishing a new arms trade unit

On 1 April 2008 the UKTI Defence & Security Organisation (UKTI DSO) was established. Around 240 of DESO's 450 staff were transferred to UKTI, with the remainder, predominately those managing the Saudi arms deals, staying within the MoD. Forty of the new UKTI DSO staff moved into the Foreign Office's overseas offices. The other 200 joined BERR's central

operation although the number is to fall to 170 by January 2009.

Prior to the arrival of UKTI DSO, UKTI's industry-specific trade promotion was undertaken by the Sectors Group. This covered 34 sectors (in 12 sector teams) and had a total of 129 staff. UKTI DSO is a separate Group and will have 170 staff. Its head is on the UKTI board alongside the head of Sectors Group, but earns more. It is clear that a distinct arms trade unit still exists with as much status as is feasible within its new environment and situation.

It is not certain that the roles of the staff of the Sectors Group and UKTI DSO are exactly equivalent, but from the information available it is hard to come to any conclusion other than that **arms selling has staff numbers comparable to every other UKTI sector put together.**

This extreme disproportion might be easier to comprehend if arms exports were vital to the economy but, although this is a view encouraged by both Government and industry, it is not remotely the case. Official figures show that UK arms exports make up 1.5% of total exports and that arms export employment comprises 0.2% of the UK workforce and 2% of manufacturing employment.

## Marketing arms

UKTI DSO has an array of approaches to supporting arms selling. Some are relatively hands-off, such as analysis of the global arms market and the provision of a list of "specific export opportunities" on its website (accessible only by Partners and Charter members), but its three core roles are very hands-on:

- to build relationships with overseas customers
- to provide these customers with access to support from the UK armed forces and MoD
- to support industry-led overseas marketing campaigns

This is carried out by three Regional Directorates that cover the world and "offer assistance and advice on specific markets and prospects, co-ordinate Government support and provide a single point of contact for customer countries". These are supported by a number of teams in the Business Development Directorate, including one that co-ordinates arms fair participation.

UKTI DSO's military staff are a vital element of the sales package, providing advice and support on "doctrine, equipment and services." They cover each of the forces: the army Export Support Team bring "a unique operational credibility to their demonstrations"; the Royal Air Force team "deploy in support of marketing campaigns and coordinate [Air Force] support"; and the Royal Navy team sponsors Defence Industry Days where companies can display their wares on board a visiting Royal Navy ship.

## 2008 itinerary

31 March–3 April **Jordan** – SOFEX special operations arms fair, with Prince Andrew in attendance.

21–24 April **Malaysia** – DSA arms fair.

May – General Dynamics, supported by UKTI DSO, signs a contract to supply a tactical communications system to the **Libyan** Elite Brigade.

29 May – demonstrates weapon systems to the Commander of the Royal **Bahrain** Artillery.

July – hosts a visit by the **Algerian** Commandement des Forces Navales.

14–20 July **UK** – Farnborough International arms fair.

17–21 September **South Africa** – Africa Aerospace and Defence arms fair.

October **Angola** – proposed Defence Industry Day.

7–11 October **Greece** – Defendory arms fair.

27–31 October **France** – Euronaval arms fair.

17–19 November **Qatar** – Milipol Qatar, “internal state security” arms fair.

24–28 November **Pakistan** – IDEAS arms fair.

2–5 December **Chile** – Exponaval arms fair.

These boil down to using the UK armed forces – not just a few individuals but expensive, resource-heavy, in-service equipment including fighter aircraft and warships – to sell weapons for arms companies.

### UKTI DSO and arms fairs

Perhaps the most obvious UKTI DSO activity is its involvement in arms fairs. These international gatherings of arms companies, military delegations and ‘trade visitors’ are a vital element of the arms trade. They are large-scale arms proliferation events where arms buyers and sellers of any country can rub shoulders and arrange deals.

Only three weeks after UKTI DSO came into existence, the Malaysian Defence Services Asia (DSA) arms fair came around. It was “a good opportunity for colleagues across UKTI, including those within the new UKTI DSO, to work together to promote the capability of the UK defence and security sectors.” It featured: 718 companies from 49 countries; delegations from 32 countries including China, India, Indonesia, Myanmar (Burma), Pakistan, Philippines, Russia, Turkey, Vietnam and Zimbabwe; and 26,990 trade visitors from 63 countries including Iran and Somalia.

This assembly of arms buyers and sellers is the norm on the arms fair circuit. A similar range of participants will be present at Pakistan’s International Defence Exhibition and Seminar (IDEAS), straplined “arms for peace”, at which UKTI DSO will be exhibiting. According to UKTI DSO, it “showcases a wide variety of technology, ranging from equipment used in the third world countries to the most sophisticated systems from the West.” There is no sense of control or restriction at these events. At the first IDEAS arms fair in 2000, when the show organiser was asked which countries Pakistan wouldn’t arm, he said, “I don’t think we have a problem on that score. Maybe Israel we wouldn’t like to sell weapons to.”

But UKTI DSO does much more than attend arms fairs. It essentially co-organises London’s massive Defence Systems & Equipment International (DSEi) arms fair

with the event’s owner, Clarion Events. At UKTI DSO’s first major event, Farnborough International, it was responsible for the official delegations. It invited 40 of these including: Colombia, India, Indonesia, Iraq, Libya, Pakistan, Peru, Saudi Arabia, South Africa, Thailand, Turkey and the USA.

## Why UKTI DSO needs to close

### Contrary to UKTI’s remit

The business case for UKTI rests on three “necessary conditions”: that there are benefits to UK prosperity from increased international trade and investment; that there is clear evidence of market failure; and that the Government can provide support that is value for money. If the first condition doesn’t stand then the others are irrelevant.

Once UKTI had taken over responsibility for arms exports it claimed that, “The same economic case applies to Governmental support for UK business in the defence sector.” But do UKTI DSO activities meet this business case, specifically the first condition that the activities should benefit UK prosperity? The Government’s analysis is narrow and considers effects such as productivity and innovation within companies. While this could be reasonable for the civil sector, the impact of arms export support on “UK prosperity” needs a much wider view.

There are serious economic questions about Government support for arms exports, most glaringly given that the sector is extremely heavily subsidised and so skews economic activity towards arms production. This potentially damages other sectors that might be more efficient and innovative, and would certainly be more useful. There is also the broader question of the international trade costs of conflicts that are supported materially by UK arms exports or politically by the legitimisation they lend.

But the most significant issue in terms of UK prosperity is the cost of the present military-dominated approach to problems that arms companies and arms exports help perpetuate. There can be little doubt that the greatest threat to UK and global security is climate change, but as it is not a military problem with military solutions it barely registers when the UK Government allocates resources to 'security'. The costs to UK prosperity of indulging in US-led wars are considerable; the costs of not addressing environmental threats are likely to overshadow these.

## Negative impact on UKTI

### Corruption

One of UKTI's "top-level targets" is to "improve the UK's reputation as the international business partner of choice." In this, UKTI's association with the arms industry presents a problem. There is little less likely to make a country a partner of choice than concerns over its attitude to corruption, and the arms industry has an unenviable reputation in this regard. It is rated as one of the most corrupt business sectors by Transparency International's Bribe Payer's Index, and has been said to be "hard-wired" for corruption given that the arms trade is a buyers market where deals are often large, complex and shrouded in secrecy.

More specifically, the reputation of the UK has already sunk as a result of the numerous investigations of BAE Systems and especially of the Government's curtailing of the Serious Fraud Office investigation into BAE's deals with Saudi Arabia. This reputation is unlikely to improve soon given continuing US Department of Justice and Swiss federal investigations into the BAE-Saudi deals and continued criticism from the intergovernmental OECD's Working Group on Bribery.

If UKTI wants to meet its "top-level target" it needs to persuade the Government to enact effective anti-corruption legislation and end its unquestioning arms export promotion.

### Ethical behaviour

There will be some who object to UKTI in principle: those, potentially from very different political persuasions, who think that business is very able to look after its own interests without taxpayer money. But on the whole, UKTI will have raised few passions. The arrival of UKTI DSO will change that.

When UKTI announced that UKTI DSO was open for business, it claimed the new organisation would respond to the "compelling business case for transparency and ethical behaviour." But trying to associate indiscriminate arms selling with "ethical behaviour" is hopeless. It is obvious what UKTI DSO does and, aside from the external criticism, the sight of half of UKTI's sector-specific staff being dedicated to arms proliferation may well perturb many within the organisation.

## The damage from arms promotion

Regardless of the effect on the UKTI, there are much more pressing reasons for UKTI DSO's closure.

Most obvious is the impact of arms proliferation on those whose lives are wrecked by conflicts, those who live under repressive regimes that are supplied and encouraged by the arms sellers, and those who have inadequate health or education services because money is being wasted on arms, possibly for no other reason than the kickbacks that the buyer can pick up.

But the damage is not just 'over there', it is also in the UK. Arms exports are part of the military paradigm that sees only military solutions to problems, leading to pre-emptive military action on false pretexts and large-scale arms production for no credible reason. The result is wasted lives and money.

Arms deals are justified on the grounds of safeguarding UK security and UK jobs, but the arguments should be turned around. Security is threatened through both the international instability that arms deals contribute to and the military-industrial mindset that means urgent threats such as climate change are deprioritised. If a substantial proportion of the money that is put into arms were to be invested in alternative technologies we would not only have a greatly improved security outlook, but would be likely to create more jobs and better long-term employment prospects.

In terms of both security and jobs, Government policy needs to move swiftly towards a radical reduction in arms expenditure and exports, with the released resources invested in addressing environmental challenges.

**Active promotion of arms around the world is the last thing that any responsible, forward-thinking government should be doing. The first thing the UK Government should be doing is closing down UKTI DSO, without transferring its functions elsewhere.**

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A fully referenced version of this briefing is available at [www.caat.org.uk](http://www.caat.org.uk). A hardcopy of this can be provided by the CAAT office on request.

**11 Goodwin Street  
London N4 3HQ  
Tel: 020 7281 0297  
Fax: 020 7281 4369  
Email: [enquiries@caat.org.uk](mailto:enquiries@caat.org.uk)  
Website: [www.caat.org.uk](http://www.caat.org.uk)**

