

**INTERNATIONAL PEACE BUREAU**  
**DISARMAMENT FOR DEVELOPMENT**



***Corruption in the Arms Trade***  
***— Undermining African Democracy***



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# DISARMAMENT FOR DEVELOPMENT:

## Corruption in the Arms Trade

– Undermining African Democracy

*“The prevention of corruption is especially urgent in Africa, where it can seriously distort the priorities of development and peace. In the young African nations patterns of corruption were set from the beginning, by western companies as much as the new governments. The distortions were always greatest in the arms trade, which was the most secretive and profitable, with the most determined salesmen. African countries are full of unnecessary arsenals of weaponry, often acquired through corrupt deals and bribes, rather than for strategic reasons; while the cold war increased the corruption in many countries. It is not realistic to expect African countries to remove the corruption in buying weapons, unless there is equal effort from the industrialised countries to clean up the selling. If Africa is a scar on the conscience of the world, the scar cannot be healed if the world connives in corruption.”*

**- Anthony Sampson<sup>1</sup>**

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<sup>1</sup> Quoted in Transparency International paper on preventing corruption in the official arms trade (2005):  
[http://www.transparency.org.uk/programmes/DAC/Background\\_Note\\_2\\_Arms\\_and\\_Africa.pdf](http://www.transparency.org.uk/programmes/DAC/Background_Note_2_Arms_and_Africa.pdf)

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## Executive Summary

There are numerous factors that could be considered in the field of disarmament, with the aim of improving development standards around the world. One of the major factors having a negative impact on development is corruption related to the arms industry. This is not simply a question of inadequate policies and practices, but rather a systemic factor contributing to the stagnation of both democratisation and development.

The military sector is expanding day to day in very many states and spending levels have currently reached \$ 1204 billion annually. The arms sector, and especially arms transfers and international deals, tend to be surrounded by secrecy, which prevents us from obtaining accurate numbers and values of weapons sales. However, it has been estimated that roughly 50 % of all bribes worldwide are tied to arms deals. Considering the enormous circulation of military equipment, the result is very substantial amounts of financial resources ending up at unknown destinations in offshore bank accounts. In fact, bribery is often regarded as an integral part of arms deals, with 'commissions' constituting between 10 and 50 % of the value of the actual transaction. In theory, the extraordinary sums of money circulating outside the contracts, i.e. in the black economy, (not to mention the sums spent on the military equipment itself) could instead be utilised for reducing poverty.

The African continent deserves particular attention in this regard. Corruption is deeply rooted at all levels of society and the circulation of legal and illegal arms in many countries undermines progress made in reducing poverty and suffering. African democracy has made major steps forward over the last 20 years but much remains to be improved. For example, 18 countries on the continent did not allow any political rights or civil liberties to their citizens in 2007. Corruption related to arms deals further adds to the initially fragile state structures and does not contribute to an enabling environment for human development.

Various additional factors can be mentioned, such as: government support for Export Credit Agencies; ignorance and insufficiency of the international anti-corruption framework; the absence of a consistent legal framework for arms transfers; roles played by arms dealers; corporate influence in the political sphere; and lack of awareness of international prohibitions such as arms embargoes. It can be argued conclusively that the mutually beneficial relationship between states and arms producers fosters the continuation of unsound practices in the arms business.

It is a challenging task to come up with new proposals for improving the existing system. There are first of all concrete strategies to be considered for the purpose of preventing and combating corruption, such as reforming the defence industry, establishment of anti-corruption bodies on national level etc. Nevertheless, within the framework I have chosen to use, I would suggest that broader policies ought to be adopted. The concrete proposals made in this paper are the following: endorsing a people-centred security perspective with the aim of focussing attention on the essential components of society, i.e. individual human beings; acknowledging the interdependency of democracy and development and thereby committing to anti-corruption policies; focusing on preventive action; enforcing and improving existing regulations; and finally focusing on effective national strategies. Taken together, general strategies for shifting the priorities of governments and direct anti-corruption measures could constitute a successful programme for the eradication of corruption in the arms sector.

## I Introduction

The International Peace Bureau (IPB) is presently working within the frame of its *Disarmament for Development Programme*. The main purpose of the campaign is to redirect military resources into social spending. Military spending is constantly increasing and alongside, human security and development suffers. Democracy is one of the vital components assisting in development and when undermined, the process will consequently regress, if not stagnate. Corruption in turn, is probably the most overwhelming challenge to democracy at present. Corrupt practices contravene the entire process of democratization, and related to this certain effects on development can be observed.

The purpose of this paper is to examine the influence corruption in arms trade has on democracy on the African continent. Corruption is widespread in the arms business and in addition to this, it is one of greatest obstacles to democracy in Africa. Through innovative anti-corruption strategies one could improve the possibilities of achieving human security and development on the continent. The paper will depart from the basic concepts of human security, human development and democracy and proceed to controlling the arms trade and within this framework deal with corruption related to arms transfers. Specific problems that increase corruption will be addressed separately and propositions for new strategies will be made.

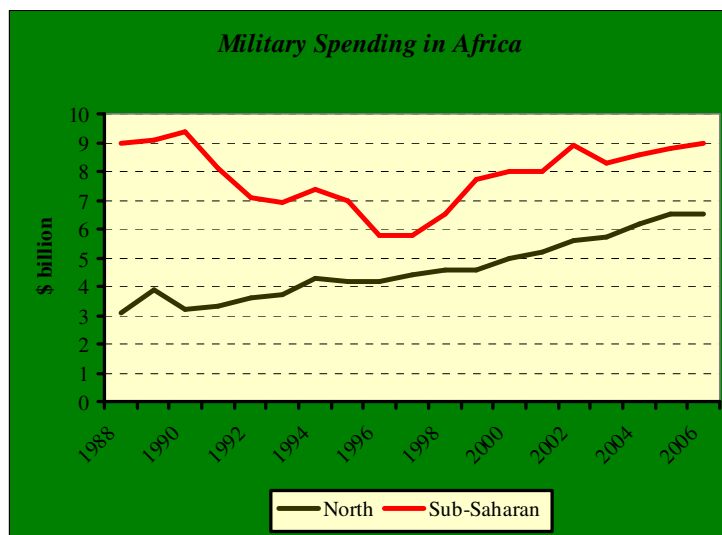
The author wishes to emphasize the essential role pro-democratic action plays in controlling the arms trade, for the purpose of reaching acceptable development standards. Corruption deprives the people, not only of financial assets, but of faith in their governments and if fought, it could add a great potential to improving the current state of African democracy.

## II Background – Disarmament for Development

In 2006 world military spending reached \$ 1204 billion a year.<sup>2</sup> This implies a 37 per cent increase during the last decade. Simultaneously, global society is concerned with the lack of progress towards Millennium Development Goals (MDGs) by the target year 2015. To simply attain the MDG's would require, in round numbers, \$ 120-190 billion, annually<sup>3</sup>. One could ask oneself where the proportionality is in this relation. In other words, if military spending had decreased or been maintained on the same level, states could have contributed a large amount in development aid to enhance the standards of humanity.

Disarmament is encouraged by the UN and has been a part of its agenda since its foundation. Article 26 of the UN-Charter<sup>4</sup> supports the control of armaments and today it is mainly the responsibility of the Department for Disarmament Affairs, established in 1998. In accordance with art. 47 of the Charter, a Military Staff Committee was established as a subsidiary organ to the Security Council with the specific purpose of *the regulation of armaments, and possible disarmament*. Although the Committee has not been active in recent years, it did put forward some ideas on how to reduce military spending and reallocate these resources into the developing world, for example the establishment of a UN poverty fund, using military resources. During the cold war the records show that no significant steps were taken. However, in the beginning of the 90s the spending finally began to drop, though it has steadily risen again since 1997.

The relevant milestones in disarmament have been the UN Special Sessions on Disarmament held in 1978, -82 and -88 respectively, and in addition the 1987 UN Conference on Disarmament and Development. Recently, in 2004, a report of the Group of Governmental Experts on Disarmament and Development was issued. This report explores the relationship between disarmament and development with a holistic



Source: SIPRI

approach, and adds human security as a third pillar. The remarkable step of placing human security on the agenda in this regard creates a more comprehensive approach and will hopefully change the priorities of world leaders. Furthermore, the report brought forward the concepts of Security Sector Reform (SSR) and Demobilization, Disarmament and Reintegration (DDR), two vital cornerstones when it comes to shifting priorities. The former

<sup>2</sup> SIPRI, *Annual Report 2007*.

<sup>3</sup> Millenium Project, *A Practical Guide to Achieve the Millenium Development Goals*, p. 56.

<sup>4</sup> Art. 26, UN-Charter : *In order to promote the establishment and maintenance of international peace and security with the least diversion for armaments of the world's human and economic resources, the Security Council shall be responsible for formulating, with the assistance of the Military Staff Committee referred to in Article 47, plans to be submitted to the Members of the United Nations for the establishment of a system for the regulation of armaments.*

entails running an accountable, democratically controlled security sector within a country, the actors being everything from civil authorities to military forces. This is a manner of taking the population into account and avoiding violent conflict by reforming repressive regimes. DDR implies demilitarization of society, disarming people and creating programmes for reengaging them in society. Both notions are means to an end in the process from disarmament to development.

Civil society has a significant role to play on this scene. This is why, the IPB has opted for its programme *Disarmament for Development*. Still in its initial stage, it is an important source for networking among associations working in the field on national and global levels, often on more specific campaigns. The current IPB campaign is among the broadest disarmament campaigns in action within the global peace movement.

### **IPB PROGRAMME DISARMAMENT FOR DEVELOPMENT: 2005 - 7**

In response to the recent developments at the UN and elsewhere, the International Peace Bureau has decided to launch a major new programme to intensify civil society pressure for action in this field.

Summary of main areas:

#### **1. Military spending**

- creating a new global civil society network, to work for a substantial and permanent shift of resources towards development

#### **▪ Effects of weapons on development**

- building a series of civil society partnerships, to give support to communities suffering from weapons effects, and to strengthen the work of campaigners seeking to eliminate or limit the production and trade in weapons of all types

#### **▪ Broader security context**

- helping to strengthen civil society capacity to redefine the problem in terms of human security needs, rather than in terms of military responses by the state.

Further details at: [www.ipb.org](http://www.ipb.org)

### III Democracy – A Necessity for Human Security and Development

#### *Defining Democracy – A People's Perspective*

*Democracy* is a term that originates from the Greek language, which stands for 'the rule of the people'. Thus, this constitutes the most basic definition of democracy today. In practice this conveys that the power is to be found with the people and not separated from it. The opportunity to participate in the ruling of their nation-state, directly or indirectly, is to be given to the common man.

*Democratization*, on the other hand, is the process of moving towards democratic standards. The instruments used in this process cover the whole legal and political sphere of society. Practically it intends to empower the people by providing them with the tools for them to determine their environment themselves. This process has frequently been linked to the concepts of human security and development.

Robert Dahl has set up a series of *simple criteria to be fulfilled* for a state to be considered democratic. Dahl views the democratic state as a society where equal and efficient participation is ensured in the areas of opinion, voting rights, access to information, control of decision-making and the inclusion of all adults in the decision-making process.<sup>5</sup> Concisely, a democracy is a society based on the principle of equity among individuals. Consequently, official decision-making has to gain the support of the majority and the thought of majority rule emerges.<sup>6</sup> For majority rule to preserve its efficiency there is a need for what has been called '*the responsiveness rule*' which states that there has to be an uninterrupted communication between the rulers and the ruled. In practice, this means the majority should have the possibility of removing the ruler from power.

#### *Linking Democracy to Human Security and Development*

In history, security has mainly been considered the unique domain of the state. The basic concept therefore came to be defined as *national security*. Today, we have luckily proceeded into an era where prosperity and war, as a means of upholding national security, are seldom used in the same sentence. Instead, we are faced with new threats in our global society.

Led by the US, certain governments are fully engaging themselves in what they describe as the *war on terror*, something others refrain from calling a war in the first place. The others, and especially civil society, rather prefer to see the current threats to security from a far wider perspective. The actual threats present today are more likely *climate change*, *poverty*, *resource conflicts* and the general *militarization* in the world.<sup>7</sup> These are the issues focusing on the people the society consists of, not on the interests of its leaders. Equally, some of these acute problems are themselves the sources of terrorism. *Human security is a people centred-security dealing with the ordinary concerns of the common people*, always prioritizing the welfare of the human being.

#### Adopting a human security approach entails:<sup>8</sup>

- placing human security on the security agenda
- strengthening humanitarian action
- respecting human rights and humanitarian law

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<sup>5</sup> Dahl, 1998, p. 38.

<sup>6</sup> Saward, 1994, p. 13.

<sup>7</sup> Abbott Chris etc, *Beyond Terror*, 2006.

<sup>8</sup> *Human Security Now*, 2003, p. 24.



- disarming people and fighting crime
- preventing conflict and respecting citizenship

*“In the final analysis, human security is a child who did not die, a disease that did not spread, a job that was not cut, an ethnic tension that did not explode into violence, a dissident who was not silenced. Human security is not a concern with weapons – it is a concern with human life and dignity.”<sup>9</sup>*

In fact, democracy can be stated to be an extension of the concept of *good governance*. The predecessor of the African Union (AU), the Organization of African Unity (OAU), adopted the Cairo Agenda for Action in 1995 to relaunch economic and social development in Africa. The African leaders thereby confirmed their willingness to promote good governance on the continent. What is defined as good governance in this document is very similar to what constitutes democracy. Furthermore, the Cairo Agenda underlines participation in development for the cause of democracy as an aim to be accomplished through decentralization.<sup>10</sup>

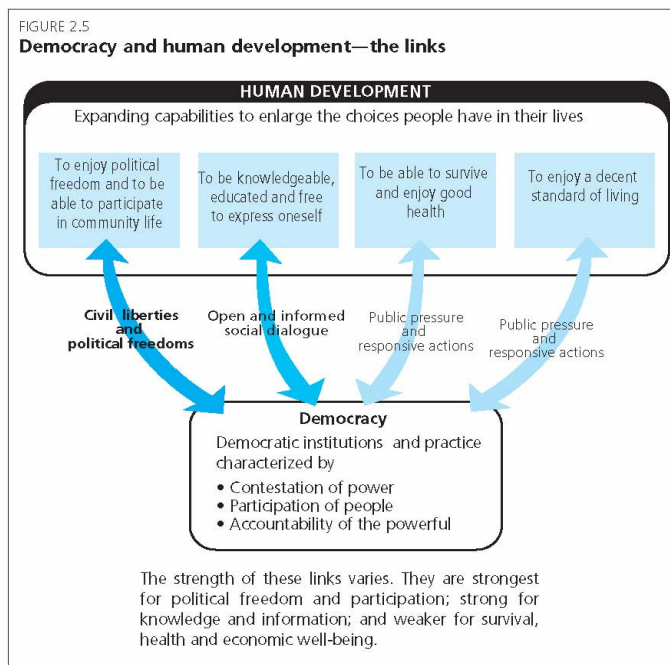
Especially if one regards human development as a vital aspect in societal development the two concepts of democracy and good governance are practically similar in their meaning.<sup>11</sup>

*Good governance is perhaps the single most important factor in eradicating poverty and promoting development.*

—UN Secretary-General Kofi Annan<sup>12</sup>

In the discussion on democracy and development one could ask oneself what development involves. The approaches are diverse but one should adopt the broadest view possible, motivated by the complexity of the concept of democracy itself. I would suggest this to be human development. Human security and human development are interrelated; extensively promoting the former will enable people to obtain the latter. Thus, providing possibilities and enhancing the capacity of people are key factors.

*“Respect for human dignity implies commitment to creating conditions under which individuals can develop a sense of self-worth and security. True dignity comes with an*



*Human Development Report 2002, p. 58.*

<sup>9</sup> UNDP, *Human Development Report 1994*, p. 22.

<sup>10</sup> The Cairo Agenda for Action, § 10 b.

<sup>11</sup> Human Development Report 2002, p. 51.

<sup>12</sup> UN 1998, quoted in HDR 2002, p. 51.

*assurance of one's ability to rise to the challenges of the human situation. Such assurance is unlikely to be fostered in people who have to live with the threat of violence and injustice, with bad governance and instability or with poverty and disease. Eradicating these threats must be the aim of those who recognize the sanctity of human dignity and of those who strive to promote human development. Development as growth, advancement and the realization of potential depends on available resources—and no resource is more potent than people empowered by confidence in their value as human beings.”*

**– Aung San Suu Kyi**

**Winner of the Nobel Peace Prize, 1991<sup>13</sup>**

Human development encompasses all aspects on the path to human dignity, everything essential for the existence of human beings. It encompasses the implementation of all human rights: social, economic, cultural, political or civil. For this to come true, there has to be a dialogue between the people and the ruler, there will have to be an ongoing participation and there has to be accountability. Otherwise people will be incapable of enhancing their situation; there will probably be a lack of human security and consequently no human development. This is the linkage between democracy, human security and human development. In conclusion: what undermines democracy will inevitably weaken human security and human development. Commonly, these concepts are seen as so interdependent that it is impossible to separate them even in their implementation.

### ***The State of African Democracy***

Africa is a continent rich in history, culture and people. It has a population of almost one billion, or 14 per cent of the entire world. In 2006, the number of free democracies in Sub-Saharan Africa was 11, the number of not-free 15 and the remaining 22 considered partly-free.<sup>14</sup> These numbers are based on Freedom House's classification of states on a democratic scale. A state being free means that wide scopes of human rights are enjoyed, the society is politically free and people are integrated in the decision-making process. Partly free, on the other hand, often implies so-called constitutional democracies. These countries have established constitutions that support democratic principles, but in practice they do not implement the laws. In other words, the enjoyment of citizen rights is restrained. In states classified as not-free political rights are entirely absent.



Source: CAAT

It would be wrong to state that democratic standards have not been enhanced during the past decades. In 1977 a total of 25 states denied their people political rights, a number diminished by half in three decades. Africa is the continent of relatively successful democracies and repressive regimes, simultaneously. There is political stagnation and democratic drawbacks side by side with productive, democratic elections. The political atmosphere in Africa is as

<sup>13</sup> Quoted in HDR 2002, p. 52.

<sup>14</sup> Freedom House report : Freedom in Sub-Saharan Africa 2007, p. ii.

[http://www.freedomhouse.org/uploads/press\\_release/africa\\_report\\_jul07.pdf](http://www.freedomhouse.org/uploads/press_release/africa_report_jul07.pdf), see Annex I.

diverse as its people. The year 2006 witnessed fewer gains than setbacks, one of the reasons being the absence of transparent governance. In other words, African democracy is flawed by corruption. The main factor, though, remains the lack of the rule of law, an area where even strong performers have a hard time accomplishing results, South Africa being an example. However, among these states one also finds the countries showing less impressive records, such as Chad, Ethiopia and Eritrea.

*After several years of steady and, in a few cases impressive advances for democracy, sub-Saharan Africa suffered more setbacks than gains during 2006. One country, the Republic of Congo (Brazzaville), saw its Freedom in the World status decline from Partly Free to Not Free due principally to a heightened lack of transparency and openness on the part of the government. Other countries suffered declines as well, including a number that had made promising gains in the recent past, such as Burundi, Chad, Madagascar, Cote d'Ivoire, Mauritius, Somalia, South Africa, and Guinea-Bissau. More modest declines were registered in both Partly Free and Not Free countries, including Eritrea, Ethiopia, The Gambia, Kenya, Seychelles, and Zimbabwe. There was notable progress in several countries during the year. The Democratic Republic of Congo (Kinshasa), the third-most-populous country in sub-Saharan Africa, saw its political rights rating improve because of the emerging political process surrounding largely successful presidential elections, the first in the country's history. Liberia made gains in fighting corruption and expanding government transparency, and enjoyed a much needed stabilization during Ellen Johnson-Sirleaf's first year as President. Conditions also improved in Malawi and Benin, as well as in Mauritania, which took important steps toward political pluralism and a functioning electoral framework.*

**–Jennifer Windsor**

**Executive Director**

**Freedom House**

**16 July 2007**

**Freedom House report : Freedom in Sub-Saharan Africa 2007, p. iii.**

## IV Democratic Control of the Arms Trade – How, by Whom and to What Extent?

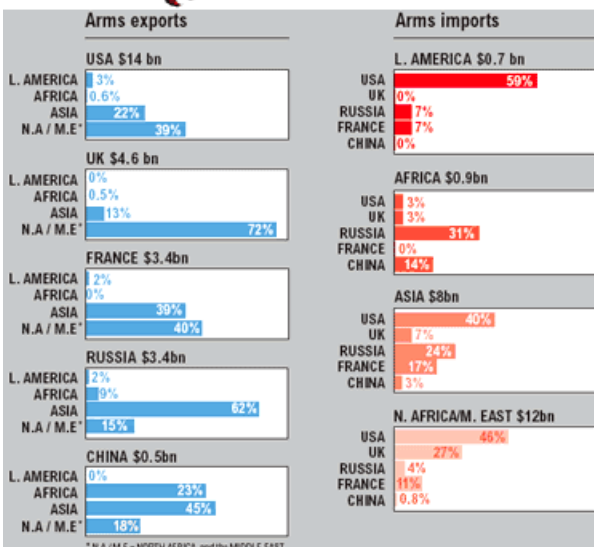
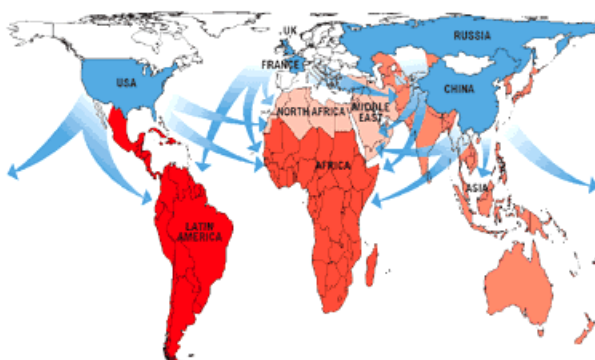
### Introduction

The five states profiting most from the trade are the five permanent members of the Security Council, those that once were appointed to, in accordance with the UN-Charter, maintain peace and security.<sup>15</sup> Between 1998 and 2001 three of the major arms suppliers, the US, France and the UK gained more from arms transfers to developing countries than they contributed in development aid. The arms trade has no equal in the industrial sector. It works beyond any regulation and is stained with bribery and corruption.

*“Without strict control, small arms and light weapons will continue to fuel violent conflict, state repression, crime, and domestic abuse. Unless governments act to stop the spread of arms, more lives will be lost, more human rights violations will take place, and more people will be denied the chance to escape poverty.*

*Urgent measures are needed immediately. Governments need to take action at every level, from communities to the international arena, to stop this suffering.”<sup>16</sup>*

### Arms exports and imports in the world:<sup>17</sup>



Like any other kind of exchange of goods, arms trade requires a demand-side as well as a supply-side, and in addition an agreement to regulate the conditions for trade. Arms trade is not simply concerned with producing, purchasing and selling, on the contrary it touches upon sensitive ethical and political issues.

One could start exploring the arms trade by asking why there is a demand for arms. If no demand, no arms transfers; but equally, if no offer, no exchange. Arms are not to be considered regular commodities such as domestic equipment, neither is the arms trade a business ruled by passive producers and buyers. It is indeed a business of conspiracy and market stimulation. Governments hardly remain passive in this process.

The importance of controlling the arms trade derives from the highly controversial situations the weaponry might be used in.

Source: Controlarms

<sup>15</sup> [http://www.controlarms.org/the\\_issues/arms\\_industry.htm](http://www.controlarms.org/the_issues/arms_industry.htm), and UN-Charter art. 23.

<sup>16</sup> [http://www.controlarms.org/the\\_issues/](http://www.controlarms.org/the_issues/), Control Arms Campaign, jointly organised by Oxfam, Amnesty International, IANSA.

<sup>17</sup> Control Arms Campaign, [http://www.controlarms.org/the\\_issues/movers\\_shakers.htm](http://www.controlarms.org/the_issues/movers_shakers.htm). Numbers from



Internal unrest, human rights abuses, constrained relations with neighbour states, are all eligible reasons for not carrying through arms transfers. In fact, these are some of the factors which increase human insecurity and are consequently to be taken into consideration by exporting states prior to closing arms deals. Many problematic aspects could be added to this discussion, not least the unwillingness of governments to adhere to their international obligations. One other issue is the case of so called dual-use technology, i.e. equipment that is suitable both for military and civilian purposes. Extensive problems might arise from the lack of awareness of the principal use of the goods. Too restrictive policies might undermine development, e.g. if devices needed for constructing infrastructure etc. are not exported, while unrestricted strategies may worsen the humanitarian situation. The control of the arms trade is trying to balance the scales.

### *Ethics*

The arms market today is subject to more debate than pure fact. The statistics are embedded in maybes rather than certainties. Information concerning weapons holdings, transfers and purchases is surrounded by secrecy, usually in the name of national security, due to a lack of transparency in the defence sector. Mainly, the arms trade, dominated by the western arms producers, is measured in financial value. When it comes to Africa, somewhat simplified, the major exporters are all more developed, if not fully democratic, states providing military equipment to countries oppressing their people. Overall there seems to be no logic in the arms business, at least not when it comes to adhering to ethics. Taking into consideration the effects weapons have on the civilian population, the extent to which they hinder development and undermine democracy, why would the north wish to conduct trade with the south in this field? Practically, arms subvert the core values of western society and prevent the rest of the world from adopting similar ones.

The ethical reasons for submitting the arms trade to certain regulations are perhaps even more rigid than the ones found in international law. The law is after all based on general ethical principles of humanity. Armament will sooner or later lead to military activities, domestically or externally, with devastating results for society. This chain of events tends to be widely ignored in the international arms trade. Wars do not only affect the societies they are fought in, but equally neighbouring states, if not whole regions. Refugee flows are pouring over state borders, development stagnates, political instability follows, and economy is forced into recession, to point out some of the cross-border repercussions.



At one end of the ethical discussion lies the suggestion that 'weapons do not make war, people do'. The final decision on arms exports should be based on the intended purpose of the purchaser. Examples show us that war can be made in the absence of advanced equipment, e.g. the genocide in Rwanda and the separation of Pakistan and India 1947.<sup>18</sup> Nevertheless, weaponry facilitates the conduct of hostilities.

*Scene from 'Lord of War' movie.*

<sup>18</sup> Cornish, *Controlling the Arms Trade*, p. 50.

One of the obstacles to be overcome is the impreciseness of definitions on the international level. Arms sellers tend to justify their trade by referring to art. 51 of the UN Charter, namely the right to self-defence. Complying with the obligation ‘only to supply arms for legitimate self-defence’, raises the question of what constitutes legitimate self-defence. When highly controversial questions of this kind emerge they cannot only be confined to the moral and ethical evaluations of each state. However, today this is the case.

On the other extreme of the arms debate we find the proposition that ‘defence-related trade is more causative than symptomatic of conflict’, and hereby it should be considered an independent ethical issue, outside human influence.<sup>19</sup> Arms would accordingly be the main factor contributing to an increasing degree of conflict.

The frequency of corruption in the arms industry, which is to be indicated later on, shows that there is a deep-rooted will among arms sellers to manufacture and distribute their products, without weighing the effects. Meanwhile officials are pushing arms deals one can assume that they do not pay a lot of attention to who their ‘victims’ are, may these be warlords or western leaders. Consequently, both people and arms could stimulate conflict. Thus, in the present state of the world, it would appear foolish to go to war without arming beforehand. Arms do undoubtedly add to emerging conflict.

As Lennart Molin has expressed it

*“Our determination is to have a scientific rationality in making decisions for example on ethical issues and dilemmas, like when we solve equations and draw conclusions from laboratory experiments as made in chemistry lessons at school. If we look upon decision making like that conscience easily becomes a burden, an annoying factor that complicates our calculations.”*<sup>20</sup>

This is the scenario to be avoided by all means in the field of arms trade.

### ***The Legal Framework and Its Loopholes***

*“A gun is as easy to get as a packet of cigarettes.”* **Evan Jean Lolless**, 34, serving life imprisonment for murder in the USA, 1997<sup>21</sup>

*“We can’t have it both ways. We can’t be both the world’s leading champion of peace and the world’s leading supplier of arms.”* **Former US President Jimmy Carter**, presidential campaign, 1976<sup>22</sup>

## **General Principles Guiding Arms Transfers**<sup>23</sup>

### *1. Responsibilities of states*

All international transfers of arms and ammunition shall be authorised by all States with jurisdiction over any part of the transfer (including import, export, transit, transshipment and

<sup>19</sup> Cornish, p. 51.

<sup>20</sup> *Arms Trade*, ed. Haglind Karin, p. 24.

<sup>21</sup> Quoted on [http://www.controlarms.org/the\\_issues/the\\_problem.htm](http://www.controlarms.org/the_issues/the_problem.htm), Control Arms Campaign.

<sup>22</sup> Quoted on [http://www.controlarms.org/the\\_issues/arms\\_industry.htm](http://www.controlarms.org/the_issues/arms_industry.htm), Control Arms Campaign.

<sup>23</sup> *Compilation of Global Principles for Arms Transfers*, compiled by Amnesty International: <http://web.amnesty.org/library/Index/ENGPOL340042006>

brokering) and carried out in accordance with national laws and procedures that reflect, as a minimum, States' obligations under international law.

*2. Express limitations*

States shall not authorise international transfers of arms or ammunition that violate their expressed obligations under international law.

*3. Limitations based on use or likely use*

States shall not authorise international transfers of arms or ammunition where they will be used or are likely to be used for violations of international law.

*4. Factors to be taken into account*

States shall take into account other factors, including the likely use of the arms or ammunition, before authorising an arms transfer.

*5. Transparency*

States shall submit comprehensive national annual reports on all their international arms and ammunition transfers to an international registry, which shall publish a compiled, comprehensive, international annual report.

*6. Comprehensive controls*

States shall establish common standards for specific mechanisms to control:

- A. all import and export of arms and ammunition;
- B. arms and ammunition brokering activities;
- C. transfers of arms and ammunition production capacity; and
- D. the transit and trans-shipment of arms and ammunition.

States shall establish operative provisions to monitor enforcement and review procedures to strengthen the full implementation of the Principles.

At the moment no judicially enforceable regulations for arms transfers exist. The only framework in place for arms trade at present consists of diverse guidelines, which lack decent implementation. Some of these are the *UN Guidelines for Conventional Arms Transfers* (1996) agreed upon by the General Assembly, the *EU Code of Conduct for Arms Transfers* (1998) and the *Principles governing Arms Transfers agreed by the Forum for Security cooperation of the Conference for Security and Cooperation in Europe (CSCE)* (1993), the *ECOWAS Convention* (2006), *Nairobi Protocol* (2006) etc. This network of controls might seem extensive, but in the absence of implementation mechanisms their effect remains insignificant. As a result the only binding obligations on states derive from other, more general, international obligations such as the UN-Charter, human rights conventions, and regulations on corrupt practices among others.

## control arms

The Control Arms campaign is a joint IANSA, Oxfam and Amnesty International venture. The Control Arms campaign is calling for an international, legally-binding Arms Trade Treaty to ease the suffering caused by irresponsible weapons transfers. In December 2006, 153 governments voted at the United Nations to start work on developing an international Arms Trade Treaty. The Control Arms campaign is asking parliamentarians around the world to sign a declaration, which calls on governments to make swift progress towards an Arms Trade Treaty. The declaration, launched as part of the IANSA Week of Action will be delivered to the United Nations Secretary General later this year. It would be of vital importance in the fight against corruption if anti-corruption clauses were included in a new, enforceable, Arms Trade Treaty. This highlights the essential role a single campaign can play when combating corruption, only the introduction of a new treaty would enhance the potential of reaching results.

<http://www.controlarms.org/>

Of the above mentioned documents, the *EU Code of Conduct* and the *UN Guidelines* are the most comprehensive ones. In summary the UN guidelines set the following conditions for states' arms transfers:<sup>24</sup>

1. They will consider carefully whether proposed transfers will:

- a) promote the capabilities of the recipient to meet needs for legitimate self-defence;
- b) serve as an appropriate and proportionate response to the security and military threats confronting the recipient country;
- c) enhance the capability of the recipient to participate in regional or other collective arrangements or other measures consistent with the Charter of the United Nations or requested by the United Nations;

2. They will avoid transfers which would be likely to:

- a) prolong or aggravate an existing armed conflict;
- b) increase tension in a region or contribute to regional instability;
- c) introduce destabilising military capabilities in a region;
- d) *contravene embargoes or other relevant internationally agreed restraints to which they are parties*;
- e) be used other than for the legitimate defence and security needs of the recipient state;
- f) support or encourage international terrorism;
- g) be used to interfere with the internal affairs of sovereign states;
- h) seriously undermine the recipient state's economy.

Criterion 2.d explicitly calls upon states' other international obligations, which should be taken into account under all circumstances. However, the legal obligations in this regard arise

only from ratified instruments with binding status, not from these guidelines. The same is the case when it comes to the EU Guidelines, which include respect for human rights in the recipient country, the final destination/end user criterion, states' commitments to non-proliferation, the relation between military and social spending, with the purpose of not hampering sustainable development.

Furthermore, these guidelines apply only to governments, which in turn are 'obliged' to implement the principles in their national practices. Regulations on private corporations' behaviour will depend on the willingness of governments to establish national laws in the first instance. If states do not adhere to the non-binding regulations, no set regulations for private actors will exist.

<sup>24</sup>Summary taken from:

<http://www.fco.gov.uk/servlet/Front?pagename=OpenMarket/Xcelerate/ShowPage&c=Page&cid=1014919009387>



The world we are currently living in is one of rapid globalisation. Certain influences on arms trade will follow. States no longer necessarily produce final products on their territory. Instead they elude the loose legislative framework by exporting components to be utilised in constructing military equipment in a third country, eventually to be delivered to an end user. This is inclusively done by all members of the Security Council. For example the new Chinese attack helicopters Z-10 have been constructed through the assistance of UK/Italian, US and Canadian corporations.



Source: <http://cnair.top81.cn/helo/Z-10a.jpg>

Previously, China has exported helicopters to Sudan, but it remains unclear whether these have been used in attacks on civilians.<sup>25</sup>

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<sup>25</sup> [http://www.controlarms.org/documents/Arms%20Without%20Borders\\_Final\\_21Sept06.pdf](http://www.controlarms.org/documents/Arms%20Without%20Borders_Final_21Sept06.pdf)

## V Corruption in Arms Trade

### Introduction

*"True, corruption is a deep rooted parasitic culture that reaps from other people's sweat and hard work. Corruption can be fought through a legal framework that is double edged to penalise the giver and the taker."*<sup>26</sup>

**Malinda Harrahs, Kenyan in Germany**

Transparency International has defined corruption as the *misuse of entrusted power for private gain*. Furthermore they distinguish between so called *according to rule* corruption and *against the rule* corruption, the former implying occasions where the receiver, according to law, is authorised to conduct certain activities, while in the latter case the receiver is prohibited from carrying out the requested tasks.



The arms industry is one of the fields regarded as most prone to corruption, corrupt practices are more or less considered common property.<sup>27</sup> Nevertheless, corruption in the arms trade is not a phenomenon strictly limited to developing countries. Most of the arms producers are located in the developed world; therefore most of the bribing can be associated with the western world. On the other hand, the recipients are principally officials in less developed countries, earning 'pocket money' at the

expense of their people. One of the first steps in the fight against corruption is to acknowledge the equal guilt of briber and receiver.

When reviewing the American defence budget in 2002, Donald Rumsfeld explained:

*" 'According to some estimates we cannot track \$2.3 trillion in transactions,' .... \$2.3 trillion — that's \$8,000 for every man, woman and child in America."*

**(CBS News, 1/29/02, U.S. Secretary of Defense raises evidence of government, military corruption<sup>28</sup>)**

What could the destination of these resources have been? In 2003 the scenario repeated itself:

*"A GAO report found Defense inventory systems so lax that the U.S. Army lost track of 56 airplanes, 32 tanks, and 36 Javelin missile command launch-units. When military leaders were scrambling to find enough chemical and biological warfare suits to protect U.S. troops, the department was caught selling these suits as surplus on the Internet 'for pennies on the dollar.' "*

**(San Francisco Chronicle, 5/18/03<sup>29</sup>)**

### Corruption as a Challenge to Democracy

Corruption is, at least in the African context, one of the greatest challenges on the path to complete, inclusive democracy. A democratic society entails the full empowerment of people and the accountability of the government. This includes the enjoyment of basic human rights

<sup>26</sup> <http://news.bbc.co.uk/1/hi/world/africa/3819027.stm>

<sup>27</sup> Rider, *Corruption: The Enemy Within*, 1997, p. 83.

<sup>28</sup> <http://www.wanttoknow.info/corruptiongovernmentmilitary>

<sup>29</sup> <http://www.wanttoknow.info/corruptiongovernmentmilitary>

such as the right to participate. The growth of corruption in societal relations hinders the full enjoyment of human rights;<sup>30</sup> as a result it becomes an obstacle to the process of democratisation and sustainable human development.

One of the most fundamental principles of democracy is equality. Corruption will lead to preferential treatment of the bribers, even though it does so in an artificially manipulated way. Bribers and receivers create a mutually beneficial relationship, which clashes with internationally established democratic values, e.g. defined in human rights instruments. Thus, it is without difficulty one recognizes a negative correlation between democracy and corruption, however this relationship remains unsatisfactorily defined. The correlation between civil liberties and cases of corruption in Africa is strongly negative, which suggests elections to improve civil liberties, while corruption decreases the fulfilment of them.<sup>31</sup> Democracy counteracts unrestrained state power. The occurrence of unlimited state power is



associated with weak transparency and no horizontal or vertical accountability, sowing seeds for corrupt practices. Therefore, democratisation appears to be a countermeasure to corruption.<sup>32</sup>

*"The price of western companies' bribery is ultimately paid for by people of the Southern countries in which the companies operate. They pay for it in the form of increased debts incurred for overpriced and poorly planned projects that often provide little benefits to people or countries."* - Susan Hawley, The Corner House, June 2003

When it comes to African governments, the lack of information on arms deals is overwhelming. One can only speculate on how widely spread corruption is in the African arms sector, taking into account the common tendencies of their politics combined with the corrupt arms trade practices. Bribery is frequently used in Africa, in every day situations, from the bottom up to the highest offices. It is deeply rooted in society, to such an extent it is almost impossible for Africans to imagine what life would be like without it.

According to the US Department of Commerce, an estimated 50% of all bribes worldwide are issued in the defence sector.<sup>33</sup> Statistics show that the developing countries made up 66.8% in value of all

**UN/CORN**

United against Corruption makes a unique contribution to the global fight against bribery and corruption by mobilising the strengths of the trade union movement. Winning the fight against bribery and corruption depends on the involvement of people on-the-ground: at work and in the community. Trade unions, as representatives of millions of public and private sector workers and members of civil society, have a crucial role to play. UNICORN works with trade unions around the world to combat bribery and corruption in all sectors by increasing awareness and use of anti-corruption instruments, campaigning for measures to protect whistleblowers and supporting trade union anti-corruption activities. UNICORN also strives to strengthen the links between trade unions and the anti-corruption community.

<http://www.againstcorruption.org/>

<sup>30</sup> Bajestani, *Implementation of Human Rights Principles is the Best Way to Fight Administrative Corruption*, in Defenders winter-spring 2007, p. 31.

<sup>31</sup> Lindberg, *Democracy and Elections in Africa*, 2006, p. 153.

<sup>32</sup> Lindberg, pp. 153-4.

<sup>33</sup> Transparency International, *Corruption in Arms Trade*, 2002, p. 3.

arms imports over the period 1998-2005. Africa made up around 11% during 1998-2001 and 4.4% in 2002-2005.<sup>34</sup> This equals an average of 7.7% of world military deals in the period 1998-2005, which is rather modest considering its size. Africa's financial share of the arms imports during the same eight year period was \$ 13,751 million.<sup>35</sup> It has further conservatively been estimated that 10 % of the value of those deals is a bribe, provided that a bribe has been given. However, the value of these commissions varies and sometimes makes up as much as 30-50% worth of the arms deal. Parts of the bribes are generally considered legitimate expenses for lost revenue.<sup>36</sup> Assuming that corruption takes place in most of African arms deals, the financial value of bribes for the period 1998-2005 would have made up \$ 1,375 million. In the absence of reliable information this is, however, merely speculation. If we assume that 1 billion was submitted in bribes during this eight year period, the value of these commissions would have paid for lifting 2.7 million people out of poverty for a year.<sup>37</sup>

### *Testimonies on Corruption in Africa*<sup>38</sup>

"The Kenya government's effort in its fight against corruption is comparable to the efforts of one who digs a hole while simultaneously filling it up. Its efforts will never bear fruit unless it rids itself of those corrupt government officials that were recycled back into the new government from the previous one."

– *Mzee Kobe, US/Kenyan*

"Corruption is rapidly becoming part of us especially in Africa. In Zambia for instance you cannot get a job or a place in school if you don't corrupt someone in higher authority. We all have a part to play in order to eradicate this vice."

*Wamuwi Lifuna, Lusaka, Zambia*

"The issue of corruption in Nigeria is one of the most shameful. But the problem is so deep rooted that we need a total paradigm change in the thinking pattern of people in Africa. I never realised giving someone a "thank you token" was bribing until I came to Europe more than a decade ago. Most people in Africa do not understand what the hassle is all about. This is part of culture that is deeply embedded in people that it is difficult to change but it can be changed."

*Dr Godson Onyekwere, Poland/Nigeria*

"Corruption is something that we cannot wipe out in Africa. All our leaders are birds of the same flock. We pray that God will send a radical leader that has the interest of the ordinary man at heart to wipe it out completely."

*Augustine Foday, Sierra-Leone*

"African governments and donors may have reduced the amount being paid in sitting allowances for pointless committee meetings, but now there is a plague of workshops being held throughout Africa. Government participants get free 5-star accommodation and \$50 per night. Is this where Western donor money is going? Just go to any luxury safari lodge, and see

<sup>34</sup> CRS report to Congress, *Conventional Arms Transfers to Developing Countries 1998-2005*, 2006, summary and p. 51.

<sup>35</sup> CRS Report, p. 50.

<sup>36</sup> <sup>36</sup> Transparency International, *Corruption in Arms Trade*, 2002, p. 8.

<sup>37</sup> Number based on the calculation of \$ 1 billion/365 days, which equals \$ 2.739 million, the amount disposable per day. This implies 2.739 million people living on \$ 2 / day could be lifted over the limit of absolute poverty for a year.

<sup>38</sup> <http://news.bbc.co.uk/1/hi/world/africa/3819027.stm>

how many of these wasteful meetings are being held.”

*John Smith, Zambia*

“Unfortunately, the people responsible for fighting corruption in my country, Nigeria, are the same people encouraging it!”

*Majid oziaminu, Nigeria*

“How deep is corruption in Africa. I was born in South Africa and under Apartheid there were very few non-white people holding positions of any value and it was whites that demanded the bribes. The Africans have seen this and now it is a way of life, some believing if the white lords can do it why not me? We should introduce the Chinese system where the bribe takers are publicly paraded.”

*Thomas Kantha, Japan*

“The African continent will never find a solution to corruption as long as both top officials in the private and public sectors are dishonest. When the head of the fish starts to rot, it’s the rest of the body that will later be affected.”

*Ali Adamou, N'Djaména, Chad*

“Corruption has gone from a mere act of accepting bribes to a complete state of mind and way of life. It has progressed from the poor attempting to "make ends meet" to a sense of entitlement from anyone in a position of authority. Change must happen from the top and the bottom. Officials must set the example and all others must follow.”

*Rene McDonald, USA/Malawi*

‘Corruption in Africa is far much deeper than Lake Chad itself.’ *Shuttie F.N.Libuta, Zambia*

‘It certainly starts with me! The problem is that as a Tanzanian, I don't love my country enough to want to make sacrifices for her. I do not love my mother, so I let her bleed to death if she doesn't give me a bribe at the hospital. I do not love my children, so I sell the clothes that have been donated to them free of charge. Worst of all I despise anyone that refuses to join me in my plunder and will not hesitate to kill him or her. I simply don't love my people.’

*Zumbi Musiba, Tanzania*

“Corruption has become the main branch on which the government is sitting.” *Ted Mapri, Douala, Cameroon*

“The first step in fighting corruption, is knowing that the giver is equally as guilty as the receiver of the bribe.”

*Divine, Ifitedunu, Nigeria*

### ***The Anti-Corruption Framework***

The Anti-corruption framework, relevant in the case of Africa, consists of the following main instruments:

- United Nations Convention against Corruption*
- African Union Convention against Corruption*
- Council of Europe Civil and Criminal Law Conventions on Corruption*

### *-Organisation for Economic Cooperation and Development Anti-Bribery Convention<sup>39</sup>*

These conventions are equally applicable in situations of arms trade, as in any other form of commercial activity. States which have acceded to these conventions are legally bound by the restrictions contained in them, including states of origin and recipient states. Givers and takers of bribes are equally subject to these conventions and for this reason the CoE and OECD conventions are included.

Initially, the novelty of anti-corruption measures should be emphasised. The first steps were carried through only after the end of the cold war. Even so, the most comprehensive instrument of them all, the UN Convention, did not enter into force until 2005. State parties are to undertake measures for prevention, criminalisation and enforcement; measures for international cooperation between law enforcing authorities; and asset recovery. What distinguishes the AU Convention from the UN's is its inclusion of certain principles concerning the underlying purpose of the convention. Here the AU makes links to fundamental values of democracy, promotion of human rights, development etc<sup>40</sup>, while the UN does not explicitly introduce a holistic approach, but keeps to strictly corruption-related purposes. The OECD and CoE conventions adhere to the UN format in simplified form, although they were adopted already in 1997 and 1999, respectively.

*The common frameworks provided by international anti-corruption conventions serve to:*<sup>41</sup>

- ***facilitate international cooperation*** in the control and sanctioning of corruption in order to address a cross-border phenomenon.
- ***provide internationally agreed reference points***, useful for reforming governments, citizens and donors.
- ***create peer pressure on governments***, especially when bolstered by an effective review process.
- ***provide civil society with a tool*** for holding their governments accountable.
- ***promote collective pressure on the private sector***.
- ***provide for fora*** in which governments, and in some cases non-governmental actors, can meet ***to discuss corruption issues***, align concepts and review anti-corruption efforts.

### ***Contributing Factors – Lack of Transparency and Accountability***

*“At the global level, public transparency on arms transfers is still patchy and inconsistent. Many recipient states in areas of conflict or tension are not transparent to any degree about their arms acquisitions. Reports or statements on arms transfers or acquisitions still come mainly from Western states. However, most of these focus on financial data and often do not provide information on the types of equipment or weapons transferred, meaning that they are not the most useful data when analysing the impact of arms transfers. Transparency is, however, slowly on the increase and may benefit from discussions on an arms trade treaty.”*<sup>42</sup>

**– SIPRI 2007**

<sup>39</sup> Convention on Combating Bribery of Foreign Public Officials in International Business, 1997, DAF/FE/IME/BR(97)20, OECD.

<sup>40</sup> AU Convention against Corruption, art. 3.

<sup>41</sup> [http://www.transparency.org/global\\_priorities/international\\_conventions/conventions\\_explained](http://www.transparency.org/global_priorities/international_conventions/conventions_explained)

<sup>42</sup> SIPRI yearbook 2007, p.417.

Accountability and transparency are both vital elements of good governance. The transparency of government procurement is the cornerstone when discussing corruption in arms trade. The examples extracted from the media on the American defence budget are textbook examples of lack of government control in budget implementation. Defence ministries that 'lose' \$ 2,3 billion raise serious questions on the state of democracy in the country. It can only be speculated where these resources dissolved. They could have ended up in foreign pockets as well as national. Money might be harder to track, but missing weaponry could not have simply disappeared, which still seems to have occurred on a later occasion.


Transparency has been defined to include six different components: availability, reliability, comprehensiveness, comparability, disaggregation, and relevance.<sup>43</sup> Adhering to principles of transparency can only be subject to supervision if comprehensive, accurate and accessible annual national reports on arms sales are submitted, including the quantity and value of the individual export licences issued. The most comprehensive international effort to enhance the control is the UN Register of Conventional Arms (UNROCA), which classifies arms transfers according to seven weapons categories and has overall produced impressive participation, despite the weak contributions of African states. Evidence shows that there is hardly any coherence between exporters' and importers' records for the same affair.<sup>44</sup> The expediency of similar reporting is seriously disrupted. Scrutiny based on false numbers is hardly productive.

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<sup>43</sup> SIPRI report, *Transparency in the Arms Industry* by Surry, Eamon, 2006, p. 37.

<sup>44</sup> Transparency International, *Corruption in Arms Trade*, 2002, p. 33.





Network Vlaanderen promotes an environmentally and socially responsible approach to money. Network gives advice on sustainable saving and investment products. And Network has been running the campaign "My Money. Clear Conscience?" to show banks where their responsibilities are around human rights abuses. Banks control the flow of money. They determine what is financed, and what is not financed, and under which conditions. In this way, they determine the direction and the speed in which our society develops. They carry a great responsibility. It is only logical that they are asked to limit their financial dealings that injure our society. In order to achieve this, the banks will need draw up guidelines or codes of conduct that forbid the financing of the military industry. By controlling the outflow of money to military projects the sources used in corruption will partially be drained.

<http://www.netwerkvlaanderen.be/en/index.php>

*"Active parliamentary participation in and scrutiny of the decision making process are necessary to end the secrecy culture"*

***Dr Vincent Cable MP, UK<sup>45</sup>***

The parliaments' role in exporting countries is not only vital for certifying end-users and actual destinations of weapons, but are also an important tool in fighting corruption. In fact, most states adhere to the principle of not selling arms to recipients where democracy is under threat, and as indicated earlier corruption undermines good governance, therefore arms exporters should be considered obliged to include parliamentary scrutiny to avoid corrupt practices.

In importing states the bidding procedures should be clarified. The regulation of bids should be coherent, not modified along the way, only to some states' knowledge. Bids should be announced publicly to avoid the secrecy surrounding arms deals. Consulting with independent national or international experts, not involved in the arms deal, could further enhance transparency in the arms trade. The importance of establishing reviewing mechanisms in national parliaments is vital, since if there is no institution supervising government action, the risk of unsound, unaccountable practices increases.

In the review of practices in Africa, the responsibility could additionally be extended in one direction, namely to donor countries. If there were effective scrutiny and regulation of the use of contributions in the country providing, e.g. development aid, the potential of the recipient state as an arms purchaser might diminish. Consequently, the cases of corruption might decrease too.

### ***Why the Defence Sector is Prone to Corruption<sup>46</sup>***

- The business is surrounded by secrecy. Extensively, this is motivated in terms of national security, however, SIPRI has found that in the long run the individual officials and corporations profit more from the lack of transparency than the state finances and national security. As a result, the barriers to greater transparency more frequently were a consequence of the lack of political commitment than purely national security reasons.

<sup>45</sup> Standing Committee B, Debate on the Export, Control Bill, 19 July, 2001. Quoted in TI report on Corruption in Arms Trade.

<sup>46</sup> Transparency International :

[http://www.transparency.org/news\\_room/in\\_focus/2006/defence\\_sector/why\\_the\\_sector\\_is\\_prone\\_to\\_corruption](http://www.transparency.org/news_room/in_focus/2006/defence_sector/why_the_sector_is_prone_to_corruption)



- The Statement of Requirements and the Technical Specification in defence procurement are more **specific** than in other areas and are therefore more vulnerable to manipulation. Secrecy makes it easier to hide this.
- **Black budgets** (military expenditures not approved by parliament) are commonplace. Politicians can take advantage of their positions to push black budget defence funds to certain contractors in exchange for personal favours.
- **Use of agents** is deeply rooted in the defence sector. For instance, the UK Export Credit Agency (the ECGD) issued guidelines with strengthened anti-corruption requirements for companies seeking export guarantees. TI (UK) has released a critique of the new ECGD anti-bribery requirements, which still presents loopholes, which corrupt agents can take advantage of. Similar loopholes exist in other Export Credit regimes.
- Contracts are often for **technically complex** and **extremely high value** products
- **Offsets** are widely used (offsets are investments in the local economy by the winning firm). Offsets complicate the deals and make it difficult to judge whether value for money is being obtained.
- **The “revolving door syndrome”** is widespread and leads to conflicting interests. Both exporting and importing countries value the technical and procedural knowledge of defence officials, who after retirement often proceed to the private sector, or vice-versa. There is substantial risk of interdependency between current and former officials, which may lead to a lack of accountability and can easily provoke corruption.
- Extensive use of **single source bidding** means defence procurement is often conducted without full and open competition.
- **Lack of prosecutions** under the OECD: the lack of prosecutions reveals a lack of commitment by OECD countries to fully implement the OECD Convention. A number of high-profile prosecutions would help to send the message that a blind eye will not be turned to the bribery of foreign officials by OECD companies.



## **Transparency International (UK)'s Work in the Defence and Security Sector**

TI (UK) began working to address corruption in the defence arena in 2000, bringing together arms exporting governments and defence companies to consider what constructive measures might be taken to reduce corruption in defence. From two conferences, one in Stockholm, Sweden, and one in Cambridge, UK, came a number of recommendations. This led to the formation of a defence team, pursuing four main activities that TI (UK):

**1. Defence industry.** TI is working with defence companies to encourage the development of an industry consortium against corruption in international tenders. Major defence companies are engaging with us on this issue, and their national governments are supportive of these developments. The US initiative is led by the US Aerospace Industries Association, and the European initiative is led by the Aerospace & Defence Industries Association of Europe. It is hoped that there may be an announcement on this matter at this year's Farnborough Air Show. We have also run seminars separately with Swedish and UK defence industry, in conjunction with their national governments.

**2. Defence Integrity Pacts.** Trialling the use of a procurement anti-corruption tool, Defence Integrity Pacts, in major defence tenders. The Integrity Pact is an anti-corruption procurement tool that has been used extensively in Latin America and with considerable success, but which until recently has been little used in defence contracts. Integrity Pacts are enforceable anti-bribery pledges overseen by an empowered independent monitor. DIPs lend added credibility to the procurement process through enhanced transparency and accountability. TI has been involved through the local TI Chapter in one major defence tender in Colombia and are currently engaged in a second in Latvia. We are also in discussion with other national chapters such as Zambia and Poland.

Other TI Chapters are engaged in defence reform activities. TI India has been closely involved in implementation of Integrity Pacts on Indian defence procurements. This is a positive first step from which lessons will be learned, and it is hoped that the use of independent monitors will soon become widespread. In Korea, there has been extensive engagement between TI Korea and the Korean Ministry of Defence on the use of Integrity Pacts for regular defence procurement. The Colombian Ministry of Defence has been actively engaged with the national TI Chapter, Transparencia por Colombia, in making their procurement processes more transparent.

**3. Procurement capabilities.** TI is working to improve anti-corruption capability in defence ministries and in their procurement practices. There is an appetite to develop good practices in this area. TI(UK)'s current focus is in defence procurement, where we are working both with Integrity Pacts and with countries on other useful tools, such as independent reviews of defence procurement practices and civil society oversight.

**4. Laws and international instruments.** TI is working to strengthen laws and international instruments against bribery in defence. They have been engaged in discussions on the EU Code of Conduct on arms export controls, and have participated in the UK Consultation over the anti-bribery requirements for the Export Credit Guarantee Department, where new anti-corruption requirements were initially relaxed at the request of defence companies. In addition to the above, they are engaging the World Bank and other multilateral lenders to discuss ways to influence government defence reform, and national Export Control organisations to discuss ways to strengthen anti-corruption measures in arms exports. Finally, they are working with NATO's Partnership for Peace Programme to create a NATO Policy on Corruption.

<http://www.transparency.org>

## *The Telling Examples of*

### *A) Saudi Arabia*

*“New threats and conflict arenas are placing unprecedented demands on military forces and presenting BAE with new challenges and opportunities...” ‘With major operations on 5 continents and defence customers in some 130 countries, BAE Systems is well placed to use its strong UK and enhanced US presence as a springboard for further growth in both new and established defence markets’*

**- BAE Systems Annual Report 2005<sup>47</sup>**

It is a scary scenario, the picture weapons manufacturers have of the world. The corruption scandal involving bribes paid by the world’s fourth biggest weapons producer, BAE Systems, to Saudi officials is relevant also with regards to the African situation. Namely, prior to 2006 Somalia was subject to an UN arms embargo, which was breached by, among others, Saudi Arabia.<sup>48</sup> The investigated case of corruption involved a £ 43 billion arms deal, signed in 1985, the biggest ever in British history. This supposedly involved commissions mounting to £ 1 billion paid straight into the pockets of the Saudi prince, Bandar, during a period of 20 years. The deal is assumed to have involved the facilitation of arrangements for selling Saudi oil in exchange for military aircraft. It has been alleged that this took place with the knowledge and authorisation of the UK Ministry of Defence. When the Serious Fraud Office (SFO) launched an inquiry in 2004 it was withdrawn by Tony Blair a couple of years later in “national security interests”.<sup>49</sup> Anti-corruption activists reacted angrily to cover-up and it led to another, ongoing, OECD investigation.

Illustration from CAAT’s ‘Control BAE’ campaign.

The SFO investigation is said to have been halted following Saudi pressure. The office had requested access to Saudi bank accounts in Switzerland, and consequently the Saudi Government responded by blackmailing the British, threatening to cancel the arms deal and the thousands of jobs created by it. When the Swiss granted access the Saudis, according to the Financial Times, presumably the Saudis ‘threatened to withdraw all cooperation on security, including intelligence sharing on al-Qaeda, and downgrade its embassy in London’.<sup>50</sup>

According to the Middle East Monitor ‘it is likely that the Swiss account statements will reveal an itemized list of people who, for one reason or another, Bandar has found it necessary to discretely pay off over the past two decades’.



The Campaign Against Arms Trade (CAAT) in the UK has as a part of their Control BAE campaign made three concrete suggestions on how to reinitiate the review of BAE practices. First, they point out the necessity of reopening the SFO investigation, because the reason for cessation was not evidence based. Secondly, the report of the initial inquiry made by the

<sup>47</sup> Cited in CAAT, *BAE Systems in 2005*, <http://www.caat.org.uk/publications/companies/BAES2006.pdf>.

<sup>48</sup> SIPRI Yearbook 2007, p. 412. See *Breaking Arms Embargoes Section*.

<sup>49</sup> Guardian Unlimited June 7, 2007, <http://www.guardian.co.uk/baefiles/story/0,2097149,00.html>.

<sup>50</sup> Middle East Monitor, Vol. 2 no. 1, June/July 2007, [http://www.mideastmonitor.org/issues/0705/0705\\_4.htm](http://www.mideastmonitor.org/issues/0705/0705_4.htm).

National Audit Office (NAO) between 1989 and 1992 should be made public. It was classified as confidential and its contents were never subject to review by members of parliament. Thirdly, a new report should be drafted by the NAO for the period since 1992 and be made public. The above-mentioned measures should be taken with the purpose of restoring public trust.<sup>51</sup> The same NGO additionally highlights that Blair has encouraged parliament to approve controversial BAE agreements with some African states. Tanzania and Zimbabwe are mentioned in this context.

### **BEA and Tanzania**

*“In November 2006 both the Times and the Guardian reported that the SFO was investigating the sale of a BAE military air traffic control system to Tanzania. In January 2007, following interviews with two Tanzanian middlemen, the Guardian alleged that commissions of \$12 million, 30% of the value of the deal, had been paid into Swiss bank accounts by BAE.”*<sup>52</sup>

The scope of the Saudi deal is what has brought the BAE arrangements to light. However, it increasingly seems to be the tip of the iceberg, with ongoing investigations on India, Romania, South Africa, Qatar to mention only some. Qatar figured in the recent Libyan case, involving the Franco-German arms company EADS. Exporting arms to countries known for extreme debt burdens, poverty, human rights abuses and repression is not in conformity with existing arms transfers regulations. Unfortunately, no enforcement mechanism exists for these loose commitments. The anti-corruption framework, on the contrary, is far more rigid. The UK might for example be subject to sanctions under the OECD Anti-Corruption Convention art.3, if found guilty of a breach of the treaty.

### **B) South Africa**

*“We owe a great deal to John Reid (the Defence Secretary) and Lord Drayson (the Defence Procurement Minister)”*

**-Mike Turner, Chief Executive of BAE Systems**<sup>53</sup>

The circumstances surrounding the South African case follow a similar pattern as the Saudi one, the major actor being BAE Systems. In 1999 a £ 3-4 billion arms agreement was signed with the SA government. The deal was criticised as a disproportional and inappropriate measure of the government, both strategically and from the perspective of actual economic and social development needs.<sup>54</sup> An African National Congress (ANC) politician, close to the official investigation of the deal, claimed that the defence minister received commissions, and in addition money was deposited in an ANC elections fund in an offshore bank.<sup>55</sup>

Similarly, the joint Franco-German company, European Aeronautic Defence and Space Co (EADS), has been alleged of corrupt practices in relation to SA. Schabir Shaik, businessman, financial advisor and close friend of SA Deputy President, Jacob Zuma, was found guilty of offering bribes to Zuma on behalf of EADS, in return for protection from investigations in to alleged corrupt practices by the company in 2005.<sup>56</sup>

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<sup>51</sup> CAAT, <http://www.caat.org.uk/issues/sfo/panorama-statement.php>.

<sup>52</sup> CAAT, *BAE: a company out of control*, [http://www.caat.org.uk/publications/companies/ControlBAE\\_briefing.pdf](http://www.caat.org.uk/publications/companies/ControlBAE_briefing.pdf).

<sup>53</sup> Cited in CAAT, *BAE Systems in 2005*.

<sup>54</sup> CAAT, *BAE Systems in 2005*.

<sup>55</sup> Guardian Unlimited, June 14, 2003, <http://www.guardian.co.uk/armstrade/story/0,977397,00.html>.

<sup>56</sup> Socialist world, June 9, 2005, <http://socialistworld.net/eng/2005/06/09safrica.html>.

Even though the SFO had to close their investigation in the Saudi case, it is still inquiring into BAE payments to the SA Government. A senior SA defence ministry official is alleged to have taken bribes in relation to a £ 1.5 billion arms contract, a deal twice as expensive as a competing rival's. In January 2007 it emerged that SA authorities are providing assistance to SFO concerning commissions allegedly paid to John Modise, deceased SA defence minister, including a £ 500,000 bribe from BAE and \$ 10 million from a German company. BAE has admitted to paying tens of millions of pounds in bribes to secure the contract. The intention was to pay as much as 12 % worth of the deal, but they had to cut it down to 7 % plus a donation to ANC right after signing the contract.<sup>57</sup>

Sweden, a country reputed to be one of the most transparent and least corrupt in the world, has also been part of the bribery scandal surrounding SA. The former Swedish Prime Minister Göran Persson, was quick to stimulate the Swedish arms trade contacts with SA after it became classified as a democratic state. In relation to the major 1999 deal with BAE, the Swedes signed a contract for the export of 28 Gripen military aircrafts, a company jointly owned by BAE and SAAB. An agreement between the two arms producers to cooperate in the marketing of the Jas-type military aircraft had been signed already in 1995.<sup>58</sup> At the time of the 1999 commitments, BAE and SAAB agreed to make investments in SA to a value of \$ 8.7 billion to counterbalance the deal.<sup>59</sup>

The agreement was widely criticised in the media due to the distorted priorities of the SA government. A large part of the population in SA suffers from AIDS and the country has no external threats, so why invest in the military as opposed to, for example enhanced healthcare? The Swedish support for these policies has not been received without criticism. Simultaneous to the arms deal, approximately € 105 million was transferred to SA agents from the Swedish company. SFO is investigating the transfers and has presently come to the conclusion that more than £ 70 million has been paid to SA agents through the offshore company Red Diamond, during the period 2000-2005. A share of this money is thought to derive from SAAB in Sweden.<sup>60</sup> According to a Swedish newspaper a British ECGD document reveals that the two companies together made unspecified payments to agents and corporations in SA, to a value of £ 140 million.<sup>61</sup>

In sum, bribery and corrupt practices in the arms trade in a country that has been called the most advanced African democracy, appears to preserve its stronghold. South Africa is said to have the most progressive constitution on the continent, including an impressive bill of rights. But how to maintain its reputed status if the people are not fully empowered? How is sustainable human development achieved without adequate resources? The South African Government might need to consider a thorough cleanup of its business practices.

### ***Briber or Receiver – Who Bears the Responsibility?***

*"[...a real issue...] a lot of contracts are huge and are conducted behind a veil of secrecy, margins are big, and there is plenty of room for brown envelopes". This can be extremely damaging as "a bad corruption reputation will stop foreign direct investment in its tracks".*

<sup>57</sup> Guardian Unlimited, Jan. 6, 2007, <http://www.guardian.co.uk/armstrade/story/0,,1983976,00.html>.

<sup>58</sup> Fokus, *Nätet dras åt kring Saab*, [www.fokus.se/artikel/167](http://www.fokus.se/artikel/167).

<sup>59</sup> Ekonominyheterna, Jan. 25 2007,

[http://www.ekonominyheterna.se/va/magasin/2007/04/halften\\_kvar\\_i\\_motkop/](http://www.ekonominyheterna.se/va/magasin/2007/04/halften_kvar_i_motkop/).

<sup>60</sup> Swedish investigating journalism, SVT, Uppdrag granskning, *JAS-affären i Sydafrika*, 4 June 2007:

<http://svt.se/svt/jsp/Crosslink.jsp?queryArt637153=JAS+plan+till+sydafrika&doneSearch=true&d=55055&a=637153>.

<sup>61</sup> Dagens nyheter, June 3, 2007, <http://www.dn.se/DNet/jsp/polopoly.jsp?d=147&a=657409>.

- Lord Robinson (former Secretary General of NATO) on corruption in arms trade in TI interview<sup>62</sup>

Who bears the final responsibility in the corruption circus? Is it the giver or the receiver? In any case, it is obvious that if corruption was eliminated from either side it would be handicapped. In Africa corruption has been known to permeate the entire society, here illustrated by the testimonies of Africans around the world. It is so deeply rooted, it is persuasive to claim that by cutting the financial source, the briber, the problem would partially be cured. However, both parties should share the final responsibility.

To eradicate corruption on the African continent would demand a completely different set of strategies, comprehensive, timely demanding coherent policies on the whole continent. I would argue that curing corruption at the bribers' end would primarily be the most efficient solution. After all, the bribers are commonly those from textbook example democracies. Their host countries, thus, in comparison to developing countries, have major capabilities in fighting this problem. Western companies, sometimes government owned, should not adhere to the notorious tradition of corruption in African countries. Curing African corruption demands more far-reaching efforts and they will above all not be eradicated if the west follows the African pattern. I would argue that the 'first aid' target should be the western states, while African states lack preventive, long-term action. However, western leaders like to shine the spotlight on African practices rather than their own.

Enterprises have more than one reason to start cleaning up their internal policies. As Lord Robinson puts it *"a lot of companies want to clean up their act. Bribery makes it more expensive for a company to bid in a competition. If the company has a good product, it has an interest in transparency."*<sup>63</sup> For providing sustainable development, corporate social responsibility must be promoted. The importance of good corporate governance is enhanced by the extent of interdependence fostered by globalisation. Transparency International has put forward three possible strategies for enhancing international responsibility:

- a) promoting the use of anti-corruption pledges in international defence procurement
  - b) harnessing industry's enthusiasm to fight corruption to create an international defence industry anti-corruption consortium and associated code of conduct and
  - c) exerting pressure for stronger anti-corruption requirements in the global regulatory framework<sup>64</sup>

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<sup>62</sup> TI,  
[http://www.transparency.org/news\\_room/in\\_focus/2006/defence\\_sector/john\\_githongo\\_interviews\\_lord\\_roberts\\_on\\_the\\_defence\\_industry](http://www.transparency.org/news_room/in_focus/2006/defence_sector/john_githongo_interviews_lord_roberts_on_the_defence_industry).

<sup>63</sup> Ibid.

<sup>64</sup> TI, *International Trade in Conventional Weapons*, background note 1, 29 June 2005.



## VI Fighting Corruption in Arms Trade – A Means to an End

This section of the paper will deal with certain specific difficulties to be overcome in the fight against corruption. Most of the different aspects to be touched upon are deeply interrelated and form a chain of linkages. This helps the arms producers maintain their enterprises and exporting procedures, which in turn upholds corruption. The chain needs to be disrupted.

### *Corporate Influences in Politics*

Democratic practices are based on transparency and accountability. Yet, enterprises' roles in public life remain somewhat foggy. The phenomenon called the 'revolving doors syndrome', or the movement of people between corporations and government agencies, illustrates one side of this problem.

There are three types of revolving doors:<sup>65</sup>

2. **The Industry-to-Government 'Reverse' Revolving Door**  
through which the appointment of corporate executives and business lobbyists to key posts in government agencies establishes a pro-business bias in policy formulation and regulatory enforcement;
3. **The Government-to-Industry Revolving Door**  
through which public officials move to lucrative private sector roles from which they may use their experience to influence government procurement, regulatory policy and the public interest; and
4. **The Government-to-Lobbyist Revolving Door**  
through which former law-makers and executive-branch officials use their inside connections to advance the interest of corporate clients.

It is impossible to determine exactly the consequences of this type of movement of personnel, but certainly the private interests play a major role in government decision-making. In the arms business the government tends to deny the wrongfulness of producing and selling weapons to developing countries, founded on the need to preserve national jobs. This is a way of serving the interest of the private companies in the name of the state.

The process of corporate influences in politics begins with their contributions to electoral campaigns. In the 2000 US elections, private corporations contributed \$ 1,2 billion to political parties.<sup>66</sup> This vital resource of politicians in winning elections plants the first seed in the mutually beneficial relationship between government and private officials. The remarkable size of corporate contributions tends to undermine the interests of those the politicians are assigned to serve, i.e. the people. Other interest groups in society do not by far have the means to match those of enterprises.

A survey done in 1999, involving 60 countries and 57,000 people, came to the conclusion that there is widespread suspicion of corporate practices among the general public. A majority considered enterprises to be responsible for bribery and corruption. In 12 European countries half of the people were expecting a higher social responsibility in corporate practices. Furthermore there was a lack of faith in corporate accountability, according to weak laws or weakly implemented legislation. In fact, so called 'white collar crime' receives much less attention than deserved.<sup>67</sup> In 2004, as many as 64% of the Americans responded to a survey

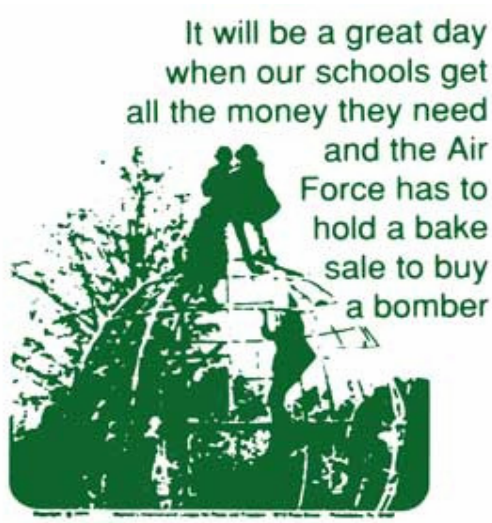
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<sup>65</sup> O'Driscoll, *Closing the Door on Corporate Influence*, p. 1.

<sup>66</sup> HDR 2002, p. 68.

<sup>67</sup> HDR 2002, p. 68.

by stating that ‘government is pretty much run by a few big interests looking out for themselves’.<sup>68</sup>



The lack of public trust in corporations could be enhanced through three aspects. First, there has to be *transparency*, i.e. corporations have to reveal their political contributions. Second, *accountability*, enterprises should try to meet public concerns and not merely internal profit making strategies and third, *consistency*, with regards to policies of groups they adhere to.<sup>69</sup> These factors would assist in controlling corporate influence in politics and enhance their social responsibility, including the prevention of corruption.

*“The most effective—and ambitious—approach would be for corporations to get out of politics altogether.” –HDR 2002*

The use of donations to election campaigns functions according to the exchange-of-favours principle, once the party or individual supported rises to a powerful position the return of favours is expected. However, it must be emphasised that this logic only applies to circumstances of very liberal legislation on campaign assistance, such as in the US. Governments tend to be favourable to the national arms industry as it generates economic growth. The symbiotic relationship between arms producer and their domestic government could be extremely hard to tackle due to its mutually beneficial character. Governments appear turn a blind eye to corrupt practices and in some cases even assist the companies in hiding them. Strictly implemented legislation on transparency, accountability, consistency and also the adoption of principles of social responsibility beyond the legal limitations are certainly key factors. But in sum, if sound arms practices or disarmament and anti-corruption policies are to be executed, the full separation of arms producers from the sphere of government is essential.

### **Export Credit Agencies Support for the Arms Trade**

*“...ECAs are public agencies and entities that provide government-backed loans, guarantees and insurance to corporations from their home country that seek to do business overseas in developing countries and emerging markets. Most industrialized nations have at least one ECA.”<sup>70</sup>*

Export Credit Agencies (ECA) provide financing for companies exporting merchandise to unstable parts of the world. This implies conflict zones or areas of political or economic instability and similar circumstances where other financiers are unwilling to provide funding.

<sup>68</sup> O’Driscoll, *Closing the Door on Corporate Influence*, p. 1.

<sup>69</sup> HDR 2002, p. 68.

<sup>70</sup> ECA Watch: <http://www.eca-watch.org/eca/index.html>.



In other words, ECAs finance trade to regions, under circumstances where it is unsure whether the exporter will receive payment for his products. The funding is provided in the form of loans, guarantees and/or insurances. If the importer does not pay, this is covered by the ECA, which is responsible for the risk-factor. Subsequently it is the burden of the agency



This is the international NGO campaign on Export Credit Agencies. Among other issues, they are working on difficulties with ECAs' support for arms trade and deals involving corruption. ECAs play an important role in arms exports because of their close association with governments, the ECA Watch member groups work toward the prohibition of export credit support for arms and other military transactions. ECAs also indirectly support corruption by turning a blind eye to the track-records of companies they finance and many of them fail to investigate corruption allegations made against companies they support. ECA watch is making an effort to counteract these defects.

<http://www.eca-watch.org/>

*"Bribing foreign officials in order to secure overseas contracts for their exports has become a widespread practice in industrial countries, particularly in certain sectors such as exports of military equipment and public works. Normally these contracts are guaranteed by government – owned or – supported Export Credit*

*Insurance (ECI) schemes [similar to ECAs] (HERMES in Germany, COFACE in France, DUCROIRE in Belgium, ECGD in the UK)."*<sup>72</sup>

to retrieve the money from the importer. Because of the ECAs' acceptance of high risk factors much of its funding is placed in the arms trade to developing countries. Consequently, this is a contributing factor to the growing burden of debt in developing countries. ECA practices have been accused of contradicting universal policies on sustainable development and conflict prevention and they tend to ignore the impact of their projects on human rights and the rights of local people.<sup>71</sup>

The government has to give its approval prior to issuing credits and hereby becomes openly involved and supportive of financing the arms trade. According to European Network Against Arms Trade (ENAAAT), 20-30% of all export credits issued or signed by governments are attributed to the military sector, which is highly remarkable as arms sales generally do not make up more than 2% of the total exports.



Source: ECA Watch

<sup>71</sup> ENAAAT, *European Export Credit Agencies and the financing of arms trade*, pp. 8 and 13.

<sup>72</sup> ECA Watch: [http://www.eca-watch.org/eca/ecas\\_explained.html](http://www.eca-watch.org/eca/ecas_explained.html), original source TI working paper 1999:2, *Export Credit Insurance and the Fight Against International Corruption*, Dieter Frisch.



The export of weapons and military equipment to countries that use their arms against their own population is one of ENAAT's central concerns. Some European military costumers are notorious Human Rights violators. ENAAT is also opposed to the export of arms to countries that are involved, or about to be involved, in armed conflicts. The chance that conflicts in a region of tension will be solved in a violent way, increases with the amount of arms in that area. Finally, ENAAT questions arms exports to countries whose inhabitants lack basic needs such as clean drinking water, basic education and basic health care. Recently, the organisation produced an enlightening report on Export Credit Agencies and the financing of arms trade, including sections on corruption related to the topic.

<http://www.enaat.org/>

In practice bribes are accounted for as a part of the deal. Accordingly, the quote above would mean that bribes are founded with ECAs' money in case the importer does not pay on time. The ECA resources, in turn, derive from the government and prior to this from the tax payers. Doubtless, the average tax payer would not support his government financing the stagnation of development in other countries. Therefore, in cases where the government does not recover its money, the debt is often discharged as development aid.<sup>73</sup>

*"ECAs even pay out insurance claims to companies whose contracts were cancelled because of allegations that they had paid bribes."*<sup>74</sup>

The problematic aspect concerning the ECAs is basically their preference for arms deals. The distorted relationship between support for arms trade as opposed to the arms trade's actual share of the entire export sector, favours this statement. If there was less promotion of arms agreements, eventually there would be less resources to fall back on for carrying them through, including less money for bribes. This is an issue which should urgently be addressed by governments for the purpose of enhancing democratic standards around the world. Ethical aspects should inclusively be applied as well in arms deals, which is far from always the case today. Increase of transparency in ECAs' functions and distribution of resources, in combination with government transparency and accountability towards its people, would counteract the current strategies. Eventually, it all depends on the willingness of states to deepen democracy on home ground

to avoid undermining democracies facing more complex challenges, i.e. the states they are exchanging goods with. The security sector should not be discharged from the common standards of democratic states.

### **Government Support**

Government involvement stretches further than engagement through ECA support for the arms trade. Arms deals, without exceptions, depend on the issuing of export licenses to arms manufacturers. Without licenses no arms can be transferred legally out of the state of origin. Generally, states are favourable and generous in distributing licenses as it stimulates the national economy and employment. If the government does not grant the license for exporting the equipment, the ECA will not cover any loss incurred by the company. Considering the amounts of financial resources involved in the arms business, in practice many corporations would go bankrupt without obtaining the license, which secures funding for their projects. It is a chain of events where the survival of the arms producers depends on government approval. If governments would not support arms manufacturers, they would instead have to deal with reintegrating the unemployed following bankruptcies.

<sup>73</sup> ENAAT report, p. 16.

<sup>74</sup> ENAAT report, p. 17. Original source: *Underwriting Bribery: Export Credit Agencies and Corruption*, Susan Hawley, The Corner House, 2003, p. 5.

### *The UK example*<sup>75</sup>

In the UK, the DTI (Department of Trade and Industry) is responsible for providing export licences to manufacturers wishing to sell arms abroad. The Ministry of Defence (MoD), Foreign and Commonwealth Office (FCO) and Department for International Development (DfID) are all consulted before a licence is granted. However, despite some commitment to ethical foreign policy, the decision making process is heavily weighted in favour of the arms dealers. A typical example of this was the late 2001 case, when BAE Systems were granted a licence to sell a £ 28 million military air traffic control system (ATC) to the Tanzanian government despite the fact that:

- At this date Tanzania possessed eight military aircraft and a military ATC system could only provide limited support for civilian air traffic.
- A civilian ATC system costing a quarter of the price would have met the country's needs.
- The cost of the system would have added to Tanzania's debt burden and done nothing to address poverty in the country. Adding to the debt burden seems especially short-sighted given that some sections of the UK government were trying to cancel debt.
- The UK's export licensing criteria state that account must be taken of the compatibility of arms exports with the technical and economic capacity of the recipient country (based on IMF and World Bank information). In this case the World Bank criticised the proposed export for the first two reasons above. Tony Blair, Jack Straw and Geoff Hoon are said to have argued for the deal whilst Clare Short and Gordon Brown were strongly against it.



SPEAK is a Christian network connecting the emerging generation to campaign and pray on issues of global justice. They campaign for change in unjust structures like unfair trade rules and the arms trade, and seek to connect others to their values. SPEAK drives the Counting the Cost Campaign against the arms trade, touching on questions such as the government role in the arms trade, subsidies and secrecy, all contributing to maintaining corrupt practices.

<http://www.speak.org.uk/>

Accordingly, the UK did not take the development opportunities of the recipient country into account. While arms exporting countries continue supporting their national economies the importers will find their development stagnated. From the Saudi case we learnt that the UK government nowadays prefers assisting corporations in covering the traces of corruption, despite the growing security threat of increasing poverty and marginalisation. States insist on support for national security, which ignores the actual challenges and undermines development.

The UK government is openly supporting the arms trade by negotiating arms deals for private companies. By maintaining offices such as the Defence Export Services Organisation (DESO), the Export Credits Guarantee Department (ECGD), military research and development subsidies and various other export subsidies for UK arms, the public sector continues stimulating arms production and corrupt practices.<sup>76</sup>

<sup>75</sup> Speak Network: <http://www.speak.org.uk/armstrade>.

<sup>76</sup> Speak Network: <http://www.speak.org.uk/armstrade>. DESO is shortly to be shut down, see [http://www.caat.org.uk/caatnews/2007\\_08/news\\_shutDESO.php](http://www.caat.org.uk/caatnews/2007_08/news_shutDESO.php).

In the UK<sup>77</sup>

0.3%	Arms export jobs as a percentage of total employment
3%	Arms as a percentage of total exports
25%	ECGD support given to arms exports
55%	Government research expenditure spent on arms

The obvious disproportionality of the spending in the official sector shows the excessive preference for military support by the government.

### **Breaking Arms Embargoes**

Prior to the genocide in Rwanda arms dealers succeeded in circumventing not only the UN arms embargo but also the national legislative frameworks of the most influential states in the world. The principal brokers in charge of these deals were located in the UK, France and SA.<sup>78</sup> All of these brokers have been exempted from genocide charges.

During the last decade the UN has imposed 13 arms embargos, all of which have been systematically breached.<sup>79</sup> The individuals involved in the violations are arms dealers, brokers, financiers and traffickers, as well as enterprises, united in a network to distract the supervisors. The countries on whose territories these activities occur are producers, exporters, importers, and transition, diversion and registration states. The collaboration between them successfully avoids the lawbreakers being caught. As weapon embargoes function on the principle of the illegality of arms transfers, no records exist of the quantity of equipment transferred. The ultimate lack of transparency is thereby achieved. No control of corrupt practices is present.

The following African states have been or are subject to arms embargoes:<sup>80</sup>

Target Country	Entry into force	Lifted	Suspected violators
Angola (UNITA)	15 Sep. 1993	9 Dec. 2002	Portugal, Russia, US, Belarus, Brazil, Bulgaria, China, Poland, South Africa, Czech Republic, India, Israel, Kazakhstan, Slovakia, Ukraine, Zimbabwe

<sup>77</sup> CAAT 2001, *The Arms Trade, An Introductory Briefing*.

<sup>78</sup> Wood & Peleman, *The Arms Fixers*, 1999, p. 29.

<sup>79</sup> Control arms campaign, *UN Arms Embargoes: an overview of the last ten years*, 2006, at [http://www.controlarms.org/find\\_out\\_more/reports/UN-arms-embargoes-final-13306.pdf](http://www.controlarms.org/find_out_more/reports/UN-arms-embargoes-final-13306.pdf).

<sup>80</sup> Based on <http://www.sipri.org/contents/armstrad/embargoes.html>.

Violators in Angola <http://www.hrw.org/reports/1999/angola/Ang1998-09.htm>.

Violators in DRC <http://www.iansa.org/regions/cafrica/congo-arms-embargo.htm>.

Violators in Liberia [http://www.hrw.org/backgrounders/arms/liberia1115.htm#\\_Toc530459312](http://www.hrw.org/backgrounders/arms/liberia1115.htm#_Toc530459312).

Violators in Sierra Leone <http://www.hrw.org/press/2000/05/slback0515.htm>.

Violators in Somalia <http://globalpolicy.igc.org/security/issues/somalia/2006/1115tenationsviolating.htm>.

Violators in Sudan <http://web.amnesty.org/library/index/engafsr540192007>.

Côte d'Ivoire	15 Nov. 2004		
DRC (rebels)	28 July 2003		Uganda, Rwanda, DRC government, Albania, Bosnia & Herzegovina, Croatia, Czech Republic, Israel, Russia, Serbia, South Africa, UK, US
Eritrea	17 May 2000	15 May 2001	
Ethiopia	17 May 2000	15 May 2001	
Liberia	19 Nov. 1992		Ukraine, Moldova, Slovakia, Kyrgyzstan, Russia
Libya	31 Mar. 1992	5 Apr. 1999	
Rwanda (rebels)	16 Aug. 1995	28 Mar. 2007	
Sierra Leone (rebels)	5 June 1998		Liberia, Burkina Faso
Somalia	23 Jan. 1992		Ethiopia, Eritrea, Egypt, Yemen, Libya, Iran, Djibouti, Saudi Arabia, Syria, Uganda
Sudan (Darfur region)	30 July 2004		Sudanese government, Russia, China, Belarus, Kuwait, Egypt, United Arab Emirates

There is reason to claim that bribery occurs to the same extent in these transfers. The probable violators of the arms deals include states earlier accused of corruption in relation to arms trade, such as Saudi Arabia, UK, South Africa. In addition, several of the perpetrators are African states, with a reputation for extensive corrupt practices.

According to the FreedomHouse democracy index in 2007 all of the states subject to embargoes were considered 'not free', the only ones regarded as 'partly free' were Ethiopia, Liberia and Sierra Leone. Admittedly, their status might have varied during the execution of the arms embargoes, but even so it implies corrupt practices were widespread in these countries. The TI Corruption Perceptions Index supports this standpoint; in 2006 none of the states produced an index higher than 2.9.<sup>81</sup> Breaking arms embargoes creates another black hole in the supervision of corruption. Bans on arms exports are established to secure the civilian situation in the target states and circumventing them does not contribute to increased human security or development. Despite commitments to democratic principles, western and developing states continue acting immorally by contradicting the values they have proclaimed.

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<sup>81</sup> See Annex II.



### ***Licensed Production and End Users***

In the era of globalisation components of weapons are manufactured in different parts of the world and assembled in one state, everything for the purpose of achieving the most cost efficient, and sometimes most productive, result. This is the ultimate procedure for losing control of who the end user of the finished military equipment will be. Additionally, the issues surrounding dual-use devices increase this uncertainty. Finished products might similarly be transferred from the first importer to the actual end user. As an illustrative example, the Saudis have purchased British equipment and simultaneously sold arms to Somalia. The British should have considered the probability of the weapons of UK origin being sold on to Somalia, which is the target of a UN embargo. The UK could not only be judged guilty of breaking a mandatory arms embargo, but also of indirectly supporting arms trade to a war zone (to say nothing of the Saudi regime, which does not enjoy a flawless human rights record either). Arms exporters are obliged to take the end users into account before signing arms agreements, nevertheless, this is far from always taken into consideration and no enforcement mechanism or legally binding regulations exists.

*"...we conclude that without more legal or political backbone, end-use assurances are not worth the paper they are written on. "*

***-the UK Defence, Foreign Affairs, International Development and Trade and Industry Committees on Strategic Export Controls - Annual Report for 2002, Licensing Policy and Parliamentary Scrutiny-- End-use assurances - Indonesia (18 May 2004)***



The more hands included in the chain from separate components to the end user, the more doomed is the task of prosecuting perpetrators of corrupt practices, and more generally, illegal arms trade practices. The final products have been transmitted from the manufacturer of components, to the company who assembles it, to the exporter, through the arms broker, to transition countries, to the first importer and finally it ends up with the end user. Evidently, it demands a tremendous effort to introduce any supervising mechanism.

*"Licensed production is where a company's product is manufactured under contract by a company in another country. At its simplest, parts purchased from the vendor are assembled in the buyer country; at its most advanced, a weapon's design, along with the expertise of engineers, is purchased and the equipment built in its entirety in the buyer country."*<sup>82</sup>

The Egyptian Fahd armoured personnel carrier is one example of western knowledge exported to an African country, reproduced and exported to others. Originally, the vehicle was manufactured in Germany but the know-how was sold to an Egyptian company, which inherited the production. From Egypt the carrier has been exported to Libyan, Sudanese and Congolese (DRC) armed forces.<sup>83</sup> Seen from a critical perspective this gets around stricter

<sup>82</sup> CAAT, <http://www.caat.org.uk/publications/economics/licensed-production-0801.php>.

<sup>83</sup> Control arms campaign: <http://www.controlarms.org/>.

corruption regulations. In comparison to the Egyptian, the German judicial system is undoubtedly more persistent in prosecuting offenders. The German company still gets the credit for the design but avoids supervision.

*"- the simple concept of an arms company is disappearing "into a labyrinth of licensed production, joint ventures, conglomerates, strategic partnerships, and Co-operative Armament Programmes".<sup>84</sup>*

The national control regimes put in place cover licensed production inadequately.<sup>85</sup> The Campaign Against Arms Trade has set up three criteria on the basis of which licensed production could be controlled.<sup>86</sup> The production agreement with a second country should be turned down if

- a direct weapons transfer would be refused
- the importing state cannot demonstrate sufficient accountability in terms of end user supervision
- the state has a history of violating international arms embargoes

In addition, an export license should be issued by the state of registration of the licensing company concerned in case of exports to third countries.

### ***Arms Dealers – Enabling Shopping in the Shadows***

International arms brokers enable the negotiations, transfers and other operational issues with regards to the arms deals. The stock they are dealing with is not necessarily in their own possession, nor in the possession of the state they are acting from. Their function is simplified to facilitate the arms transfer between producer and purchaser. Consequently, they may also be involved in the bribing procedures. As such, brokering activities of this kind are legitimate, however given the lack of regulation it is with difficulty that one distinguishes the illegal from the legitimate activities. It is the dealer who enables the agreements with unstable regions, states under embargoes or otherwise improper importers of military equipment. The broker becomes the specialist in circumventing the weak regulations put in place.

### ***Regional Efforts***

*"Some progress towards the establishment of common brokering controls on a regional level has recently been made by the European Union (EU). Member states committed themselves in June 2003, within the framework of their common arms export controls, to create certain basic controls which will mean that, for the first time, brokering activities from the territory of any EU country will require a license. There is a need for further such regional arrangements on brokering controls to facilitate the emergence of international momentum for an international treaty. Civil society organisations have promoted such an international treaty for several years by now, and there already exists*



CAAT supports the promotion of peace, justice and democratic values, and the use of the United Nations and civil society to resolve international disputes by peaceful means. CAAT also encourages policies to reorientate the UK economy away from military industry towards civil production. CAAT has among other areas, addressed the issue of *licensed production* and corruption in the arms sector. Especially effective and widely noticed is their campaign 'Control BAE', as a reaction to the bribery scandal involving this British arms producer and Saudi officials, demanding the Serious Fraud Office to reopen the inquiry. The organisation also conducted a very successful Shut DESO campaign, against the UK Defense Export Services Organisation, which is now to be closed down.

<http://www.caat.org.uk>

<sup>84</sup> Wrigley, Christopher, "The Arms Industry", CAAT, London, March 2001, cited on <http://www.caat.org.uk/publications/economics/licensed-production-0801.php>.

<sup>85</sup> CAAT: <http://www.caat.org.uk/publications/economics/licensed-production-0801.php>.

<sup>86</sup> CAAT: <http://www.caat.org.uk/publications/economics/licensed-production-0801.php>

*a model convention that governments should take as a basis for international negotiations. Governments should be encouraged to engage in such negotiations with the aim of a legal international document to be adopted by the 2006 UN Conference on the Illicit Small Arms Trade in All Its Aspects.*"<sup>87</sup>

The UK export credit agency, Export Credits Guarantee Department (ECGD), reintroduced its anti-corruption measures in 2006, after withdrawing them following corporate lobbying in 2004. These measures include the obligation to provide the department with the name of any agent involved in the transaction. Thereto, the ECGD is permitted to conduct random investigations into enterprises' practices and their coherence with anti-corruption measures.<sup>88</sup> Provided comparable regulations are adopted in other countries, the control of agents' activities related to corruption might be enhanced. Eventually, it all comes down to the implementation of corresponding legislation.

### *The Arms Broker – An Example* *Victor Anatoliyevich Bout*<sup>89</sup>



Victor Bout was the first arms broker to be identified through the UN investigations into broken arms embargoes in African states. He is a part of an East European group of arms merchants, which poured assault rifles, grenade launchers, bullets and other weapons into conflict zones, such as Angola, Cameroon, Central African Republic, DRC, Equatorial Guinea, Kenya, Liberia, Libya, Republic of the Congo, Rwanda, Sierra Leone, South Africa, Sudan,

Swaziland and Uganda.<sup>90</sup> The unceasing flow of weaponry has led to bloody civil wars and massacres on a scale rarely seen before. His name was not known by the US authorities until in 2002 when he was associated with arms dealing to the Taliban in Afghanistan in 1997. Bout denied all accusations.

*"Bout is the leading merchant of death who is the principal conduit for planes and supply routes that take arms, including heavy military equipment, from east Europe, principally Bulgaria, Moldova, and Ukraine, to Liberia and Angola. The UN has exposed Bout as the center of a spider's web of shady arms dealers, diamond brokers, and other operatives, sustaining the wars. Without someone like him we would be much, much, closer to ending the conflicts."* - **Former UK Foreign Minister Peter Hain in 2003**<sup>91</sup>

Most of the arsenal smuggled to Africa came via Bulgaria. During the period June 1997-September 1998 he is claimed to have transferred weapons to a value of \$ 14 million into Africa. He is known for his indiscriminate behaviour in choosing his clients, who often fight on different sides of the same conflict. Among his more controversial customers is Charles G. Taylor, former president of Liberia, known as a major warlord. The UN and the U.S. have supposedly bought his services as well.<sup>92</sup> When a load of 200,000 AK-47s went missing

<sup>87</sup> IANSA, [http://www.iansa.org/issues/arms\\_brokers.htm](http://www.iansa.org/issues/arms_brokers.htm).

<sup>88</sup> UNICORN, <http://www.againstcorruption.org/BriefingsItem.asp?id=12719>.

<sup>89</sup> FRONTLINE WORLD, <http://www.pbs.org/frontlineworld/stories/sierraleone/bout.html>.

<sup>90</sup> UN report: Monitoring Mechanism on Angola Sanctions, §§ 111-114: <http://www.ruudleeuw.com/vbout6.htm>.

<sup>91</sup> [http://en.wikipedia.org/wiki/Viktor\\_Bout](http://en.wikipedia.org/wiki/Viktor_Bout).

<sup>92</sup> [http://en.wikipedia.org/wiki/Viktor\\_Bout](http://en.wikipedia.org/wiki/Viktor_Bout).



during a transport from Bosnia to Iraq in 2006, a Bout owned airline was the carrier. It is suspected that the arms destined for the Iraqi police ended up with the Taliban.<sup>93</sup>

*"Landing heavy cargo planes with illicit cargoes in war conditions and breaking international embargoes such as the one on Angola requires more than individual effort. It takes an internationally organized network of individuals, well funded, well connected and well versed in brokering and logistics, with the ability to move illicit cargo around the world without raising the suspicions of the law or with the ability to deal with obstacles. One organization, headed, or at least to all appearances outwardly controlled by an Eastern European, Victor Bout, is such an organization."* - U.N. Angola Report, December 21, 2000

Victor Bout remains at liberty due to the unwillingness of governments to prosecute him for illicit arms trade. The UN reprisals extend no further than to the naming and shaming. Bout is a personality, who upholds a veil around the arms trade and their practices, precluding transparency.

### **Possible Solutions**

*"Defence and security must be opened up as much as possible. Areas where a model procedure should be implemented can be identified, internal audits can be conducted, and key secrets can still be maintained where necessary." Prosecutions for corruption are also crucial: "when one prominent person is caught, this sends shock waves that are felt throughout the system."*<sup>94</sup>

When weighing the alternative solutions to the problem we are faced with, we need to tackle its diversity and complexity. When discussing the issue of corruption in arms trade and how it affects democracy, we need to cover several aspects. First, we have the fundamental question of how to achieve human security and human development. Second, we need to consider the role democracy has been acknowledged to play in human development. Finally, we arrive at the impact corruption has on democracy, and hence on human development. The solutions proposed here do not deal with the problem in its entire complexity, but from the aspect of what can be done to prevent corrupt activities in the arms trade. If such policies were implemented, it would in turn have a positive effect on the state of democracy in Africa. The following set of proposals has been created by Transparency International UK section, for enhancing the effectiveness of anti-corruption regulations in the defence sector:<sup>95</sup>



<sup>93</sup> Mirror, 10 May 2006,

[http://www.mirror.co.uk/news/tm\\_objectid=17055497&method=full&siteid=94762&headline=have-200-000-missing-ak47s-fallen-into-the-hands-of-iraq-terrorists---name\\_page.html.HAVE](http://www.mirror.co.uk/news/tm_objectid=17055497&method=full&siteid=94762&headline=have-200-000-missing-ak47s-fallen-into-the-hands-of-iraq-terrorists---name_page.html.HAVE).

<sup>94</sup> Lord Robertson in TI interview,

[http://www.transparency.org/news\\_room/in\\_focus/2006/defence\\_sector/john\\_githongo\\_interviews\\_lord\\_roberts\\_on\\_on\\_the\\_defence\\_industry](http://www.transparency.org/news_room/in_focus/2006/defence_sector/john_githongo_interviews_lord_roberts_on_on_the_defence_industry).

<sup>95</sup> TI, [http://www.transparency.org/news\\_room/in\\_focus/2006/defence\\_sector#ti\\_work](http://www.transparency.org/news_room/in_focus/2006/defence_sector#ti_work). For TI suggestions in the UK see annex III.

**1. Implementing Defence Integrity Pacts.** *Defence Integrity Pacts (DIP) need to be applied in real situations. These are enforceable anti-bribery pledges signed by all parties to a defence procurement contract and overseen by empowered independent monitors. The DIP should be tailored to suit individual country and procurement needs, applied early and for the duration of the contract.*

**2. Developing a Framework Code of Conduct for the Defence Industry.** *A critical mass of international defence companies should come together, with the support of TI (UK), to develop a strong framework code of anti-bribery and corruption measures for international defence procurements. This will combine hitherto separate efforts undertaken by American and European industry associations, for a truly global solution to this global issue. Signatory companies can later align their own internal processes to this framework.*

**3. Exporting country encouragement of their defence industry.** *Exporting countries should be strongly associated with the anti-corruption initiative given the importance of their role. Defence ministries and their export support organisations need to promote strong anticorruption practices as an important platform for the common competitiveness of European companies.*

**4. Strengthening anti-corruption measures in regulatory requirements.** *Anti-corruption assurance must be placed more centrally in arms control regimes, both at national and international level, providing they are carefully targeted, rather than generally adding to the bureaucratic burden. There is a need for OECD Anti-Bribery Convention signatories to enforce the Convention more energetically.*

**5. Reforming Defence Organisations and Processes.** *The defence ministries of importing countries should be strengthened with enhanced anti-corruption capability and knowledge. Anti-corruption standards and knowledge can also be disseminated through international organisations such as NATO.*

The action should be targeted at all different levels of society. Universally we should establish common standards; regionally we should target the standards for more specific needs, and nationally, advance the actual implementation of the common regulations. African states are admittedly overwhelmed by the challenges of corrupt practices and for the purpose of reversing bribery in the arms trade they would have to adopt national strategies covering all spheres of society, from local to governmental level. It eventually all comes down to the willingness of changing a deep-seated behaviour.

In more general terms, observed from the perspective of disarmament for development, some final statements are to be made on why and how corruption in arms trade is to be fought. Such principles will help promote a 'virtuous circle' involving sound government policies for human security and development.

### **1. Endorsing a people-centred security**

One important purpose of disarmament is to shift the focus of national authorities to the acute necessities of the people, in other words, human security. This is the very first step in the fight against corruption in the arms trade. The arms trade does not support human needs, but deprives people of useful resources. This understanding enables a positive climate for dealing with the grey-zones of the arms trade.

## 2. Recognition of the interdependency of democracy and development

In the initial chapters the interrelated concepts of democracy, human security and human development were reviewed. A positive democratic atmosphere will enhance the state of development and security. Corruption is one of the greatest challenges to democracy and through acknowledging the interrelationship the problem can be tackled in its entirety.

## 3. Focusing on prevention

Curing an extensive, already existing problem, tends to be overwhelming. We need to address the root causes of corruption and not only the symptoms. In Africa and elsewhere people need to be persuaded of the benefits of a transparent society and the absence of corrupt practices. Achieving anti-corruption strategies should be conducted bottom-up, not be imposed from above. This could be a key to efficient prevention of bribery in African arms deals.

## 4. Enforcement of existing international regulations

Signatories to the anti-corruption regulations should fulfil their obligations towards their people, which are the primary beneficiaries of the reduction in corruption. If the current framework was fully implemented, corruption in arms trade would have a harder time subverting existing national legislation. The keyword in implementation is *coherency* among the national regulations of different states, which would facilitate the supervision of arms traders and the prosecution of them.

## 5. Improving the legal anti-corruption framework

An improved legal framework to combat corruption is urgently needed as a base for government policies, i.e. a stable ground for bottom-up strategies on national level. Including anti-corruption clauses in a new Arms Trade Treaty might also prove useful. The over-riding importance of an effective supervisory mechanism has to be recognized.

## 6. Creating effective national strategies

National judiciaries have to start prosecuting crimes related to illicit practices in the arms trade, including corruption. The naming and shaming by the UN does not cure the problem. National authorities should adopt comprehensive national plans for fighting corruption, including public education, implementation of fundamental human rights, anti-corruption bodies, civil society as a linkage to the people, independent judiciary and the rule of law.

## VII Conclusions

The state of African democracy is under pressure, one of the main reasons being the widely accepted corrupt practices, deeply rooted in society. The fact that only 11 sub-Saharan states are considered free and the rest subject to various degrees of repression, illustrates the point. The absence of truly democratic practices plants seeds of instability and regression, on a continent which should strive to achieve human security and development.

It has been estimated that approximately 50 % of bribes worldwide are linked to the arms sector. The commissions given in relation to arms deals generally constitute between 10 and 50 % worth of the deal. Considering the share of African arms imports, the amount in bribes during the period 1998 – 2005 would make \$ 1.375 billion. Despite the strong evidence of similar figures elsewhere in the world, the sum for Africa is merely speculative. Promoting democracy and development requires empowerment of the people; in this sense corruption acts as a spoke in the wheel.

Given the lack of enforceable and universally accepted regulations on the arms trade, the final responsibility comes down to the separate states. The anti-corruption framework is however somewhat more developed than the general regulations on arms trade, consisting of ratified conventions on global and regional level. Nevertheless, the supervision is left to the national jurisdictions of the member states. National responsibility must be taken seriously to accomplish productive results. The supervision of corruption should operate with double edged legislation, punishing both the giver and taker of bribes. The equal duties of the arms exporter and importers should be recognized. Overall, the arms exporters have more enhanced mechanisms of review, and especially the western states which have expressed their concerns over the state of development should accept their responsibility. However, the problem has to be cured at both ends. African leaders ought to make far-reaching efforts to unite their efforts in fighting corruption.

Targeted action is essential to identify the root causes of corruption. Some of the sectors to be paid more attention are: the growing corporate influence in politics; ECAs' and government support to the arms trade; adhering to arms embargoes; licensed production; respect for end user agreements; and the recognition of the role of merchants, i.e. the arms brokers. A specific issue that would need attention on the African continent is the distorted relation between economy and politics. In developed countries economic power usually generates political power, while in Africa, political power yields economic power. The influence politicians in African countries have over the economy is alarming. Corrupt politicians can ruin a rising economy and block development.

Suggestions concerning improvement have been put forward. TI has proposed certain concrete measures to eliminate corruption in the arms trade. They highlight the implementation of Defence Integrity Pacts; development of a code of conduct for the defence industry; promotion of anti-corruption regimes in exporting countries; placing anti-corruption measures in the centre of arms control regimes; and reforming defence organisations and processes. In the framework of human development and democracy it should be regarded in a slightly wider perspective. The strategies brought forward in this paper are the following: endorsing a people centred security perspective; acknowledging the interdependency of democracy and development; focusing on preventive action; enforcing and improving existing regulations; and finally focusing on expedient national strategies, which is mainly what the TI recommendations are concerned with. Taken together, these sets of propositions could produce a giant step forward for the anti-corruption regime.

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## Annex I

### Level of Democracy in Africa

According to Freedom House 'Freedom in the World 2007'

F= free  
 PF=partly free  
 NF=not free  
 1=most free  
 10=least free

Country	Political Rights	Civil Liberties	Status
Algeria	6	5	NF
Angola	6	5	NF
Benin	2	2	F
Botswana	2	2	F
Burkina Faso	5	3	PF
Burundi	3	5	PF
Cameroon	6	6	NF
Cape Verde	1	1	F
Central African Republic	5	4	PF
Chad	6	5	NF
Comoros	4	4	PF
Congo (Brazzaville)	5	5	PF
Congo (Kinshasa)	6	6	NF
Cote d'Ivoire	6	6	NF
Djibouti	5	5	PF
Egypt	6	5	NF
Equatorial Guinea	7	6	NF
Eritrea	7	6	NF
Ethiopia	5	5	PF
Gabon	6	4	PF
Gambia	5	4	PF
Guinea	6	5	NF
Guinea-Bissau	3	4	PF
Kenya	3	3	PF
Lesotho	2	3	F
Liberia	4	4	PF

Libya	7	7	NF
Madagascar	3	3	PF
Malawi	4	4	PF
Mali	2	2	F
Mauritania	6	4	PF
Mauritius	1	1	F
Mozambique	3	4	PF
Namibia	2	2	F
Niger	3	3	PF
Nigeria	4	4	PF
Rwanda	6	5	NF
Sao Tome & Principe	2	2	F
Senegal	2	3	F
Seychelles	3	3	PF
Sierra Leone	4	3	PF
Somalia	6	7	NF
South Africa	1	2	F
Sudan	7	7	NF
Swaziland	7	5	NF
Tanzania	4	3	PF
Togo	6	5	NF
Tunisia	6	5	NF
Uganda	5	4	PF
Zambia	4	4	PF
Zimbabwe	7	6	NF
<b>Territory</b>			
Western Sahara (Morocco)	7	6	NF
Somaliland (Somalia)	5	4	PF

Source: <http://www.freedomhouse.org/template.cfm?page=372&year=2007>

## Annex II

### Corruption Perceptions Index for African Countries 2006

*‘The Transparency International Corruption Perceptions Index ranks countries in terms of the degree to which corruption is perceived to exist among public officials and politicians. It is a composite index, a poll of polls, drawing on corruption-related data from expert and business surveys carried out by a variety of independent and reputable institutions. The CPI reflects views from around the world, including those of experts who are living in the countries evaluated.’*

Source:

[http://www.transparency.org/content/download/10825/92857/version/1/file/CPI\\_2006\\_presskit\\_eng.pdf](http://www.transparency.org/content/download/10825/92857/version/1/file/CPI_2006_presskit_eng.pdf)

Country Rank	Country	Corruption Perceptions Index (CPI)	Confidence range	Surveys used
37	Botswana	5.6	4.8-6.6	6
42	Mauritius	5.1	4.1-6.3	5
51	South Africa	4.6	4.1-5.1	8
51	Tunisia	4.6	3.9-5.6	5
55	Namibia	4.1	3.6-4.9	6
63	Seychelles	3.6	3.2-3.8	3
70	Ghana	3.3	3.0-3.6	6
70	Senegal	3.3	2.8-3.7	5
79	Burkina Faso	3.2	2.8-3.6	5
79	Lesotho	3.2	2.9-3.6	5
79	Morocco	3.2	2.8-3.5	6
79	Trinidad and Tobago	3.2	2.8-3.6	5
84	Madagascar	3.1	2.3-3.7	5
90	Gabon	3	2.4-3.3	4
93	Eritrea	2.9	2.2-3.5	3
93	Tanzania	2.9	2.7-3.1	7
99	Mali	2.8	2.5-3.3	5
99	Mozambique	2.8	2.5-3.0	7
105	Libya	2.7	2.4-3.2	3
105	Malawi	2.7	2.5-3.0	7
105	Uganda	2.7	2.4-3.0	7
111	Zambia	2.6	2.1-3.0	6
121	Benin	2.5	2.1-2.9	6

121	Gambia	2.5	2.3-2.8	6
121	Rwanda	2.5	2.3-2.6	3
121	Swaziland	2.5	2.2-2.6	3
130	Burundi	2.4	2.2-2.6	5
130	Central African Republic	2.4	2.2-2.5	3
130	Ethiopia	2.4	2.2-2.6	7
130	Togo	2.4	1.9-2.6	3
130	Zimbabwe	2.4	2.0-2.8	7
138	Cameroon	2.3	2.1-2.5	7
138	Niger	2.3	2.1-2.6	5
142	Angola	2.2	1.9-2.4	5
142	Congo, Republic	2.2	2.2-2.3	4
142	Kenya	2.2	2.0-2.4	7
142	Nigeria	2.2	2.0-2.3	7
142	Sierra Leone	2.2	2.2-2.3	3
151	Côte d'Ivoire	2.1	2.0-2.2	4
151	Equatorial Guinea	2.1	1.7-2.2	3
156	Chad	2	1.8-2.3	6
156	Congo, Democratic Republic of	2	1.8-2.2	4
156	Sudan	2	1.8-2.2	4
160	Guinea	1.9	1.7-2.1	3

The countries not included in the table were left outside the TI study.



## Annex III

# Transparency International Recommendations for Combating Corruption in Arms Trade in the UK

(Source : Corruption in the Arms Trade Report 2002, pp. 6-7.)

## Reforming the Exporting Process

### **Recommendation 1 – Applying the OECD Convention to the Defence Sector**

The UK Government should ensure that Part 12 of the *Anti-Terrorism, Crime and Security Act 2001* is backed up by adequate enforcement processes and resources so that it can be used effectively to investigate and prosecute defence companies for bribery of foreign public officials.

### **Recommendation 2 – Export Licence Conditions**

Export licensing should be strictly conditional on presentation by exporting companies of rigorous contract-specific no-bribery warranties. These should be reinforced by evidence that companies have in place sufficient internal compliance systems capable of detecting corruption-risk and preventing the payment of bribes. Exclusion from export licences should be used as a sanction against companies or brokers found to have paid bribes. Registration for brokers under the Export Control Act should also include signing a no-bribe warranty.

### **Recommendation 3 - Export Credits and Public Support**

Support for arms companies through export credits and the Defence Export Services Organisation should be conditional on the effective implementation of anti-corruption codes of conduct.

### **Recommendation 4 - Defence Ethics Initiative**

Drawing on the experience of the US Defence Industry Ethics Initiative (DII) and the Transparency International/ Social Accountability International “Business Principles for Countering Bribery”, the UK Defence Manufacturers Association should develop and implement a similar code to assist in compliance with the *Anti-Terrorism Act* provisions against overseas bribery. Representation should be made to the European Defence Industry Group to press for a corporate ethics “meta-code” containing strong anti-corruption provisions, for individual implementation by defence companies globally.

### **Recommendation 5 - Procedures for Whistleblowers**

Defence companies should demonstrate compliance with the *Public Interest Disclosure Act* by having in place mechanisms for whistleblowing which, in line with those recommended by the Nolan Committee and the Financial Services Authority, should include one or more external body to which concerns about corruption may safely and properly be made.

### **Recommendation 6 – Transaction Reporting**

Information on the individual value of licences should be included in the UK Annual Report on Strategic Exports. The UK government should continue to push for the inclusion of values in international arms reporting systems.

### **Recommendation 7 - Prior Parliamentary Scrutiny**

Prior scrutiny of individual licences should be undertaken by a Parliamentary Committee of both Houses to ensure that sales conform with the UK Consolidated Criteria. This Committee should consider the potential for corruption in the procurement process in the importing country in its advice to the government on whether to award the licence.

### **Recommendation 8 - National Audit Office Report**

The consistent refusal of the UK government to publish the NAO 1992 Report into the Al Yamamah arms sales represents a serious compromise of principles of democratic accountability. The findings of the report should be made public.

## Reforming Importing Processes

### **Recommendation 9 - *TI Integrity Pact***

Importing governments should be encouraged at the inter-governmental level and by exporting companies to use Integrity Pacts, including responsible monitors from civil society. The UK and OECD exporting countries should lead by example through using the Pact in their domestic procurement.

### **Recommendation 10 - *Releasing bid criteria***

The criteria for bid evaluations should be made public by governments of importing countries and the evaluation of bids should be released to the bidding companies and to a Parliamentary Committee scrutinising procurement decisions. Any subsequent substantive changes to specifications and prices should be fully and publicly justified.

### **Recommendation 11 - *Parliamentary Accountability***

Defence procurement decisions should be scrutinised by Parliamentary Committees in all importing countries. Information accessed should include the criteria for bid evaluation and the tenders considered.

### **Recommendation 12 - *Donor Accountability***

The UK Government should encourage governments, through offers of technical assistance, to include security sector reforms in their Poverty Reduction Strategy Papers. These should include an audit of procurement practice in the security sector and measures to increase accountability and transparency for security expenditure.

### **Recommendation 13 – *Tracking Commissions***

Independent scrutiny of specified accounts related to major contracts should be established.

### **Recommendation 14 - *Banning Offsets***

The UK should work with other exporters within the WTO to outlaw offsets in defence procurement.

## INTERNATIONAL PEACE BUREAU

IPB is the oldest and most comprehensive of the international peace federations, covering a broad range of issues related to the prevention of war and violence. Our current main area of work is the **Disarmament for Development Programme**. We do as well work in a number of areas that can be considered as contributions to the broad goal of **Human Security**. These include women in peacemaking, human rights, conflict prevention/resolution and peace education. We also have a special interest in promoting a greater public interest in peace history.

With over 270 international and national/local member organisations (plus individuals) in over 50 countries, IPB brings together people working for peace in many different sectors: not only pacifists but also women's, youth, labour, religious, and professional bodies. IPB was founded in 1891 and won the Nobel Peace Prize in 1910. Among the 13 IPB officers who have won the Nobel Prize in their own right was the Irish statesman Sean MacBride, President from 1974 to 1985. Every year IPB makes an official nomination for the Nobel Peace Prize, and also awards its own **Sean MacBride Peace Prize**.

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- *Peace is Possible*, a collection of 31 short and readable stories of successful peacemaking;
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- *Time to Abolish War!* The Youth Agenda of the Hague Appeal for Peace; and
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## IPB Programme 2005-2007:

### DISARMAMENT FOR DEVELOPMENT

#### Why?

To invest in development makes no sense if we forget the **\$ 1204 billion spent annually on the military** at the global level. In any case, as Iraq shows us, international security crises and terrorism will not be resolved by increasing military budgets – and weapons themselves damage development efforts. To achieve the Millennium Development Goals we must put pressure on governments to choose different priorities.

#### With whom?

- development agencies
- peace workers
- politicians
- economists
- religious, trade union, youth groups...

#### How?

- set up a coordination – work with others
- put pressure on decision makers
- influence public opinion
- stimulate media interest

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### PROGRAMME ACTIVITIES

The International Peace Bureau encourages the development of **coalitions and national networks**. To this end we organise, together with our local partners, meetings on the topic: *Sustainable Disarmament for Sustainable Development*. In 2005-6 we organised events in places such as London, Paris, Geneva and Helsinki. In 2007 we have and will raise our campaign issues at the World Social Forum in Nairobi, at the UN Committee for the Rights of the Child (Geneva) and an IPB organized conference in Alexandria and elsewhere. This year will see the 20<sup>th</sup> anniversary of the 1987 UN Conference on Disarmament and Development, held in New York. In addition, IPB is publishing **campaign materials**, exhibitions and a film, which make the case for a radically different set of priorities. IPB publications in relation to the campaign:

- **Warfare or Welfare? Disarmament for Development in the 21<sup>st</sup> Century** (100pp, 2005, from Secretariat or on website)
- **Different Priorities – an International Campaign Manual**, forthcoming.