

The Ethics of the International Arms Trade

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Unless one is a pacifist there is little difficulty in theory in ethically justifying a country's entitlement to produce or to purchase, or even to market, weapons for the preservation of internal order or external peace. In practice, however, the international arms industry gives considerable cause for ethical misgivings, which are here explored. "It is difficult to escape from the notion that the primary factor behind the international sale of arms is the generation of profits. If companies are left unchecked, there is considerable evidence that companies will exploit commercial opportunities to the detriment of ethical considerations."

Introduction

From time to time, difficult questions arise in business about whether certain transactions should be made or whether certain customers should be dealt with. From time to time, the word 'ethics' arises. Ethical issues sometimes even get in the way of business. If your business is international arms trading, ethical issues may rise more frequently than you may like to admit.

The morality of manufacturing and selling military arms is a difficult issue in itself. However, as it is a fact of modern life that arms are manufactured and sold in vast numbers, the arguments will focus on the practice of the international trade in arms as it exists today and some ethical issues which may face some of the companies concerned.

Big business

The international arms trade is big business. Backed by national traditions of warfare, many companies, especially in the United States, France and the UK, have impressive track records of excellence in the international arms trade. To give some idea of the size of the industry, a recent newspaper¹ reported that Britain's arms manufacturers annually sold over £600 million worth of arms to allies in NATO and other western European countries. During the same time period, the value of arms sold to Asia and the Middle East was

over £400 million and £900 million respectively. It is likely that the numbers are much larger in practice. The UK sports many of the international heavyweights. Three companies in particular make interesting case material: GKN, Vickers and British Aerospace.

Although also involved in other industrial sectors, GKN and Vickers' activities are largely driven by the manufacture of arms. GKN, the Hampshire-based arms manufacturer, generated annual revenue of almost £3 billion in 1996,² a third of which was in the category of "Special vehicles", a euphemism for armoured cars and personnel carriers. Vickers, the Newcastle based engineering company, is a name synonymous with the famous *Challenger* tank and has long been the main provider of armoured vehicles to the British Army. It generated an annual revenue of £1 billion in 1996,³ a third of which was also attributed to "Defence systems".

Alongside GKN and Vickers sits the shining light of the UK arms trade, British Aerospace. The 1996 annual report shows that total company sales were £7 billion, £5 billion of which were attributable to the "Defence" segment, representing about 70 percent of the total. Revenue by region shows that 41 percent and 14 percent of turnover is generated in the Middle East and Asia respectively.

So, let's consider these numbers for a moment. 70 percent of total annual revenues relate to the sale of arms – a sizable proportion in itself – and 55 percent of the total was

generated in the Middle East and Asia. A back-of-an-envelope calculation shows that approximately £3 billion (or 40 percent) of total sales are generated through the "defence" category (i.e. military arms) in the Middle East and Asia. This is in the context of the Middle East and Asia, arguably the most volatile regions in the world. The dependency of British Aerospace on the sale of arms is also a significant factor. In 1996, British Aerospace showed losses in all its activities except "defence".⁴ Given that profits from the manufacture and sale of arms are effectively supporting other operations, more pressure may be brought to bear on the continuing high performance of the arms sector to support other activities.

So, is there an ethical issue here? Surely it is a source of pride that British companies are holding their own and prospering in the competitive world market. Many jobs depend on the continuing prosperity of these companies and the sale of arms constitutes an important part of a modern economy. Perhaps that is true. But perhaps it is not ethical.

Money makes the guns go round

It is difficult to argue that the commercial activities of these companies are entirely ethical and are not significantly influenced by the drive for profits. Although the execution of nine human rights activists in 1995 in Nigeria increased pressure on western governments for international action against the military regime, and the Europeans and Americans made vague noises of displeasure, little action was taken. There was talk of an oil embargo, a ban on sporting links was implemented and travel visas were withdrawn, but Vickers still completed an arms deal worth \$280 million.⁵

Although arms sales to certain countries, such as Iraq and China, are not permitted by most western governments, arms are exported to many other countries which may not have the same regard for human rights. Countries which cause concern to human rights activists include Turkey, Indonesia, Nigeria and the British arms industry's single biggest customer, Saudi Arabia. All three companies are heavily involved in arms exports to these countries. Vickers, for example, recently launched a campaign to win a £3 billion order for 800 *Desert Challenger* tanks for export to Saudi Arabia, whose record of human rights is, at best, questionable. If that was not enough of a cause for concern, the decision is exacerbated by the fact that the tanks were built in Turkey.

British arms exports to Indonesia include Scorpion tanks, Hawk fighter jets, frigates, as well as armoured cars and personnel carriers. GKN produces *Tactica* armoured personnel carriers and water cannon which were sold to the regime of President Suharto in Indonesia. The *Tactics* were regularly observed being used against demonstrators in pro-democracy riots in Jakarta.

A similar dilemma exists with China. There has been a European Union ban on arms sales to China since the 1989 Tiananmen Square massacre, but each member country is largely allowed to interpret the embargo as it sees fit. Two British companies, GEC-Marconi and Racal-Thorn, were allowed to sell maritime and airborne radars to China in 1996. Racal also agreed to supply six-eight Search water surveillance radars to the Chinese navy. The Western democracies, led by the Clinton Administration, have largely decided that the spread of economic freedom in China will eventually bring in political freedoms and human rights. Normal trading relations, with the exception of arms sales, should be permitted as far as possible, despite frequent reports of human rights abuses.

Given the high proportion and value of arms which are sold to the Middle East, Africa and Asia, it is increasingly difficult to argue that their supply is not driven by financial gain. Ethical considerations tend to be relegated far down the list of priorities when large profits are on offer.

So keep on selling...

It cannot be denied that there are compelling arguments in favour of allowing the arms trade to flourish. Arms traders are commercial companies, trying to generate revenue and profits from customers by selling innovative products. They are subject to competitive pressures like any other business sector and they must demonstrate that their products are bigger, better and more cost effective than anyone else's. Their own survival is at stake if they are unable to compete successfully, so their activities must be geared towards satisfying the demand for their goods and services to make an ultimate profit. If excessive restrictions are placed on their activities, then they will operate at a competitive disadvantage against foreign companies which are not subject to the same constraints.

Arms can also be exported for legitimate purposes. Arms traders are quick to point out that most weapons sold to foreign governments are never used in anger. Who can deny

the right of a country to defend its citizens against foreign aggressors who may only be deterred by the threat of retaliation? In that case, the arms are used for largely passive purposes, even if there is the unspoken threat of violent reaction in self-defence.

If that was not enough, many governments believe that it is essential for countries to maintain their own arms manufacturing capability. As Western governments remain focused on the need to maintain independent military strength to deal with periodic conflicts, such as the Gulf and Bosnia, it is often in their interests to ensure that the major arms manufacturers maintain a market for their products. In the event of an unforeseen conflict, they say, it is imperative that an independent ability to defend a nation's interests is maintained. The war over the Falkland Islands in 1982 is often cited as an example where the maintenance of a strong military capability allowed the UK to defend its sovereign territory. The main arms nations of the United States, the UK and France have significant economic resources tied into their domestic arms companies.

On the other hand...

Opponents argue that arms manufacturers and traders are still propagating and encouraging the practice of killing and maiming human beings. Arms traders are providing products which can be used with devastating effect. Although there may be certain legitimate uses for arms, such as the maintenance of a country's strong national defence system, many countries still build arsenals which surpass their domestic needs. A large supply of arms in the wrong hands, opponents would argue, can have a destabilising effect on a country and make it more likely that the arms will be used offensively. It is also possible that weapons may be used for less legitimate purposes, such as the internal repression of a country's population against a dictatorial governing regime or the intimidation of other countries.

It cannot be ignored that many countries and the regimes that run them do in fact buy arms and military know-how for reasons other than self-defence. Such countries tend not to be democracies and the military might is often used to maintain a delicate balance of power. The discussion leads inevitably on to the question of human rights. Whether one should do business with foreign partners that flagrantly abuse human rights provides an ethical dilemma that is faced by governments and businesses alike.

Going back to British Aerospace, the "defence" category of the 1996 report includes the proceeds from the sale of 8,000 electric shock batons which was made to Saudi Arabia. The batons inflict pain through a 4,000 volt shock, but the sale was not illegal, because the batons were not made in the UK. Whether the use of such batons would constitute "internal repression" may depend on whose point of view was considered. If the shock batons were used to prevent crime or riotous assembly, it would be difficult to argue that their use was not justified. If, on the other hand, they were used against pro-democracy demonstrators who were protesting against the human rights abuses of a dictatorial government, as in the case of Indonesia, such a stance may be more difficult to argue. Similarly, Amnesty International referred to "gross human rights violations" in south-east Turkey, including "disappearances and extra-judicial executions". However, Turkey is a member of NATO and part of its role as a member state is to play its part in the defence planning of the NATO alliance, so it is difficult to advance towards even a partial ban of arms sales.

It should also be noted that economic pressures play a significant role. The receding threat from communism brought a rationalisation of the defence industries and a threat to prosperity. The American, British and French arms makers have reduced their employees by 1.5 million since 1990, which is indicative of a significant reduction in worldwide defence spending. It is inescapable that along with the economic pressures come ethical pressures. Sales that may have been turned down on ethical grounds in the past may suddenly seem more attractive if the economic pressures are greater. The question of how far one should reasonably go in determining the potential uses for certain equipment becomes more difficult to define.

A prime example arose in the 1980s, which represented a low period for business ethics and the arms trade. Despite a widespread ban on the export of lethal equipment to the warring Iran and Iraq, UK licenses for the export of machine tools went on being issued. It was widely known that machine tools could easily be used for arms manufacture, but by 1988 Iraq had become the UK's third biggest machine-tool market. The Minister for Trade at the time, Alan Clark, was alleged to have told machine tool companies, such as Matrix Churchill, to "emphasise the peaceful uses" of the equipment. The fact that UN inspectors found Matrix Churchill machinery in factories

producing components for nuclear weapons after the Gulf War speaks for itself.

It is difficult to escape from the notion that the primary factor behind the international sale of arms is the generation of profits. If companies are left unchecked, there is considerable evidence that companies will exploit commercial opportunities to the detriment of ethical considerations.

Ethical dilemma

There is a fundamental conflict between the desire to generate profits from selling the core products of the business and the ethical reasons for not promoting instruments capable of inflicting widespread suffering. Companies involved in manufacturing and trading arms find themselves in a particularly difficult position in trying to reach a balance between the two points.

The task of deciding when a government or group is likely to use acquired weapons for "legitimate" purposes can be very difficult. Also, the definition of internal repression or even the definition of human rights may not always be understood to mean the same thing in different parts of the world. Continuing conflict often makes it difficult to distinguish between situations of "internal conflict" and conventional military operations. The dividing line between what can be considered to be "arms" is often blurred. Companies are constantly finding ways around rules surrounding arms trading when it is in their own interests to do so. It would only be ethical considerations that would prevent them from selling military style equipment in this type of case, but purely ethical pressures may be insufficient.

Governments have responded by issuing licenses to arms manufacturers, so that only "approved" customers could be serviced. The concept seems simple enough: if a license is granted, arms could be supplied with a clear conscience. However, the use of licenses provides little protection in practice. From 1993 to 1996, 80 to 90 licenses per year were supplied in Britain for arms shipments to Indonesia.⁶ Very few requests for licenses were turned down. But why should the human rights of another country affect business relations? Although there are no easy answers, two strong arguments can be made in favour of maintaining a certain amount of responsibility in trading arms.

The first reason is morality. Companies are made up from individuals and individuals should be aware of the consequences of their

actions. The ultimate destination of the arms that are sold and their uses should be a moral question for all arms manufacturers. It may be more convenient to take refuge behind the idea that it is the responsibility of someone else, but the underlying morality of the issue remains.

The second reason is self-interest. Personal freedoms tend to be associated with economic freedoms. Western economies trade enthusiastically with countries like China and Indonesia, while only wincing when unpleasant events such as the massacres in Beijing or East Timor take place. They are generally reluctant to disrupt trade. However, economic freedoms lead to greater prosperity and more stability. Although such factors in themselves will not stimulate arms trading, they will stimulate internal growth and trade which will, in turn, benefit other economic sectors.

While it will always be difficult to reconcile these two points of view, a certain amount of responsibility has to be taken for the actions of the arms traders. One could argue convincingly that although weapons can be legitimately sold to certain countries, they should not be sold to countries which are intent on using them for the purposes of external aggression or internal repression. The decision about which category a potential customer is in must ultimately lie with the arms trader and his/her courage in taking responsibility for his actions.

Moral courage?

As with many ethical issues in business, there is no easy answer. A certain level of judgment must be exercised and it may often be difficult to define when the ethical line has been crossed. There are certain actions which are generally regarded as more unethical than others, even when, as in the case of the arms trade, the whole industry may be founded on a questionable ethical base. There can be no "no go" areas in ethics, even when the pressure to act unethically is considerable.⁷ However, a large part of any proposed answer must revolve around the level of moral courage of the arms traders. In trying to analyse the actions in the Matrix Churchill arms case, one commentator noted that "ninetenths of the explanation boils down to cowardice."⁸ A lack of moral courage remains as probably the most enduring business problem.

It is a fact of modern business life that the pressure to succeed lies at the core of most organisations and, as the penalties for failure

can be unpleasant, an instinct for self-preservation takes over. A certain amount of moral courage is constantly required. Even when it may be easier or more profitable to take an alternative course of action, arms companies must be able to demonstrate the moral courage to not just recognise, but to actively pursue, the "right" course of action. Without the moral courage to stand up and take responsibility for actions, arms will continue to be supplied for unethical purposes.

Notes

1. *The Independent* 23 May 1997.
2. GKN annual report 1996.
3. Vickers annual report 1996.
4. British Aerospace annual report 1996.
5. *The Economist* 9 December 1995.
6. DTI, Export licenses, House of Commons debates, written answer, 21 March 1997.
7. Jack Mahoney, 'Cultivating Moral Courage in Business', *Business Ethics. A European Review*, this issue.
8. *The Economist* 22 February 1992.