

By Michael Dugher MP

Prime Minister David Cameron's recent trade mission to the Middle East sparked an avalanche of criticism from those who remain totally opposed to very existence of the British defence industry. Twitter, in particular, was alive all last week with angry tweeters denouncing the "arms trade" and the "arms salesmen" on board the PM's plane. The list of major British defence companies who jumped on board the prime minister's flight included Cobham, Thales UK, QinetiQ and – cue for an especially big boo and an extra large hiss – for that favourite pantomime villain, BAE Systems. The list also included firms like Rolls Royce, Serco and Amec, all of whom have large defence interests.

The crisis in the region understandably put a spotlight on our defence industry and especially on our export arrangements. Alistair Burt, the minister for the Middle East and North Africa, said that an immediate review of UK export licences was being conducted as a result of the changing situation. Rightly so. If the review concludes that our defence-exporting regime needs to be strengthened, then lessons should be learnt and the rules that govern our defence exports should be tightened further.

The truth is, though, that Britain probably has the most rigorous defence export controls of any nation in the world – again, rightly so. All export licence applications are considered on a case-by-case basis against the consolidated EU and UK export-licensing criteria and in the light of prevailing circumstances. The basic principle is that we must not export to countries where we believe the equipment may be used for external aggression or internal repression. The formal criteria also include consideration of whether the proposed export would contravene the UK's international commitments; provoke or prolong armed conflicts or aggravate existing tensions in the destination country; adversely affect the national security of the UK or allies; be diverted or re-exported under conditions that we would not wish to see; seriously undermine the economy; or seriously hamper the sustainable development of the recipient country. Licences are not just for arms, but for a whole range of "controlled" products. This encompasses a wide range of items.

The system was also tightened significantly in recent years. In October 2000, the Labour government introduced the so-called "consolidated criteria", which brought together the UK's national export licensing criteria with those of the EU code of conduct on arms exports. The "consolidated list", which is regularly updated, brings together the UK's own lists and those that derive from the EU. It includes the UK military list, the UK Dual-Use List, the EU Human Rights List, the UK Security and Paramilitary List, the EU-UK radioactive sources list and the EU dual-use list. In July 2002, the Labour government introduced a number of additional factors for consideration when assessing arms export licences, responding to the fact that, increasingly, defence goods were manufactured from components sourced in several different countries. This meant that many export licence applications were for goods which were to be incorporated in defence equipment in a second country, after which they would be exported to a third country.

The Labour government also took steps to review the statutory framework governing export controls. The result was the export control act 2002, which came into force in May 2004. As well as maintaining the government's power to control the physical export of goods, the act gave the government new powers, allowing controls to be imposed in the following areas: intangible transfer of military and other sensitive technology; transfer by any means of WMD-related technology; trade in controlled goods between overseas countries (trafficking/brokering) by a "UK person"; and provision of technical assistance overseas.

The 2002 Act was also intended to increase transparency and accountability and formalised the requirement for the government to report annually to Parliament on the controls imposed on both strategic and cultural exports. As well as the annual report, since the beginning of 2004, the government has to publish a quarterly report covering export licences and refusals for that specified period. All of these reports are available online. The most recent report, for example, shows that during the period July-September 2010, 71 standard individual export licences (SIELs) were refused. This includes cryptographic software for Azerbaijan, body armour for Cambodia and devices for initiating explosives for Gabon. All of this is scrutinised by the members of no less than four Commons select committees with a direct interest in the UK's regulatory framework for arms exports (Foreign Affairs, Defence, BIS and DfID).

Further arms export restrictions are imposed as a result of sanctions or embargoes. Under the consolidated criteria, the UK has an obligation to enforce country embargoes imposed by the UN, the organisation for security and co-operation in Europe (OSCE) or the EU. The FCO website provides a list of sanctions and embargoes to which the UK conforms, compiled on a country-by-country basis. The UK also implements a number of UN and EU-mandated measures against terrorists which are not country-specific.

On Friday 18 February, the government revoked 44 licences for the export of arms to Bahrain amid concern over the suppression of anti-government protesters. Eight licences authorising arms sales to Libya were also revoked amid a review of exports to the wider Middle East, including Yemen. The licences are thought to cover items that could be used for repression, such as teargas, though the Foreign Office said it had no evidence of British equipment being used in the unrest in Bahrain. Labour will continue to press the government for reassurances that this remains the case throughout the region.

So we have very stringent exports controls for defence, and we are determined that changes should be made if recent events highlight failings in the system. And, at the same time, we should acknowledge the contribution made by the defence industries in the UK, however difficult this may read to those who have a blanket hostility to the arms industry.

For instance, total employment in the industry is around 300,000, with half being employed directly and the rest of the jobs in the supply chain. This accounts for about ten per cent of manufacturing jobs in the UK. A study by Oxford Economics found that the UK defence industry has a highly-skilled workforce, with 39 per cent of workers holding a NVQ level 4 (a similar level to the UK's banking and finance sector). These are high value manufacturing and engineering jobs which are difficult to replace once lost.

According to the government's 2009 value added scoreboard, the aerospace and defence sector added £12bn in value to the economy. Oxford Economics found that a £100 million investment in the defence industry generates an increase in gross output of £227 million, and increases exchequer revenues by £11.5 million. This means that the industry has an output multiplier of 2.3 and reflects both the strong UK-based supply chain and the relatively high wage level paid to workers. For every job created in the defence industry, 1.6 jobs are created elsewhere in the economy. Defence delivered £7.2bn in export revenue 2009, and an average of £5 billion every year. These revenues flow into the treasury coffers, helping to sustain our public services. These are uncomfortable truth for those who oppose the industry's existence.

But the primary objective of the UK defence industry is in equipping and supporting our armed forces in defence of the country. £13bn out of the total defence budget of £38bn was spent on equipment in 2008/2009, with £4.2bn being spent on urgent operational requirements (UORs) for recent missions. 85% of these UORs have been spent on force protection measures like armoured vehicles or the means to counter improvised explosive devices (IEDs). Scientists and engineers from the UK defence industry work hand-in-hand with the UK armed forces, with many defence industry employees in Afghanistan providing training in how to use complex and highly technical equipment. Closer to home, the defence industry has taken on many of the service functions previously performed by the MoD, such as maintaining ships, helicopters and facilities.

All legitimate countries have a right to defend themselves. Most could not possibly produce their own equipment indigenously. Are we saying that a country like Kuwait that was attacked and occupied by Saddam's Iraq 20 years ago should not be able to have the means to defend itself in the future? So the issue then is the thorny one of deciding who it is appropriate to do business with. In this, we should be guided not just by tough rules, but by our values. There is plenty of money to be made by trading with legitimate countries. Labour did improve the system of defence exports in government. If recent events in the Middle East show that further changes are needed, then we must, as Ed Miliband put it yesterday, "examine our arms sales to ensure that UK weaponry is not used for the repression of people in those countries... we should never reduce foreign policy to a narrow pursuit of commercial gain for Britain".

It was right that Cameron faced criticism last week. But some of the knee-jerk demonising of the British defence industry that has followed the prime minister's trip, is just silly, naive. Those who want to see security at home, and peace and stability abroad, have to will the means as well as the end. Admittedly, the words of Al Capone are not a good basis for establishing our arms policy, but he once observed: "You can get by with a gun and a kind word better than you can with just a kind word". The uncomfortable truth is that a healthy British defence industry – exporting goods in a responsible, transparent and extremely tightly regulated way – is vital to our economy and to our defence. You can't take on the Taleban and Al-Qaeda with a rolled-up copy of the New Statesman.

Michael Dugher is Labour MP for Barnsley East and shadow minister for defence equipment and support.