

# Preventing Corruption in the Official Arms Trade

## *Working with the Defence Industry*

IACC November 2006, Guatemala City  
Session 7.1

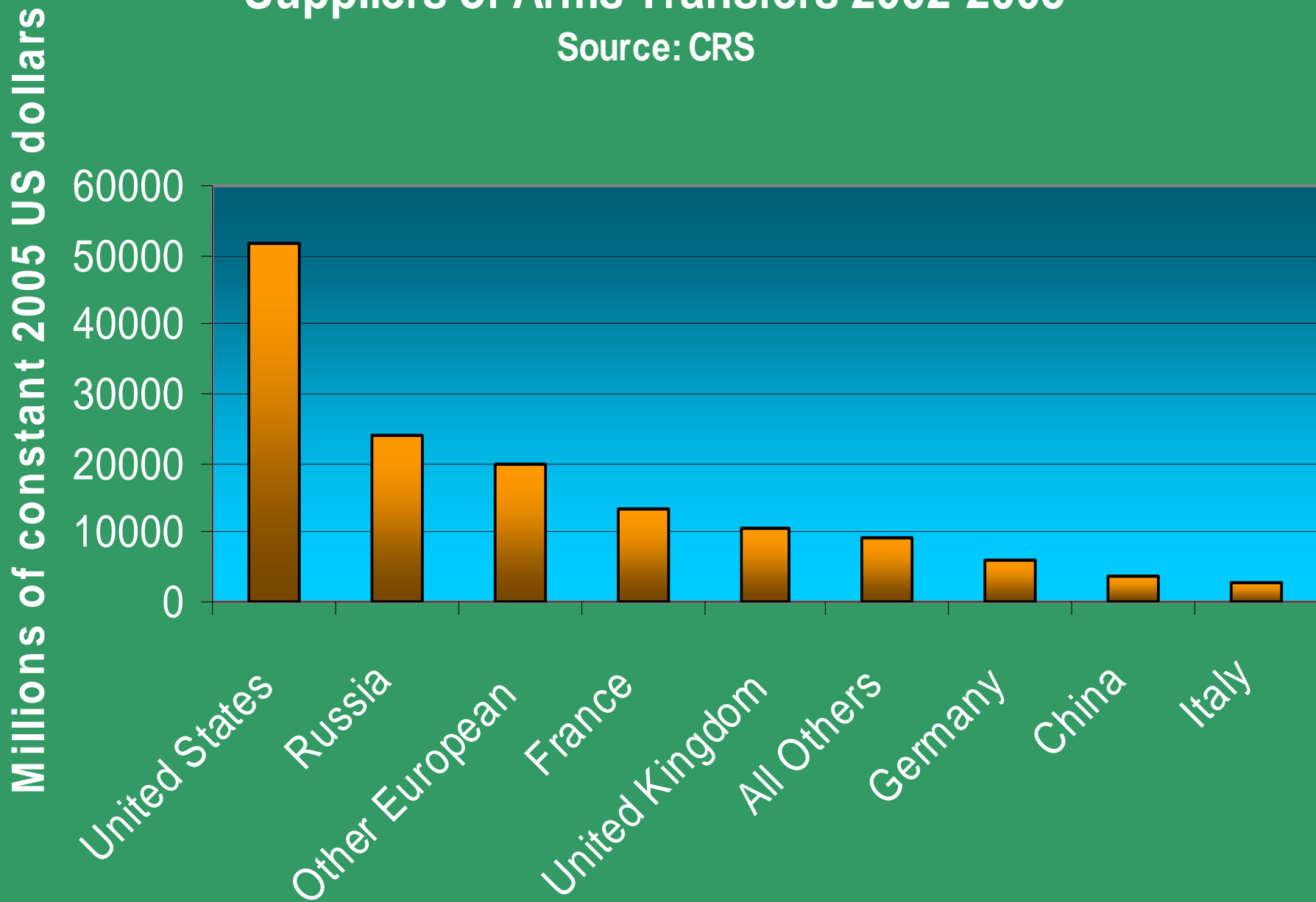
Mark Pyman  
Transparency International UK

# Defence Spending – the Big Picture

- Global military expenditure 2004
  - \$1000 billion
- US military expenditure 2004
  - \$465 billion
- Arms transfers worldwide 2003
  - \$25 billion
- Percentage of transfers to developing nations
  - 59%
- **CORRUPTION: 50% of all bribery complaints relate to defence transfers**

# Suppliers of Arms Transfers 2002-2005

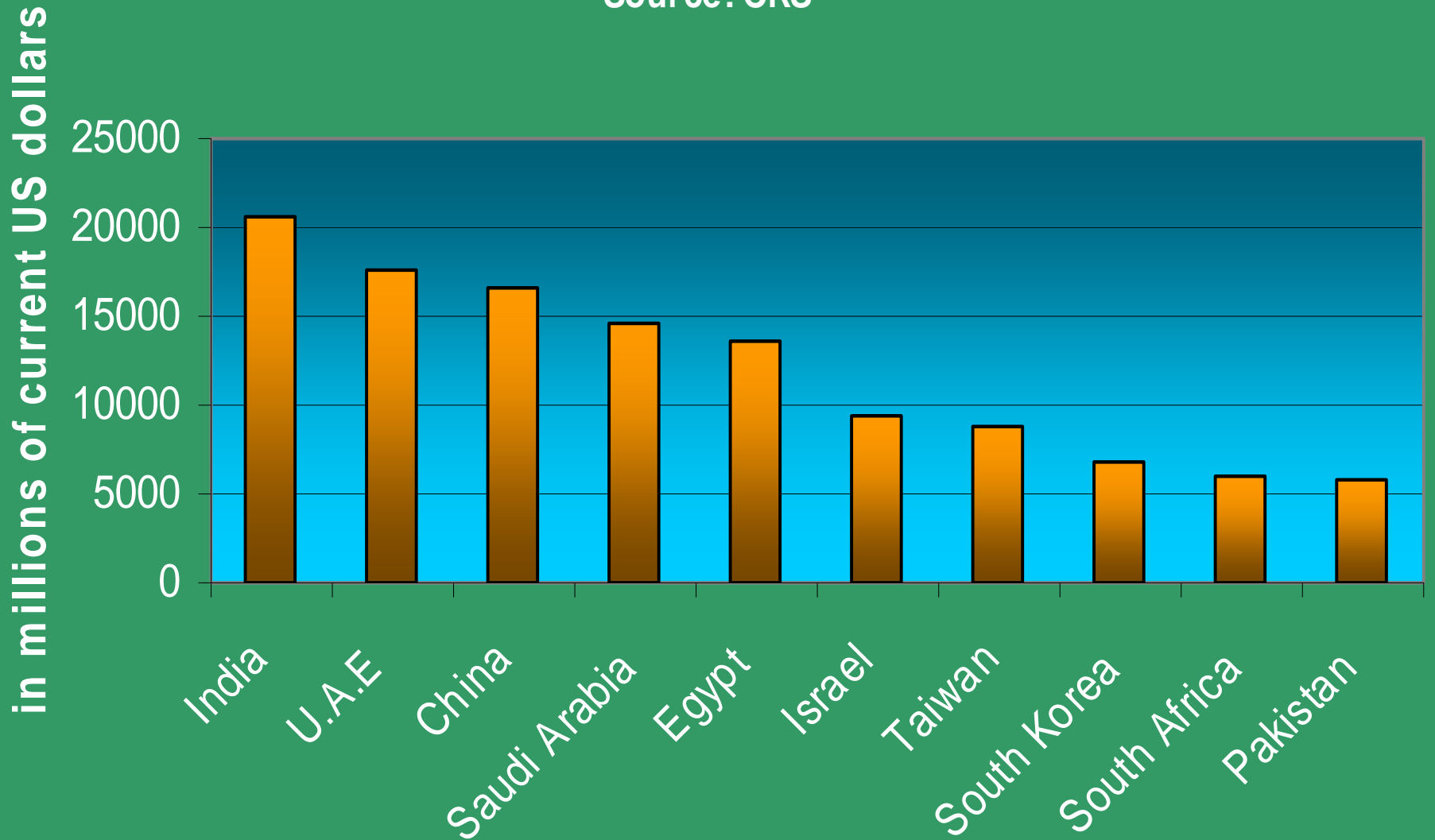
Source: CRS



# Developing Nations Top Arms Transfer Recipients

1998-2005

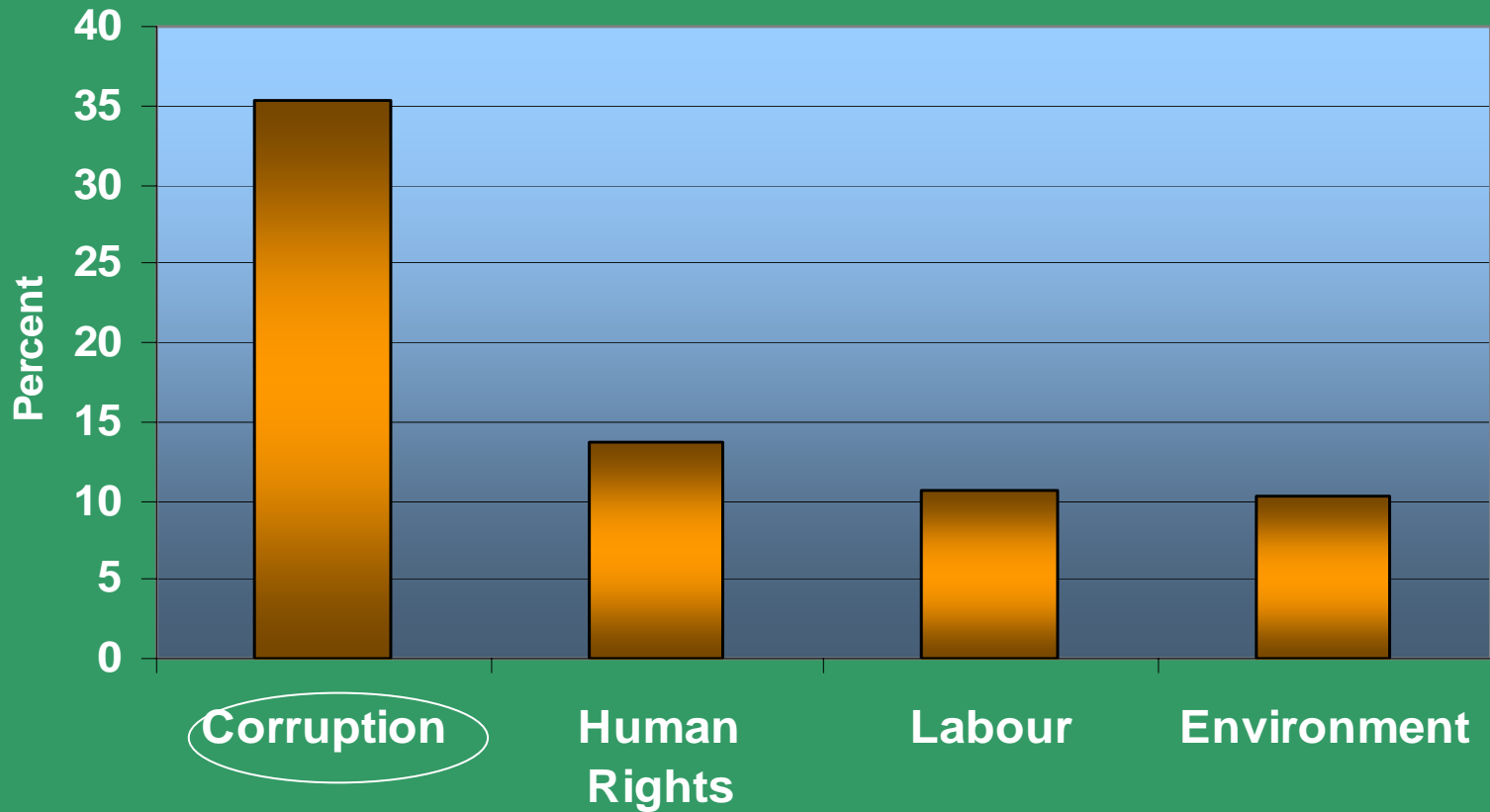
Source: CRS



## Vulnerability for companies

*Many deterred from bidding in 'difficult' countries*

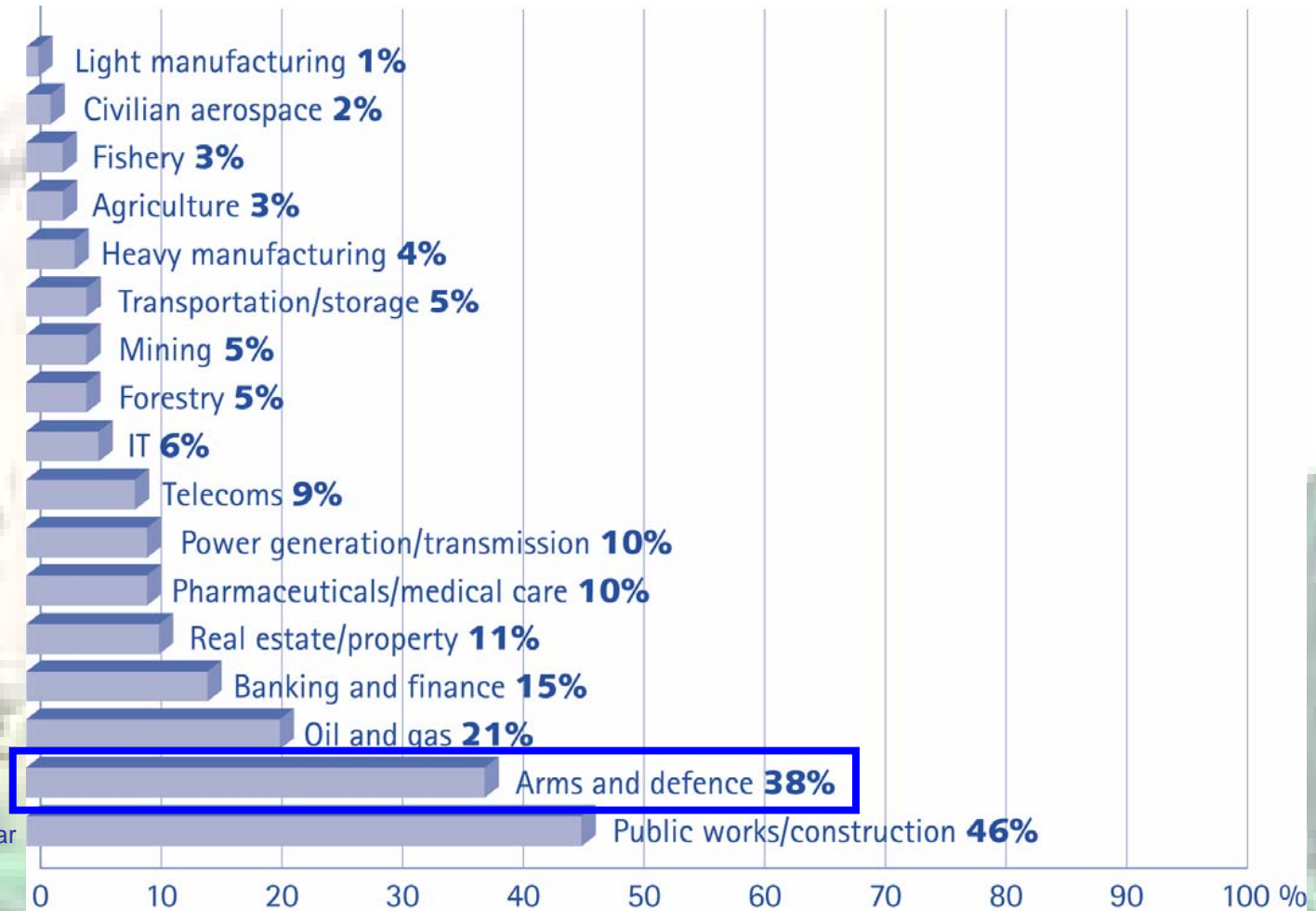
### Reasons for Companies Not to Bid





## Bribery in business sectors - by size of bribe

*Among the business sectors mentioned previously, which are the two sectors where the biggest bribes are likely to be paid?*



The results reflect the percentage of respondents who mentioned the particular sector.

This question was not posed in the BPI 1999.

# Headlines on Defence Corruption

from Past 6 months of TI (UK)'s Defence Anti-Corruption Digest

“Taiwan military strongly denies bribery charges”

“FRENCH ARMS COMPANY CHARGES WITH CORRUPTION ALLEGES TOP-LEVEL BETRAYAL”

*“American accused of taking a bribe for work in Iraq”*

“UK defence industry makes commitments to anti-corruption objectives”

*“ROMANIA AND BRITAIN INVESTIGATE SHIPS DEAL”*

“Zuma's corruption trial collapses”

“‘We bribed Saudis to buy arms’: former British defence secretary

*“Government issues blacklist of 118 defence suppliers”*

“China targets bribery in military spending”

*“Many in government helped Cunningham or yielded”*

“SFO raids four offices in BAE contracts probe”

“Corrupt arms deal cost Iraq over \$800 million”

## Exporting Governments

*have a major part in preventing corruption*

- Exporting government must signal that corrupt behaviour by national companies will not be tolerated
- Company leadership must signal the same
- Accept the tender outcome; avoid the 'phone call from George Bush'
- Investigate where tendering nations present evidence
- Low credibility: lack of prosecutions under OECD Convention



## *Outcomes so far*

- **We have engaged large EU, US defence companies and their Defence Ministries**
- **Lord Robertson, former NATO, chairs the industry meetings**
- **European defence industry has announced a formal 'Task Force' on anti-corruption, having consulted all defence associations across Europe**
- **Driven by the European big four: Thales, EADS, BAE, Finmeccanica. Professed intent is to globalise this forum**
- **Publish the Defence Anti-Corruption Digest - a listing of reported incidents or allegations in the last month**

# TI(UK) Defence Project

## Communication

Defence ministries

Defence companies

Exporting governments

NATO EU, World Bank

### Case studies

Colombia  
Latvia  
Poland  
Others

Defence  
Industry  
a-c  
Cooperation

Defence  
Ministry  
a-c  
reform

Exporting  
Government  
support

Monitoring

**Tools:** Defence Integrity Pacts, Procurement Reviews, Digest, Guidebook

**Research:** Indexes, Single source, Codes of conduct, etc

**Capabilities across TI:** Finding experts, disseminating info

## Going Further: Phase 3

- We continue to engage companies and the encourage the international forum, so they meet and raise standards
- Engage non-EU/US companies – Brazil, China, Russia, Ukraine
- Engage through countries with Defence Integrity Pacts, NATO
- More country-wide anti-corruption workshops, with industry and Defence Ministries
- Develop an index of per-country anti-corruption performance?

## Your views

- How do we judge the success of industry collaboration?
- How do we judge the impact TI is having?
- What else would help arms importing countries
- What else should we be doing?

**Thank you!**