

Out of Control

The loopholes in UK controls

on

the arms trade

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OUT OF CONTROL

The loopholes in UK controls of the arms trade

EXECUTIVE SUMMARY

Out of Control is the second investigation that Oxfam has undertaken into UK involvement in the international arms trade and the effectiveness of UK arms export controls. Unregulated or ineffectively regulated supplies of arms can exacerbate armed conflict, producing enormous human suffering and undermining development including Oxfam's own work. Oxfam seeks the effective regulation of all arms supplies to reduce this suffering and increase the prospects of sustainable development.

Oxfam's first report *Small Arms, Wrong Hands*, published in April 1998, focused on UK controls on legal sales. It revealed export licences being granted - including since May 1997 when the Labour government introduced its ethical foreign policy - to a large number of countries where human rights abuses, armed conflicts and poverty raised the question whether such exports were ethical. As importantly, it revealed the mechanics of secrecy of a system that meant that it was impossible for parliamentarians, the media or the public to confidently answer this question.

Out of Control investigates current loopholes in arms export controls that are exploited to allow the unregulated transfer of small arms to sensitive destinations - countries where they may contribute to human rights abuses, prolong existing conflict or waste resources needed to fight poverty. These loopholes have not been closed either by the tighter arms export guidelines introduced by the UK government in July 1997 or the subsequent EU Code of Conduct agreed in June 1998. In essence, this report looks at the part of the arms trade that still remains largely *Out of Control*.

The three principle loopholes investigated in this report are:

1. arms brokered by UK companies without ever passing through the UK
2. arms produced overseas under licence from UK companies
3. the failings of end-use monitoring and control

Through a combination of existing case studies and specially commissioned research, *Out of Control* identifies the involvement of UK citizens and UK companies in each area, and highlights the need for the UK government to take action to regulate these markets.

Arms brokering Arms brokering is where an agent in one country arranges a deal between an arms supplier in a second country and a customer in a third. Currently, UK companies do not have to apply for export licences or any other official approval to broker arms from one foreign country to another because the arms never enter the UK and so are not covered by existing arms export controls. In addition, arms brokering was not included in the new EU Code of Conduct on arms sales agreed in June 1998. As a result British brokering companies are involved in the supply and shipment of arms to sensitive destinations - destinations to

which the direct supply of arms would be prohibited under the tighter ethical regulations brought in by the Labour government and the EU Code of Conduct.

Even where there is a legal and binding UN embargo, there has been a failure to bring to account those brokering arms as we have seen with Mil-Tec and the other British companies involved in shipping arms to the genocidal former government of Rwanda in 1994 and more recently, with Sandline International and the “Arms to Africa” affair.

The July 1998 White Paper on Strategic Export Controls said that the government intends to bring in tighter controls, in legislation not expected before 2000, on arms brokering to countries under any kind of arms embargo. But it does not say what such controls will be or that *all* arms brokering should be licensed, as it is in Germany.

Oxfam calls for specific changes in UK controls on brokering, including:

- **making *all* arms brokering to embargoed destinations a criminal offence with clear penalties and a will to prosecute;**
- **requiring that arms brokering to all destinations should be subject to licensed approval under the same criteria as that contained in the EU Code of Conduct.**

Licensed production Licensed production is when an arms company in one country issues a licence to a company in another country to produce its weapons. Often the export controls in the second country are at a lower standard than in the first country. Also, many factories continue to produce the weapons once the original agreement has ended. As a result many weapons, designed and initially produced in countries with strict export controls flow to sensitive destinations from countries where they are produced under licence. A UK company does not usually have to apply for UK export licences for arms produced under licence overseas. Therefore, through the establishment of licensed production agreements in countries with records of human rights abuses and internal repression, companies can effectively circumvent UK legislation which would not allow the direct transfer of arms to that country.

Heckler & Koch, the once German manufacturer of small arms ranging from automatic rifles to sub-machine guns, is now owned by Royal Ordnance which in turned is owned by British Aerospace. Heckler & Koch MP5 sub-machine guns and G3 rifles have been produced under licence in Turkey, Iran, Burma, Pakistan, Saudi Arabia, Mexico and other countries. In January 1998, it was reported in the defence industry press that the Turkish licensed facility will be producing 200,000 Heckler & Koch rifles for the Turkish army over the next ten years. Later in July 1998 it was reported that the Turkish company has signed an agreement with the Indonesia Police to supply 500 Heckler & Koch sub-machine guns - a deal for which they would be unlikely to be granted a licence for the direct export of such guns from the UK under the government’s current regulations. But no such government approval is required. The licensed production of arms overseas avoids UK regulations on arms sales in much the same way as brokering does. No UK licences are usually needed. In the United States it is different. There, if a company would need an export licence to physically ship a weapon from the US, then it must also seek an export licence to produce these weapons overseas under licence. If the foreign company then wishes to export, its must apply to the US government for a further licence. **Oxfam calls for the licensed production of arms by British companies to be brought under effective control by ensuring that:**

- **deals to license arms production overseas have to pass the same checks as direct exports, including parliamentary reporting;**

- **exports via UK licensed production overseas must require UK export licences;**
- **governments must act to halt the production of arms from factories where licensed production agreements have expired.**

Absence of effective end use control

To get a licence to export arms from the UK, a company must give the government an end-use certificate stating who will import the weapons and the uses to which they will be put. In theory, this is a real check on whether or not British arms are likely to be used to kill civilians or break the other criteria which the UK government uses before granting export licences. In practice, it appears to be largely worthless because it is so easy to get an end-use certificate - and impossible to check how the arms are being used once they leave the UK.

While preparing *Out of Control*, Oxfam asked a researcher to try obtain an end-user certificate to test the system. It took a few days to arrive: an end-user certificate stamped by the Defence Ministry of the government which appeared to be importing the arms, on official headed paper, with an apparently *bona fide* signature. Oxfam has no intention of using this certificate to export arms.

Oxfam believes that more can be done to make it more difficult to abuse the UK end-use control system. Practical measures include:

- **All arms transfers should require end-use certification which should be legally binding and be verified at each transit point.**
- **British embassies should be used to check end-user documentation relating to the recipient country, at the very least if that country is a sensitive destination.**
- **Details of end-users relating to the granting or refusal of export licences should be included in all annual reports of strategic exports to national parliaments.**

Conclusion

Many governments, including the US and some EU governments, have recognised the necessity to introduce new regulations to control aspects of this market. In the recent White Paper on Strategic Export Controls, the UK government has addressed some but not all of the issues raised in this report. Nor does it meet all the standards identified in the best practice of other foreign governments. Opportunities clearly exist for the UK, the EU and other governments and international fora to introduce the type of comprehensive regulations Oxfam believes are necessary to prevent much of the international arms trade remaining *Out of Control*.

Out of Control

The loopholes in UK controls on the arms trade

1 Introduction

Through its work in the poorer parts of the world, Oxfam has become increasingly aware that one of the major driving forces of poverty is armed conflict. The reasons why conflicts are taking their toll on civilians in the countries where Oxfam works are multi-faceted and complex. One thing though is certain: the easy availability of arms and ammunition is making these conflicts deadlier, longer and, in some cases, seemingly never-ending. The flow of arms from countries such as the UK, either directly or by circuitous routes, is cause for concern. This report investigates indirect trading, especially where British arms or British-traded arms make their way into modern wars.

This is the second investigation undertaken by Oxfam to identify and examine the UK's involvement in the international trade in small arms and light weapons. Oxfam's first report, *"Small Arms, Wrong Hands,"* issued in April 1998, focused primarily on the inadequacies of the current UK export-control system as it related to the direct legal transfers of small arms, light weapons, ammunition, and related equipment to sensitive destinations - countries where they may contribute to human rights abuses, prolong existing conflict or waste resources needed to fight poverty.¹ This second report seeks to widen this analysis, to examine the various loopholes that exist in current arms export controls which could allow arms transfers - particularly small arms and light weapons - to take place to sensitive destinations with little or no control.

The reports investigates three principal loopholes relating to arms brokering, licensed production, and ineffective end-use control.

Arms brokering is the term used to refer to the action of an agent in one country who arranges a deal between an arms supplier in a second country and a customer in a third. It also covers the activities of those involved in the practical arrangements for delivering arms to the final destination. Currently, if the arms do not enter the UK, then there are virtually no UK government controls over the supply of these arms. The impact of these deals should not be understated. Many of the arms which have been sent to the Great Lakes region of Central Africa in recent years have been brokered. This is a region where violent conflict has cost more than one million civilian lives in the last four years alone.

Licensed production is where arms are produced in another location or country under agreement of a UK arms company. The UK currently exercises little export control over the transfer of UK arms produced overseas under licensed production agreements by foreign companies. The report shows that arms from these deals have ended up in sensitive destinations such as Algeria and Sudan - countries which continue to suffer violent armed conflict, human rights violations and instability, and on account of which the UK government would not permit the direct supply of UK arms

¹ Using guidelines contained within the EU Code of Conduct, Oxfam classifies sensitive destinations according to their relative levels of armed conflict, human rights record, levels of debt and other human development indices.

End-use control systems are widely abused within the international arms trade. To obtain an arms export licence, an arms dealer has to obtain a written assurance - an end-user certificate - from the importing country, company or organisation that the arms are intended for the sole use of the importer. The abuse of end-user certificates was exposed in the Scott Report into the Arms to Iraq Affair as one of the major ways in which arms shipments can circumvent arms export controls.

Oxfam argues that such loopholes must urgently be closed, in order to prevent the continued, widespread, and largely unregulated transfer of arms to areas where they could contribute to human-rights abuses, prolong or exacerbate armed conflict, or thwart sustainable development.

1.1 Purpose of the report

This report is written against the backdrop of the newly established EU Code of Conduct² on conventional arms exports. The report's primary purpose is to identify the types of arms transfers that are omitted from the scope of this agreement, and hence not subject to either UK legislation or any system of international regulation.

The key aims of this report can be summarised as follows:-

- ◆ To provide evidence in the form of case study examples to help build a solid case for change in both UK legislation and the continuing development of the EU Code of Conduct.
- ◆ To provide verifiable evidence of the nature of the UK's involvement in arms brokering, licensed production and abuse of end-use controls regarding arms transfers to sensitive destinations.

For the purposes of this report, Oxfam has defined "transfers of arms to sensitive destinations" as encompassing legal and illicit arms transfers, using both the UN definition of illicit trafficking, i.e. "that international trade in conventional arms which is contrary to the laws of states and/or international law",³ as well as a wider definition of transfer of arms which would appear to contravene the stated position of the government in the transferring country.

In essence, this report presents verifiable evidence to support Oxfam's call for the need to strengthen both the EU Code of Conduct and UK arms export legislation, in order to bring arms brokering and licensed production firmly within the scope of export regulations and to strengthen end-use controls.

² The EU Code of Conduct was agreed as a Council Declaration in June 1998.

³From paragraph 7 of the Guidelines For International Arms Transfers (UN Disarmament Commission, 7 May 1996), quoted in "EU Programme For Preventing and Combating Illicit Trafficking in Conventional Arms, 1997".

2 Arms Brokering

Arms brokering is the term given to the trading in arms where a company or individual based in one country buys arms in a second country for delivery to a third country. In the vast majority of these deals, the arms will never enter the country or countries where the deals are negotiated. In the case of a UK-based arms broker, because the arms never enter the UK, the arms deal does not come under the jurisdiction of UK arms export controls. Arms brokering also describes the activities of the companies and/or individuals involved in the shipping of arms to their destinations.

Europe has been seen by many observers as the centre of the international arms brokering trade. There are many reasons for this including its excellent international communications and relative proximity to large stockpiles of cheap small arms, ammunition and other related military equipment.

As such, the omission of controls over arms brokering in the recently established EU Code of Conduct is a major flaw, and one that needs to be rectified during the first annual review of the Code, which is likely to take place during the Finnish presidency in the second half of 1999.

It should be noted that most of the arms deals brokered by UK dealers are not illegal, in the sense that they are within the letter of UK legislation.

Estimating the full extent of the arms brokering business is difficult, especially as many of the deals involve highly sensitive destinations or in some cases a proscribed end-user (an individual or organisation who is on a government or UN embargo list, such as UNITA rebels in Angola). The deals themselves are highly complex. Many arms deals involve consultants who often introduce buyers and sellers but who do not actually arrange or broker the deals themselves, though they are paid large commissions or finder's fees. Arms brokering can involve both legal and illegal arms sales, but also government sanctioned covert deals. Most participants in such brokering are seemingly reluctant to make public their activities.

The identification of arms brokering agents often relies on the investigative efforts of specialised researchers who examine flight manifests and cargo inventories. Sometimes arms shipments can be traced when an aircraft is seized, or documents fall into the wrong hands. Without any effective international system of regulation, unravelling these complex deals is, at times, a virtually impossible task. The problem is compounded by the fact that flight documents and other paper records are often vague or confusing.

Moreover, the delivery of the arms will involve a complex supply chain of brokers, shipping agents, and intermediaries. This makes it very difficult to identify those involved. The people who put the deal together - the brokers - may be based in one country, but their bank accounts may be managed from another. A number of intermediaries from yet another array of countries may also be involved who are often responsible for supplying the end use documentation.

In some cases the arms will be delivered by a shipping firm based in one country, with its aeroplane registered in a second, which flies out from a third, will pick up the arms in a fourth country, re-fuel in a fifth, be scheduled to land in a sixth, but actually will deliver its lethal consignment in a seventh country. To make things even more complex, it would appear that

shipping company details change on a fairly frequent basis, suggesting that they are often set up purely to manage the delivery of a particular consignment of arms.

2.1 Brokering arms to sensitive destinations: case studies

Giving a full picture of the true nature and extent of arms brokering is near impossible. Without a complete account of the extent of the trade, the next best approach is to describe the activities of the arms brokers in particular instances. The following case studies illustrate how the arms deals operate in regard to destinations which Oxfam believes are cause for concern because of the possibility of fuelling conflicts, abusing human rights or undermining development.

2.1.1 Sandline and Sierra Leone

Earlier this year, Sandline International, a London based private security firm, became embroiled in what the UK media have dubbed the "Arms to Africa Affair". The reporting of this story has centered on how much or how little UK officials and ministers knew and approved of Sandline's activities in arming the democratically elected deposed President of Sierra Leone, Ahmed Tejan Kabbah. However, the activities of Sandline and a UK based air company that was involved in shipping the arms to Sierra Leone, provide a good example of lax implementation of UK controls over the brokering of arms to embargoed destinations.

Media reports had suggested the involvement of several UK companies in the supply of arms to President Kabbah⁴, although at the time of writing this report it is only known that Sandline arranged one shipment of arms to the Sierra Leone government in exile. This shipment of approximately 35 tonnes of arms and ammunition was arranged by another UK broker and delivered by a UK-based, Liberian-registered air company, Sky Air Cargo⁵, to Lungi airport, near the Sierra Leonean capital of Freetown on 23 February 1998 as specified on an end-use certificate signed by President Kabbah⁶. It is interesting to note that a single shipment of 35 tonnes of arms would not have covered all the equipment specified on this end-use certificate.

Sandline's activities in the country have been downplayed by the UK government, due to the fact that the reported arms shipment of 23 February⁷ arrived too late and was not used in subsequent fighting. However, related documents revealed to Oxfam indicate that the initial stages of the restoration of President Kabbah took place in Conakry, Guinea, via a company called Jupiter Mining, involving the transfer of "experts" to Kamajor controlled areas.⁸ The Kamajors are traditional hunters used by the Kabbah government as irregular fighters. Annex B of the Legg report, detailing the chronology of events in Sierra Leone, also includes the following curious statement:

"9 February....A telegram from Washington gives US views on latest fighting; it includes a report that the Kamajors are much more effective since concluding their contract with Sandline"

⁴ The Independent, 11 May 1998

⁵ For company details please see Freighters, First Edition, 1997; Freight Publications Ltd, p211

⁶ Report of the Sierra Leone arms investigation, Sir Thomas Legg, July 1998, sections 4.18 - 4.24

⁷ *ibid*, section 4.24

⁸ Fax communication between Minister of Presidential Affairs, Republic of Sierra Leone (c/o Jupiter Mining) and Rakesh Saxena

The role of Jupiter Mining reveals the links between private security firms and mining companies.

Sandline has personal and working links with other private security firms and mineral extraction companies. These include Executive Outcomes, Lifeguard, Diamond Works and Branch Energy.⁹

Sandline offered its services to President Kabbah. Kabbah's officials managed to persuade a Vancouver-based banker called Rakesh Saxena to bankroll the Sandline operation, in exchange for diamond concessions believed to be worth US\$10 million¹⁰ with Conakry-based Jupiter Mining acting as the intermediary.

Neither Sandline nor the other UK arms broker involved in the deal have been brought to account in the British courts for their activities, despite the seemingly clear and binding terms of the UN arms embargo. In fact, both the original UN arms embargo and the Orders in Council that enacted this embargo into UK law makes it quite clear that anyone connected with the supply of arms for use in Sierra Leone, either directly or indirectly, is in breach of the terms of this embargo. For example, Article 6 of Security Council Resolution 1132, as adopted on 8 October 1997, states the following:

6. Decides that all States shall prevent the sale or supply to Sierra Leone, by their nationals or from their territories, or using their flag vessels or aircraft, of petroleum and petroleum products and arms and related material of all types, including weapons and ammunition, military vehicles and equipment, paramilitary equipment and spare parts for the aforementioned, whether or not originating in their territory

The Statutory Instrument¹¹ that was laid before Parliament on 31 October 1997, to enact the UN embargo into UK law is clearer still. Article 3 of this Order states the following;

3. (1) Except under the authority of a licence granted by the Secretary of State under this article, no person shall:
- (a) supply or deliver
 - (b) agree to supply or deliver; or
 - (c) do any act calculated to promote the supply or delivery of, any goods specified in Schedule 1 to this Order to the order of any person connected with Sierra Leone

It has been argued that, because the democratically elected government was restored to power in Sierra Leone and a military dictatorship was overthrown, Sandline's actions were justified. It is, however, a worrying trend that such an activity can be carried out by a commercial company without the adequate checks and balances that would be required if it was sanctioned by Parliament or even subject to licensing as are direct arms exports.

⁹ op cit, The Legg Report, section 4.2 - 4.5

¹⁰ ibid, section 4.16

¹¹ Statutory Instrument 1997 No. 2592, The Sierra Leone (United Nations Sanctions) Order 1997, see also Statutory Instruments no. 2593 and 2599 that applied the embargo to UK dependent territories and the Channel Islands.

It has also been argued that the purpose of the embargo was to restore President Kabbah's regime and was only interpreted as applying to the military junta. If indeed there was a flaw in the actual wording of the embargo or in the Order in Council that placed this embargo into UK law, then it should have been challenged either at the UN Security Council or through the UK legal process. This was not done.

The July 1998 White Paper on Strategic Export Controls from the Department of Trade and Industry (DTI) indicated an attempt to tighten UK controls over brokering to embargoed destinations. However, the exact scope of these planned controls remains unclear (see Section 2.2). As they stand, the DTI's proposal will not stop the activities of arms brokers trading their wares in countries such as Burundi, where there is no embargo but where there is a bloody civil war raging.

In evidence submitted by Sandline during the Cameron Commission investigating South African arms export controls, the company was asked how it could assemble and deploy a realistic force in Burundi.¹² Sandline stated that it could deploy a reconnaissance team within 36 hours, a full company group in four days, and a battalion-sized group (500 men) together with associated air support (helicopter/light aircraft plus strategic lift) within 10 days. To deploy such a force, Sandline would usually draw on personnel formerly employed in British, US, South African, Ethiopian, Namibian and European armies. Sandline says that its people "have operated overtly throughout Africa and more covertly in the Far East and elsewhere"¹³

This impressive array of firepower and related military equipment which Sandline claims it could have deployed in Burundi at breakneck speed would not require a single arms export licence from the UK government, because none of the arms would have touched UK soil. Neither would Sandline have breached any UK law.

2.1.2 Peter Bleach and Border Technology and Innovation (BTI).

In November 1995, two British arms brokers, Aeroserve and Border Technology and Innovation Ltd (BTI),¹⁴ arranged an arms consignment to be flown to Dhaka, Bangladesh. BTI arranged to supply Peter Bleach, the director of Aeroserve, with a variety of small arms from KAS engineering in Bulgaria at a cost of \$170,000, including the following items:¹⁵

10	RPG-7 rocket launchers
25	PM79 anti-personnel mines
25	Makaro pistols

¹² Sandline International, evidence to South African Cameron Commission of Inquiry Into Alleged Arms Transactions Between Armscor and One Eli Wazan and Other Related Matters

¹³ Ibid

¹⁴ BTI, based in Abingdon Oxfordshire, claim to have appointed agents in 22 countries since 1990, and have secured contracts with military or civil defence units in at least 15 countries, including Angola (1992), Argentina (1993), Bangladesh (1992), France (1991), Hungary (1993), Kuwait (1992), Lebanon (1990), Malaysia (1991), Pakistan (1991), Peru (1993), Saudi Arabia (1993), Sri Lanka (1991), Thailand (1993), Turkey (1992) and Venezuela (1993)

¹⁵ Facsimile communications between BTI and Peter Bleach, 10 November 1995

2	sniper flies and night-vision sights
2	night-vision binoculars
100	anti-tank grenades
300	AK-47's
100	grenades
25,000	rounds of 7.62mm ammunition
6,000	rounds of 9mm ammunition

The arms were flown by an air company registered in Hong Kong, but whose shares were transferred to an investment company registered in the Isle of Man, approximately one month prior to the arms shipment. There are close and complex links in the arms brokering business, between arms dealers and their associates, air cargo companies and investment and banking firms.

On 17 December 1995, during a flight from Karachi, Pakistan en route to Calcutta, the arms were parachuted to the ground near the village of Puralia.

Peter Bleach was subsequently arrested by Indian security forces when the aeroplane that dropped the arms was impounded in India, and, at the time of writing, he is on trial in Calcutta. Indian authorities believe that the arms were destined for the Anada Margas, a radical religious organisation. Peter Bleach insists that he had cleared the arms shipments with UK intelligence services, but this is denied by the UK government.¹⁶

BTI stated that they supplied the arms on the basis of a genuine end-user certificate from the Bangladesh Defence Ministry. An invoice given to Peter Bleach on 10 November 1995 includes the following note:

"Peter...Total price \$170,000....We need EUC quickly to effect licences. Payment: \$85,000 in advance, balance by Bankers draft. Commission: \$10,000 is in this for you. Parachutes not available."

While this confirms that an end-use certificate was requested, it is highly unusual for parachutes to be used in the supply of arms.

BTI also stated that the "Commercial invoice should describe goods as 'goods as per contract No. 046-HPS 10.11.95' to keep within the ideals of our Swiss Bank".¹⁷

2.1.3 Mil-Tec and Rwanda and Zaire

Until 1996 the Mil-Tec Corporation was just a small business based in Hove, East Sussex which few people knew about. Then, in late 1996, the newspapers and TV news began to reveal the story behind its activities. As the retreating Rwandan Hutu militias fled from the refugee camps in the former Zaire, they left behind on their buses and vehicles documents which indicated that a British company had provided them with large quantities of small

¹⁶ "Arms Deal Briton May Hang". Peter Bleach incarcerated in a Calcutta cell for 21 months on a charge of waging war against India. The Times, 27 September 1997

¹⁷ Facsimile transmission from Border Technology and Innovations to KAS Engineering, Bulgaria.

arms, ammunition, and other military equipment.¹⁸ The documents revealed that the former Rwandan government had bought more than \$5.5 million worth of machine guns, mortars, grenades, ammunition and other military hardware from Mil-Tec between April and July 1994. Some of these shipments had been delivered after the UN arms embargo on Rwanda came into force in May 1994. Some of the Mil-Tec documents included demands for payment from the Rwandan government of unpaid invoices totalling \$1.9 million. One document stated that "we [Mil-Tec] have been suppliers to your military for over 5 years and were able to assist you with supplies during your time of need".¹⁹

The documents showed that Mil-Tec had been approached on 10 April 1994, four days after the start of genocide, which cost nearly one million lives, and stated that Mil-Tec had made a delivery eight days later. The deliveries continued until 13 July and included millions of rounds of ammunition, small arms, and more than 10,000 mortar rounds and grenades.

Related documentation²⁰ suggests that a number of UK based or registered companies had also been connected with the Mil-Tec arms shipments. These included Orchid Aviation based in Gatwick, Peak Aviation based in Sussex, and Overnight Cargo Airlines registered in Nigeria but who also had offices in Newmarket.

The subsequent failure to call to account any of the companies who were resident in the UK at the time of the arms shipment to a government involved in genocide provides a shocking illustration of the weakness of current export control systems. Indeed, Robin Cook, then shadow Foreign Secretary, made the following comments on the Mil-Tec affair:

"It appears what they can't control is what was happening here, which is a company registered in Britain, drawing its profits into Britain, providing the planes and acting as the middleman for somebody else selling the arms, and taking them on to Zaire"²¹

It remains to be seen whether new arms export legislation to be introduced by the government is equally robust in its desire to bring the activities of arms brokers under tighter controls (see Section 2.2).

The Mil-Tec case raises a number of important points:

Firstly, and perhaps most importantly, invoices and shipping documents suggest that Mil-Tec was supplying arms and ammunition to the Rwandan government long before the UN arms embargo was imposed²². These were not illegal. Despite Rwanda clearly being a highly sensitive destination, with evidence of serious human rights violations and internal instability prior to the start of the genocide, Mil-Tec did not require a single arms export licence from the UK.

Secondly, although Mil-Tec was operating from the town of Hove, it appears to have legally

¹⁸"Firm's chairman quits over 'arms to Africa' claim", Daily Telegraph, 19 November 1996

¹⁹ Associated Press, 19 November 1996

²⁰ Documentation disclosed to Oxfam during researching this report

²¹ op cit, Daily Telegraph, 19 November 1996

²² Security Council Resolution 917, 17 May 1994

registered in both the Isle of Man and the Island of Sark in the Channel Islands.²³ The UN embargo on arms exports to Rwanda did not have any legal force on the Isle of Man or the Channel Islands, because the UK government had made an error when drafting the enabling legislation to codify the UN embargo into British law.²⁴ It is not clear why any of the other UK based or registered companies involved in arms shipments have not been brought to account for their activities.

Thirdly, Mil-Tec had brokered the arms shipments from a number of different suppliers in a range of countries including Albania, Belgium, Bulgaria, Romania and South Africa. These weapons followed a sometimes erratic, and difficult to trace, journey through airports in Tel Aviv and Tirana, to be delivered to the Rwandan capital and then, after the former government had fled the country, to Goma and Kinshasa in Zaire. The financial payments followed equally complicated routes.²⁵ The UK government insisted that, even if they did break the embargo, the shipments did not contravene British law, because the arms were not exported through British territory. Investigations are currently still underway to establish whether any of the arm shipments went via Heathrow airport after the UN arms embargo had been introduced.

The whole sorry episode demonstrates the urgent need to establish mechanisms to control the activities of companies or individuals offering brokering services. As detailed in Section 2.2 and 2.3, a number of governments, including the UK, have begun to tighten regulations in this area. For example, the US government has recently introduced legislation which requires any US national, whichever country they may reside or work in, to register with an appropriate arms control agency if they are brokering small arms or other defence equipment and services.

The Mil-Tec case also highlights the inadequacies in end-use controls for small arms. Many of the Mil-Tec shipments had false end-use documentation which showed the final destination as Zaire, despite being destined for Rwanda, an embargoed country undergoing extremely violent internal conflict. The arms shipments went through a number of countries, airports, and other transit points with no effective checking or control.

The Mil - Tec case demonstrates like others one of the weakest points in arms control: air freight. Because of the low weight and size of small cargoes, it is quick, easy, and relatively cheap to ship the arms by air cargo planes rather than by sea. The UK government should seek to develop legal frameworks to tightly regulate the activities of companies and individuals involved in the shipment of arms. Also controls at many European airports and other transit points are far too lax and should be strengthened.

2.2 The July 1998 White Paper on Strategic Export Controls - an end to brokering?

The recent DTI White Paper on Strategic Export Controls has begun to tackle the issue of brokering and arms trafficking by UK nationals²⁶. The proposed legislation will address the

²³ Agence France Press 19 November 1996

²⁴ "Rifkind admits arms ban 'errors'", The Guardian, 22 January 1997

²⁵ "Un Francais est ecroue pour trafic d'armes de guerre avec le Rwanda" Le Monde, 2 February 1995

²⁶ A broker is defined as a person acting as "an agent in putting a deal together between supplier and customer or making the practical arrangements for the supply of the goods"; trafficking is defined as "the involvement in buying and/or selling goods"; Strategic Export Controls White Paper, Department of Trade & Industry, July 1998, CM3989, p14

loophole that has allowed brokering or trafficking in arms to all countries that are not subject to binding UN arms embargoes. Under existing export legislation, an absurd anomaly has allowed UK firms or nationals to broker arms to destinations that have been subject to an EU or national embargo, without fear of prosecution by enforcement agencies.

The White Paper states that:

"the government believes that it would be right in principle to control the involvement of persons in the UK or UK persons abroad in trafficking and brokering in controlled goods to countries that are the subject of other types of embargo, whether as a result of non-binding decisions of the UN or decisions of the EU, OSCE or indeed the UK Government".

Oxfam agrees with the government that it is wrong in principle for UK brokers to undermine embargoes enacted in legislation. The question not answered by the White Paper is how best to prevent this.

The White Paper also seeks to extend restrictions on brokering to encompass military items that are prohibited for export by the UK, including items specifically designed for torture (such as electro-shock batons, leg-irons, and gang-chains) and anti-personnel landmines - moves which Oxfam wholeheartedly supports.

However, the White Paper is unclear about the scope of export controls that will apply to these activities.

"However, the government does not propose to use this power to introduce controls on trafficking and brokering of all goods that are subject to export controls. It is right in principle that UK controls on trafficking and brokering should be more limited than on actual exports from the UK, as those involved in such activities will also be required to comply with the export control laws of the exporting country."

The White Paper states that "the goods and/or destinations subject to controls on trafficking and brokering would be laid down in secondary legislation". It remains to be seen how extensive this list of goods and destinations will be in practice. It also implies that the Order in Council system of applying arms embargoes into UK law on a case-by-case basis will remain. Indeed, some have argued that this is necessary due to the differing nature and scope of international arms embargoes. However, through analysis of the case studies in this report, Oxfam believes that such a system of case-by-case implementation does not adequately prevent brokering by UK companies or nationals to embargoed destinations. Nor is Oxfam convinced that the differing nature of arms embargoes necessitates this approach. Indeed under existing practice, the UK interprets arms embargoes in only three ways, namely; full scope embargo, limited to certain groups or limited to certain types of military equipment.

Oxfam, urges that the principle of brokering of arms to any embargoed destinations is made a criminal offence in primary legislation. Secondary legislation would then be used to define the scope of a particular embargo or any exceptions that may apply in each case. In other words, the supply of arms to any destination covered by an arms embargo would

automatically become a criminal offence, unless secondary legislation specified otherwise. Under such a system, it would be far less likely that future Mil-Tec cases would arise. Indeed, on 17 December 1996, an inter-departmental government committee set up in the wake of the Mil-Tec fiasco reported that, "there were no structured arrangements for ensuring the timely and accurate imposition of embargoes" and that "an assessment of primary legislation aimed at prohibiting arms trafficking should be undertaken as part of current Government review of strategic export controls"²⁷.

Such a move could also help to tighten the weakest link in the arms export chain, that of international air freight. As air - crew are responsible for their cargo, including ensuring that flight manifests are correct, it is highly likely that those who are shipping arms are aware of the nature of the cargo. However, if the scope of export controls applied to brokering agents remains ambiguous, there is no legal onus on air - crew to refuse to fly particular consignments.

As a minimum, it would appear from the White Paper that Customs and Excise will be given extra powers to request documents for companies involved in brokering activities. While this may lead to more successful prosecutions of those involved in supplying arms to embargoed destinations, such "after the event" investigations will not prevent the supply of arms reaching their destinations nor reduce the human suffering which such arms bring.

Moreover, Oxfam hopes that other areas of brokering, particularly with regard to sensitive destinations, will be brought within the scope of the export licensing process, as currently happens, for example, in Germany, Sweden, the Netherlands and the US. There are many countries, which are not subject to an arms embargo to which it is still essential to judge whether or not brokered weapons to these destinations could be used to violate human rights, fuel external aggression or divert resources from development. It therefore seems illogical to permit unregulated brokering to other sensitive destinations. For example, current US legislation stipulates the following licensing requirements on brokering activities:

"In accordance with the AECA (Arms Export Control Act), defense trade activities, including brokering, must be consistent with the national security and foreign policy interests of the United States."²⁸

This legislation also stipulates that arms brokers must register their activities, including disclosing full details of the exact nature of their business and any current or pending contracts. It is a criminal offence not to register. In order to offset the administrative costs involved, all US defence companies, including arms brokers, have to pay a registration fee. Similarly, under the Swedish system, the entire export control system is financed via a supplementary tax levied against defence companies. An "arms tax", perhaps expressed as a percentage of arms companies annual profits, could be an innovative way of ensuring that the export control system has adequate capacity to regulate any extension in the scope of licensing requirements that such measures may bring.

Whilst it is too early to say whether or not the US system is effective, it is certainly the case

²⁷ for more detail, see W Benson, "Light weapons controls and security assistance: a review of current practice", Saferworld/International Alert, September 1998

²⁸ see Brokering activities amendment to the Arms Export Control Act, Bureau of Political Military Affairs, Office of Defense Trade Controls, March 1997

the licences for brokering have been both approved and refused. It is important to bear in mind that none of these deals would have been subject to any controls prior to March 1997. Any brokering deals to sensitive destinations that are stopped as a result of this legislation must surely be a good thing. US enforcement agencies also very much welcome the new legislation as it simplifies the process of bringing unscrupulous brokers to account for their activities as it sets out in legislation what is legal and what is not. At the time of writing, several companies and individuals were subject to criminal investigation as a result of this legislation. The US experience is that such changes can be introduced with a minimum of additional workload in licence processing procedures.

2.3 Recommendations

- 1 Primary legislation must make it an offence in UK law, subject to clear legislative penalties, to broker arms (including shipping them) to any destination covered by an international or national arms embargo. This should cover all arms to all parties in an embargoed country unless exceptions are made in secondary legislation. Secondary legislation should specify the exact scope of each embargo and any particular exceptions that may apply.
- 2 Arms brokering to other, non-embargoed destinations should be subject to licensed approval. At a minimum, this should apply to a list of sensitive destinations that would be identified in secondary legislation. This would ensure that activities of UK-based companies or UK nationals abroad are consistent with UK arms export policy and do not bypass UK export control procedures.
- 3 Arms brokering agents should be required to register their activities, as is required under US legislation, and company details should be held on a central database. It should be an offence in law not to register activities of any company connected with the supply of arms.
- 4 The government should provide parliament with details of companies or individuals who have been prosecuted for breaching export control legislation. (The US annual Export Administration Report already contains such details.)
- 5 Given the international dimension of brokering activities, a system of registration and licensed approval must be included under the provisions of the EU Code of Conduct at the earliest opportunity. The EU governments must take urgent action to strengthen the European custom organisations, to facilitate rigorous inspection programmes to provide more effective control and prosecution of those responsible for illicit arms shipments.
- 6 The UK and EU governments should implement systems to collate data on air-freight cargo shipments, to enable independent scrutiny and monitoring.

3 LICENSED PRODUCTION

Agreements reached between domestic arms companies with companies in another country to permit the production of weapons or other related equipment in that country are often termed licensed production. In the case of a UK company, weapons that are produced overseas in this way and subsequently exported do not come under the jurisdiction of UK arms export licensing controls.

European small arms and light weapon manufacturers are increasingly establishing agreements with countries for the licensed production of a wide range of military, security and police equipment, including the production of light weapons, weapon accessories and weapons platforms. The host country gains access to arms and the "supplier" company receives payment, revenue or countertrade benefits. In practice, the establishment of such licensed production circumvents the export control regulations of the supplier's country.

In many cases, arms manufactured under licensed production agreements are more expensive than commercial off-the-shelf weapons. Costs include building the necessary production facilities as well as licensing, royalty and technical assistance fees. Many countries are eager to establish domestic arms industries and so to recoup or offset investment costs and to reduce unit prices, they often seek to market the arms to other countries.

It is not uncommon for the licensed production agreement to start by establishing an assembly facility which over time is provided with the technology to produce full versions and finally to undertake development of variants.

It would appear that with licensed production companies have established a legal mechanism whereby products can be manufactured in a number of different countries, none of which seems to concern itself with the licence procedures of other national governments.

3.1 UK involvement in licensed production: case studies

3.1.1 Heckler & Koch

Heckler & Koch is a British-owned small arms multinational company with a worldwide reach through direct transfers and licensed production. Heckler & Koch was German owned until spring 1991, when it became a subsidiary of Royal Ordnance (which in turn has been a subsidiary of British Aerospace Plc since 1987).

Heckler & Koch produces a wide range of small arms, including pistols, rifles, assault rifles, sniper rifles, sub-machine guns, general purpose machine guns and grenade launchers. The MP5 sub-machine (and variants) is the weapon of choice for many of the world's special forces. Table 1 shows the number of countries where Heckler & Koch small arms are or have been in service. The table does not identify which company or organisation was responsible for the transfer of the weapons.

Heckler & Koch products have been licensed for production in a large number of countries throughout the world. A major problem with the proliferation of licensed production agreements is that some countries may continue to produce the small arms after the licence has ceased and there is little or no control over this unlicensed production. Alternatively, the company may be legitimately producing the small arms but may have weaker export controls than the licensing company's home country.

The more factories that produce the same small arms, the harder it becomes to track illicit

small arms transfers. For example, an illicit shipment, originally intended for UNITA in Angola, contained used Heckler & Koch G3 rifles, but also over 10,000 brand-new G3 rifles.²⁹ It has yet to be established where the new G3 rifles were produced.

Table 1: List of countries where Heckler & Koch small arms are in service						
	Africa	Asia	Eastern Europe	Europe	Middle East	Latin America & Caribbean
G3 Rifle	Angola Burkina Faso Burundi Chad Ethiopia Gabon Ghana Ivory Coast Kenya Libya Malawi Mauritania Morocco Niger Nigeria Senegal Somalia Sudan Tanzania Togo Uganda Zaire Zambia Zimbabwe	Bangladesh Brunei Indonesia Myanmar (Burma) Pakistan Philippines		Cyprus Denmark France Germany Greece Italy Netherlands Norway Portugal Sweden	Bahrain Lebanon Iran Jordan Qatar Saudi Arabia Turkey UAE Yemen (Nth)	Bolivia Brazil Chile Colombia Dominican Republic El Salvador Guyana Haiti Mexico Paraguay Peru
HK 33 sniper rifle		Philippines				
MP5 sub	Cameroon	Afghanistan		Belgium	Bahrain	Argentina

²⁹ "A mysterious South African arms cargo rejected by Lebanon was originally sold to the sanctions-bound Angolan rebel movement UNITA.... Barlow said the brokers wanted about 9.1 million rand (\$2.5 million) for the arms. Reading from a consignment list provided by the third broker, he said the cargo included 9212 Type 56 AK47 assault rifles made in China at \$50 each; 11,556 new Heckler & Koch G 3 rifles at \$100 each; 4099 used G3s at \$75 each, and more than 13 million rounds of ammunition at \$50 per thousand rounds. Reuters News Service, 30 September 1994.

machine gun	Ghana Kenya Mauritius Morocco Niger Nigeria Sudan	Australia Hong Kong India (special forces) Japan Malaysia New Zealand Pakistan Philippines Singapore South Korea Sri Lanka Thailand		(police) Denmark (police) France Germany (police +border police) Greece Iceland (police) Ireland Italy Luxembourg Malta Netherlands Norway Spain Switzerland (police) UK (police + special forces)	Iran Jordan Kuwait Qatar Saudi Arabia Turkey UAE	Brazil (police) Chile Colombia El Salvador Honduras Mexico Uruguay Venezuela
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The Heckler & Koch G3 rifle has been licensed for production in France, Greece, Iran, Mexico, Myanmar (Burma)³⁰, Norway, Pakistan, Portugal, Saudi Arabia, Sweden and Turkey.³¹ The MP5 sub-machine gun has been licensed for production in Iran, Greece, Pakistan, Turkey, and the UK.³² Table 2 provides details of the countries where licensed production agreements have been established.

Table 2: Heckler & Koch small arms licenced production						
	Africa	Asia	Eastern Europe	Europe	Middle East	Latin America & Caribbean
G3 Rifle		Myanmar (Burma) Pakistan		France Greece Norway Portugal Sweden	Iran ³³ Saudi Arabia Turkey	Mexico
HK 33 rifle		Thailand			Turkey	
HK69 40mm Riot Gas Launcher				Italy		

³⁰ The licensed production deal for Burma was agreed in 1990

³¹ G3 rifle: Manufacture Nationale d'Armes de St Etienne (MAS) manufactures for export to such nations as Lebanon (France); Hellenic Arms Industry: some export to nations such as Libya (Greece); Mosalsalsasi Weapons factory: production still continuing, despite facility damage during Iran/Iraq war (Iran); Government Facilities (Myanmar / Burma); Norsk Forssteknologi A/S (now Kongsberg Gruppen AS) no longer in production (Norway); Pakistan Ordnance Factory, some examples in service in Bangladesh (Pakistan); INDEP (Portugal); Saudi Al-Khardi Arsenal:some domestic use and for export to nations such as North Yemen (Saudi Arabia); FFV: no longer in production (Sweden); MKEK: for domestic use and for export e.g. Cyprus (Turkey). Source: Jane's Infantry Weapons 97/8

³²MP5 sub machine gun: Hellenic Arms Industry (Greece); Iranian Defence Industries Organisation. MP5K (Iran); Pakistan Ordnance Factory. MP5A2 and MP5A3 (Pakistan) ; Royal Ordnance plc Production mainly for export to nations such as Nigeria (UK); Makina ve Kimya Kurumu (MKEK), MP5A3. (Turkey); Source(s): Jane's Infantry Weapons 97/8, Iranian Defence Industries Organisation brochure (Defence Services Asia, 1996).

³³ Heckler and Koch has confirmed that their licensed production agreement with Iranian Defence Industries is no longer in force.

The establishment of licensed production agreements in countries with a record of internal repression and human rights violations or countries that are currently engaged in conflict has effectively circumvented UK arms export control legislation that would not allow a direct transfer to that country. Heckler & Koch has recently been reported to have signed a licensed production agreement for the manufacture of 200,000 5.56mm infantry rifles by Makina ve Kimya Endustrisi Kurumu (MKEK) in Turkey.³⁴ This is perfectly legal under existing UK law.

Not only does the decision to allow licensed production of these weapons avoid the direct licensing of UK arms to Turkey, it has also effectively negated UK controls on any subsequent re-exports of these items from MKEK to sensitive countries. For example, in July 1998, the leading Turkish news agency reported details of a negotiated contract between MKEK and the Indonesia Police to supply 500 Heckler & Koch MP5 sub-machine guns. The contract is reportedly worth at least US\$400,000, with delivery of the guns to take place later in 1998. According to officials, this deal is part of a worldwide promotion drive.³⁵ The seriousness of the situation cannot be underestimated, as in the current climate it is virtually certain that the UK government would not have granted export licences for such a large number of MP5 machine guns to the Indonesian police force.

Whilst Heckler & Koch UK cannot be held responsible for licensed production deals set up prior to the company's ownership by Royal Ordnance, it is surely responsible for all agreements where the company is still receiving financial or related benefits from that production.

It was reported in 1992 that in 1991 "50,000 Heckler & Koch G3 automatic rifles were supplied to Sudan, probably via Iran"³⁶. Photographs obtained by a Human Rights Watch investigation provide evidence that the weapons were manufactured in Iran. Heckler & Koch has stated that the Iranian licensed production agreement for G3 rifles is no longer current. However, it appears that the guns continue to be produced and exported to sensitive destinations without Heckler & Koch's consent. It should also be noted that Iranian Defence Industries Organisation is currently manufacturing a variant of Heckler & Koch's MP5 sub-machine gun. Jane's Infantry Weapons 1997/8 states that this is under a licensed production deal.

To make matters more complex it appears that other companies can act as intermediaries in managing licence production agreements. It was a German company, Fritz Werner, which initially managed Heckler & Koch's Iranian licensed production agreement.³⁷ Fritz Werner

³⁴ According to Defense News, 19-25 January 1998, "Heckler & Koch UK, Nottingham, England, has won a \$18 million contract to transfer technology for the local production of 200,000 5.56mm infantry rifles for the Turkish Army. The rifles will be manufactured during the next ten years at a plant operated by Turkey's state-run artillery, small arms and ammunition maker Makina ve Kimya Endustrisi Kurumu. They will replace the Army's 7.62mm infantry rifles, designed and made by the same company". The UK Ministry of Defence has argued that this licensed production deal is managed by Heckler and Koch Germany and so is not a matter for the UK government, although Heckler and Koch Germany is owned by Royal Ordnance Plc, which in turn is owned by British Aerospace.

³⁵ Anadolu News Agency, 25 July 1998

³⁶ Jane's Defence Weekly, 9 May 1992

³⁷ The production facilities for the G3 rifle and the MG3 general-purpose machine gun at the Mosalsalsasi

has also been reported as establishing a joint venture in Myanmar (Burma) to license the production of Heckler & Koch G3 rifles.³⁸

In July 1997 in Yei, southern Sudan - a country under an EU arms embargo - an Oxfam worker picked up a bullet for a Heckler & Koch G3 rifle. From the markings stamped on the head-stock Oxfam was able to trace this bullet as being manufactured by Pakistan Ordnance Factory - who are listed as manufacturer of both Heckler & Koch G3 rifles and MP5 machine guns and associated ammunition under license production arrangements.

The fact that the arms and ammunition were supplied from Pakistan to Sudan - a country continuously at war since 1983 with at least 1.5 million lives lost - graphically highlights the need to bring licensed production agreements under much tighter control.

3.1.2 Land Rover and Otokar

The Turkish company Otokar of Istanbul (a subsidiary of KOC Group, the largest private holding company in Turkey) has been producing the Otokar family of vehicles under licence from Land Rover since 1987. It is now producing the Scorpion counter-insurgency vehicle based on the Land Rover Defender 90/100, and sharing 70 per cent of its automotive components. As these are civilian components and are supplied essentially in kit form for the Turkish company to assemble, it would appear that these transfers are not covered by UK licensing requirements, even though these vehicles are clearly militarised on assembly. Vehicles on display during the 1995 IDEF Turkish arms fair had twin machine guns mounted either side of an infra-red camera system which allows groups of people to be shot in the dark, as the soldiers can take aim via an interior-mounted TV target system.

The Land Rover/Otokar deal also allows transfers of lethal technology to countries which would not be licensed to receive it if the deal was a direct commercial transfer from the UK. A good case in point is Otokar's \$200 million deal with Algeria to sell 700 Scorpions to control the insurgency by militant Islamists forces.³⁹ Such a sale from the UK would be prohibited by existing embargoes and export restrictions.

Moreover, such deals also avoid the checks and balances required under UK licensing procedures, which is particularly important in relation to arms sales to sensitive destinations. For example, Pakistan has agreed to buy nearly \$100 million worth of Scorpion Otokar armoured personnel vehicles from Turkey⁴⁰.

Under the terms of the EU Code of Conduct, it is questionable whether this sale would have gone ahead if it were a direct transfer from the UK. Turkey uses such regional export deals to bolster its domestic defence industry. Whilst some may argue that this vehicle and its export are a matter for the Turkish authorities alone, at recent exhibitions in Turkey (which has adopted the Scorpion for its own security forces), the Land Rover/Otokar vehicles connection was given a very high public relations profile.

weapons factory were arranged in a government-to-government deal between the Federal Republic of Germany and the Shah's government of Iran. *Small Arms Today*, 1988

³⁸ In 1990, Fritz Werner set up a new US \$8 million joint venture, called Myanmar Fritz Werner Industries Ltd, reportedly with Myanmar Heavy Industries, to take over the existing Fritz Werner Company. Modern arms technology, including German G3 rifles, are produced at a local factory in Rangoon. *Index on Censorship*, October 1991

³⁹ "Otokar have supplied 700 Scorpions From Turkey to Algeria", *The Independent*, 26 May 1995.

⁴⁰ *Defense News*, 26 June 1995.

With current production levels running at about 2,500 vehicles a year, many of which will go to export, Otokar provides one of the clearest cases for the need to extend export licence controls to licensed production agreements.

3.2 UK export controls on licensed production

At present the exact scope of control that the UK government exercises over licensed production agreements is unclear. While it is likely that any technology transfers that maybe associated with the licensed production agreement would require some form of government approval, once the production is underway, no other controls seem to exist. It also seems to be the case that there is no actual control over the setting up of the agreement itself. In other words, if a foreign company already had sufficient local production capacity, an official agreement to produce a variant model would not require any UK export licence as no technology or components would have been needed. Whilst new controls over intangible transfers (e.g. electronic data exchanges) contained in the government White Paper may increase controls in this respect, in general the issue of increasing controls over licensed production has not been included in the White Paper.

Even under the proposals in the White Paper, the UK position appears to be that, unless equipment or related technology is exported from the UK no effective control is possible. The UK Strategic Export Control legislation does not extend to licensed production agreements, and there is no requirement for UK commercial companies to publish the details of any licensed production agreement established with companies in other countries. In almost all cases, the companies concerned cite "commercial confidentiality" when questioned about any such deals. This compares unfavourably with the US control system, which treats licensed production agreements as a strategic export and, therefore, insists that all such exports must be validated with a licence.

For example, in the licensed production arrangement between Land Rover UK and Otokar (Turkey), while the vehicles produced in Turkey share some 70 per cent of the components with UK-produced Land Rover vehicles, the UK government defines the export of the components to Turkey as "civilian". Therefore Land Rover is not required to apply for export licences, the trade is not controlled by government, and it is not reported to Parliament. Exhibition and promotion material showing images of Armoured Patrol Vehicles manufactured by Otokar would lead few to dispute that these militarised vehicles are, in fact, very similar to Land Rovers.

If the licensed production agreement only established an "assembly" operation for items such as weapons, then the export from the UK of the component parts, such as rifle barrels would still require UK export licences. However, if the components are deemed to be "civilian", then no controls are exerted and it is left to the third-party country to control any further transfers.

GKN Defence Ltd in Telford has established an agreement with the joint venture company Asian Armoured Vehicle Technologies Corp, in Subic Bay in the Philippines, to produce Simba vehicles. It was reported in 1994 that the first seven Simba 4x4 Armoured Personnel Carriers had been delivered to the Philippine Armed Forces. 150 vehicles had been ordered and fitted with a 12.7mm Browning Machine Gun turret. Eight Simbas would be supplied from the UK, several as kits and the rest to be assembled at the Subic Bay plant operated by the Asian Armoured Vehicles Technologies Corp. A number of variants would probably be

developed.⁴¹

When questioned in Parliament about this particular licensed production deal, the government stated that:

"Mrs Clwyd: To ask the President of the Board of Trade what control she has over the transfer of (a) armoured vehicles and (b) armoured personnel carriers to (i) Indonesia and (ii) other countries from the GKN Defiance [sic] licensed production facility in the Philippines. [3639]"

"Mrs Roche: The control of exports from the Philippines is a matter for the Philippine Government. Any export of licensable goods from the UK to the Philippines would be subject to UK export controls." ⁴²

If the Philippine company moved towards local production of not only Simba internal security vehicles but also locally designed variants, then there would be no direct exports from the UK by GKN and these vehicles could be exported by Asian Armoured Vehicles Technologies to any sensitive destination without any UK approval.

The situation in the United Kingdom contrasts strongly with that prevailing in the United States⁴³. In the US, if the product would require an export licence if it were to be physically shipped from the US, then the company wishing to establish the licensed production agreement is required to make an export licence application to the relevant US department. If the foreign company then wishes to alter the terms of the original licence agreement, for example to export arms to another country not specified under the terms of the original licence, it must apply for a further licence.

Of crucial importance is that it is the US company that set up the agreement that is responsible and accountable for the conduct of its foreign counterpart under the terms of US law. In the UK, this would mean, for example, that Royal Ordnance would be accountable for the activities of both Heckler & Koch Germany and MKEK in Turkey. In other words, it would not be possible for a UK company to argue that the export of arms produced under licence overseas was not a matter for them.

In addition in the US, many companies are required to disclose publicly a licence agreement that is "a material part of its business". SEC [Securities and Exchange Commission] regulations stipulate that "any franchise or license or other agreement to use a patent, formula, trade secret, process or trade name upon which [the] registrant's business depends to a material extent" must be incorporated in the firm's public filings.⁴⁴ Such public disclosure is also subject to official auditing procedures, and the US government has the power to conduct follow up monitoring at the foreign firm.

The public provision of information on licensed production agreements is so widespread that

⁴¹ Jane's Defence Weekly 30 April 1994, p10

⁴² Hansard. 15 July 1997, col 134

⁴³ see for example, "International Traffic in Arms Regulations, Part 124 - Agreements, off-shore procurement and other defense services", January 1998

⁴⁴ 1991 SEC Guidelines: Rules and Regulations, Warren, Gorham & Lamont, Boston, MA (1995). Section 229.601(b)(10)(ii)(B), p.Reg S-K.69.

techniques for utilising such information are discussed in business research guides.⁴⁵

For example, SEC registration documents in 1990 for a licensed production agreement included the following:

"Pursuant to its License Agreements, the Company proposes to manufacture through third party manufacturers, assemble and market two (2) portable consumer non-lethal self-defense device, and a launching net for use with the device, which could appeal to a substantial US and International market place. The device when triggered, produces an electric charge of approx. 50,000 volts. This charge, when touched to an attacker, cause immediate impairment of the muscular functions of the attacker."

However, it must be noted that, even where controls on licensed production do exist, there is little end use monitoring of onward transfers by the licensee company, nor of production that continues after the licensed production agreement has ceased or has become invalid. This situation appears to contrast sharply with the effort that is extended to protect the "intellectual property rights" for items such as music CDs. For example, the US government was prepared to introduce trade sanctions worth £655 million against China over concerns about illegal copies of computer software, videos, music CDs and Kellogg's Cornflakes.⁴⁶ As a result, China agreed to close two of its largest offending factories. It is hoped that governments will be suitably diligent in applying such "copyright" controls over factories making arms and ammunition without a valid licence.

3.3 Recommendations

- 1̃ Oxfam believes that the government should ensure that UK and European export control mechanisms are not undermined by licensed production agreements. Licensed production, including exports from licensed producing countries, therefore, needs to be brought under the scope of both UK export controls and the EU Code of Conduct. Oxfam believes that the most efficient and effective way to achieve this goal is to class licensed production agreements as arms transfers. Then licensed production agreements will be subject to the same checks and balances as physical exports.
- 2̃ If it is deemed that extra-territorial powers are not possible with regards to controls over exports via licensed production then the presumption should be to deny the setting up of all such agreements.
- 3̃ Greater effort should be made to control the proliferation of small arms from factories where licensed production agreements are no longer valid. Governments could consider imposing "intellectual property rights" or "copyright" controls over those operating these factories, as should greater consideration be given to facilitating their conversion to more useful civilian production.
- 4̃ Oxfam believes that licensed production agreements should be subject to the following conditions:

⁴⁵ Technology Licensing - Corporate Strategies for Maximizing Value. Eds: Russel L. Parr, Patrick H. Sullivan. (1996) John Wiley & Sons.)

⁴⁶ The Daily Telegraph, 6 and 27 February 1995

- they should not be permitted for recipient countries where an export licence application for a direct transfer would be refused;
- they should not be permitted where the recipient country cannot demonstrate sufficient transparency and accountability in terms of export end-use control;
- they should not be permitted to countries that have a record of transferring small arms to countries which are subject to UN and other international arms embargoes.

§ The government should include details of the number and type of licensed production agreements that have been permitted within the annual report of strategic exports to parliament.

4 INEFFECTIVE END-USE CONTROLS

Small arms can reach sensitive destinations as a result of re-export via third countries, an absence of official documentation or a lack of monitoring and checking procedures.

In most countries, an arms export licence cannot be issued until the arms dealer has provided some form of end-use certificate. This is an assurance from the importing government, company or organisation that the equipment or services are intended for the sole use of the importing agency and that the products will not be re-exported or diverted to other users within the country. While the issuing of end-user certificates by the importing country is supposed to confine the use of those weapons to the recipient "end-user", this system is often abused as there is virtually no monitoring of arms transfers during shipment, delivery or subsequent use.

The three main categories of end-use certificate include the following:

- End-use certificate from the importing company which identifies the final destination of the transfer and the use(s) to which they will be put. This certificate may also state that the company will not tranship the goods to another destination.
- End-user certificate verifying that the goods will be imported by the company/organisation and that they will not be transhipped to other destinations. This is usually supplied by the government of the importing company's country.
- International Import Certificate: an assurance from the importing company that the goods are for their sole use and will not be re-exported.

4.1 Abuse of end-use controls: case studies

4.1.1 Oxfam's end-user certificate

For the purposes of this report, Oxfam decided to try and test the system to see how easily it can be abused. Oxfam asked a researcher to obtain an end-user certificate. Within a matter of days, and with only one phone call to a contact in a foreign government, a certificate was arranged, on official headed paper, complete with a bone fide signature, and a government stamp from the 'importing' defence ministry. It would have been quite feasible for Oxfam to

proceed with this certificate and complete an arms deal. Of course, Oxfam had no intention of doing this.

Within the intelligence and defence industry sectors, the end-use certificate system is known to be badly flawed and relatively easy to circumvent. Yet despite the well-documented examples of the circumvention of end-use controls by both state and non-state actors, governments continue to assert that the current systems of end-use certification allow national governments, small arms manufacturers and dealers to ensure adequate control over the trade in light weapons.

4.1.2 Occidental Airlines and Kent International Airport

The following case study provides a classic example of the failure to monitor transfers of military equipment from a UK airfield. The actual destination and use to which this equipment has been put remains unverified.

On 12 May 1998, a Boeing 707 freighter 5B-DAZ,⁴⁷ chartered by Occidental Airlines, took off from Kent International Airport with a consignment of 32 tonnes of army surplus. This surplus included army uniforms, boots and helmets, a four - wheel drive vehicle and assorted spares and communication equipment. Whilst there was no arms in the cargo, it did include military equipment and clothing which should require an export licence and an end-use certificate. The flight was scheduled to land at Mmabatho Airport in South Africa, with a stopover at Kano airport in Nigeria, where it was to refuel. When it arrived in South Africa, the aircraft was empty.⁴⁸

No arms export licence for this particular cargo was applied for, nor an end-use certificate requested or issued. No authorities physically checked the validity of cargo manifests, or verified the exact nature of the contents prior to the plane's departure from the UK. The cargo manifests filed for this flight were for civilian products such as used clothing and shoes, auto-parts, copying paper and one Toyota Landcruiser.⁴⁹

On 11 May 1998 a cargo was transferred from a warehouse in Zaventem near Ostend by a Dutch transport company⁵⁰ via the Channel Tunnel to Kent International Airport. Copies of the road freight documents contained details of the aircraft registration and flight number and were included with the flight's airway bill and cargo manifest at Kent International Airport. The road transport company later confirmed that they had shipped army uniforms.

Due to lack of monitoring capacity of Customs and Excise at Kent International Airport, copies of the cargo manifest were faxed to Customs and Excise at the nearby port of Ramsgate, where officials, believing the cargo to contain civilian goods, subsequently issued

⁴⁷ Documents disclosed to Oxfam reveal that this plane was operated by AVISTAR and chartered by Occidental Airlines, which at the time was based in Ostend, Belgium. Occidental Airlines is co-owned by a UK national. The flight in question, KJA501, was flown by a UK pilot and the load-master for the trip was also a British subject.

⁴⁸ Correspondence between Occidental Airlines and air transport authorities in South Africa, dated 12 May 1998, requesting landing-rights for the empty aircraft 5B-DAZ.

⁴⁹ Copy of Cargo Manifest supplied to Oxfam

⁵⁰ The Dutch transport company, Heyboear Transport B.V has confirmed that equipment which it shipped to the UK included military surplus equipment.

loading permission for the flight.⁵¹ It should be noted that shipments of second hand civilian clothing between the EU and Africa are routine, due to the high demand for these products. However, unlike in many EU countries, there is no civilian demand for the surplus army equipment that was loaded onto this particular flight, and therefore its only end-users would be military in nature. As far as Oxfam is aware, this is the last known record for this cargo.

Back in July 1997, Occidental Airlines was refused an export licence by Belgian customs for a similar consignment and weight of military surplus equipment destined for Burundi and the cargo was impounded by the Belgian authorities at Ostend. In September 1997, the cargo was moved to a warehouse in Zaventem. On the refused export licence the cargo was valued at approximately £250,000.⁵²

The key question to ask here is: how can a cargo of military equipment be shipped from one EU country and be flown out of another with virtually no control, and no knowledge of its eventual destination? Especially when you consider that the same airline was originally refused an export licence for a very similar cargo. Why are UK controls less stringent than similar controls applied in Belgium. All that can be stated for sure is that whoever received this consignment will now be a more effective fighting force as a result.

4.1.3 The Scott Report

The Scott Report⁵³ into the Arms to Iraq Affair revealed the widespread abuse of end-user certificates and the extent to which the various agencies charged with responsibility for the export licensing application system continued to allow lethal and non-lethal transfers to a number of countries that were known to be diversionary routes to Iraq. These countries included, but were not limited to, Jordan,⁵⁴ Egypt,⁵⁵ Saudi Arabia, Portugal, and Austria.⁵⁶

Despite various Whitehall officials and agencies being aware of the role of Jordan in providing false end-user certificates for Iraq⁵⁷ - a role they graphically identified by referring to the two countries as 'Joraq' - it was not until the Iraqi invasion of Kuwait in August 1990

⁵¹ Cargo Manifest for flight 5 - BDAZ, flight number KJA501, was authorised by Customs and Excise in Ramsgate on 12 May 1998.

⁵² Documents supplied to Oxfam.

⁵³ Report of the Inquiry into the Export of Defence Equipment and Dual-use Goods to Iraq and related prosecutions, February 1996

⁵⁴ "Regarding the Dunk affair... the relevance of the incident for present purposes is the indication it gave apparent complicity by highly placed Jordanians in the use of being made of Jordan as a diversionary route for arms intended for Iraq". {Scot E2.6} "The evidence of the use of false Jordanian end-user certificates, several signed by senior Jordanian officers, ought to have prevented too much confidence being placed in the reliability of those certificates or on the certainty of 'no transfer' clauses being observed. There is, in my opinion, no doubt that the supply to Jordan of military equipment, both under the MoU (Memorandum of Understanding) and outside it, represented a potential means of breach of the Government's restrictive policy on the supply of military equipment to Iraq. This was particularly so where supply to Jordan (and other Middle East countries) was possible under OIELs (Open Individual Export Licences." [Scott E2.18]

⁵⁵ Mr N5 told the inquiry about the ease with which Egyptian end-user certificates could be obtained. He gave the Inquiry the name of a contact in Cairo 'who for \$25,000 could get you an Egyptian end-user [certificate]'. Mr I4 confirmed the ease with which Egyptian end-user certificates could be obtained [Scott]

⁵⁶ "Mr N5, when asked about Allivane's contacts, said: 'There were a lot of contracts. I think basically all the output from Allivane went to either Iran or Iraq, via a lot of different routes. A lot went through Austria in the early days...'"[Scott E7.2].

⁵⁷ A note dated 4 April 1986 on SIS files said that a report had been received "that Iraqis have no problem over obtaining military equipment thanks to the willingness of countries such as Saudi Arabia and Jordan to act as notional end user" [Scott E6.1(ii)].

that the British government complained to Jordan.⁵⁸

The UK government and several other European governments have admitted that end-user certificates have not always been required for all arms transfers, particularly when the exports of military equipment were destined for government departments.

"Mr Cousins: To ask the President of the Board of Trade whether, between December 1984 and August 1990, exporters were required to obtain end-user certificates for the export of goods, licensed under the military list, to (a) Thailand, (b) Singapore, (c) Pakistan, (d) Portugal, (e) Cyprus and (f) Hong Kong."

*"Mr Ian Taylor: Where goods were exported to a Government Department of the countries listed, no end-user certificate was required by the DTI export licensing unit, although a copy of the contract or purchase order was requested. For military list exports to companies and other private consignees, exporters were required to submit sufficient information to enable the ELU to assess the export licence application. The guidance note on filling out an export licence application form said that exporters should supply an end-user certificate, or an end-use statement or an international import certificate, but this was not insisted on in all cases."*⁵⁹

It is important to ensure that end-use certificate requirements are extended to all small arms transfers, because many arms manufacturers or brokers in countries such as Singapore are state-owned and could be defined as 'government departments'. For example, in the mid 1980s, at the height of the illicit arms exports to Iran and Iraq, Singapore was identified as accounting for 14.4 per cent of all Swedish arms exports.⁶⁰

Singapore was also the transshipment point for the export of 20mm GAM B01 naval guns from BMARC in the UK to Iran. The end-use certification should have caused concern for the UK licensing authorities, as the order was for up to 140 weapons and (as a former BMARC director, admitted to the Trade and Industry committee) it "was well known that Singapore didn't need that number of guns". This is because the Singapore Navy had only had 18 patrol boats capable of using the GAM B01.⁶¹ Given the well-documented evidence of countries such as Singapore acting as transshipment points to evade end-use controls, it is worrying that the UK is still providing substantial numbers of small arms export licences for Singapore.

A number of other countries are well known as transshipment points for both legal and illicit arms transfers.⁶² It also seems that organisers of some arms fairs will provide easy access to

⁵⁸ "A further point is at no stage until after the invasion of Kuwait in August 1990 was any complaint made to the Jordanian Government about complicity by Jordanian officials in the preparation of false Jordanian end-user certificates". [Scott E2.20]

⁵⁹ Hansard, May 1995

⁶⁰ By 1985, Swedish foreign trade statistics show, Singapore had become the second largest buyer of Swedish weapons, accounting for 14.4 per cent of all Swedish arms exports.

⁶¹ "UK: In the crossfire of Iran Gun Scandal", *The Engineer*, 8 February 1996, p17

⁶² Hong Kong and Singapore are reckoned to be easy transshipment points in Asia. Brazil and Bolivia lead the way in Latin America. Jordan, Lebanon, Malta and Cyprus serve the same role in the Middle East. Bulgaria used to be one of the main routes into Africa and the Middle East. Source: *The Covert Arms Trade*, *The Economist*, 12 February 1994. *New York Times*, November 96

end-use certificates.⁶³

4.2 End-use monitoring systems currently in operation

Whilst the current White Paper re-states the government's commitment to strengthen end-use controls, it contains no details as to how this should be done. It also appears from the White Paper that any strengthening of end-use controls will not be included in the primary legislation. Oxfam believes that effective end-use control is central to a responsible and restrictive export control policy, and as such, it is vital that legislation specifies what end-use controls will apply to the export of arms in the UK.

Other EU countries have significantly tighter end-use controls than exist in the UK. In Sweden, for example, arms importing governments must present end-use certificates (EUCs) to the Swedish embassy in that country. The embassy is then tasked with verifying them. To reduce the risk of forgery, Sweden prints its own EUC's on bank note quality paper. If an arms importer wants to re-export Swedish arms, then it must get official approval from the Swedish government, and if this is not adhered to, all current and future arms supplies, including spare parts are embargoed to that end-user. In order to offer inducement to improve export controls, this embargo is not indefinite and Sweden may resume arms exports once it has received proof that export control procedures have been tightened in the recipient country.

In Belgium, tighter end-use controls were introduced in 1993. In general terms, Belgium has a two tier system of end-use control operating for non-sensitive and sensitive destinations. For non-sensitive destinations (e.g. NATO countries), Belgium only requires an EUC from the importing government with an assurance that arms will not be re-exported without Belgium approval. For all other destinations, EUC's are forwarded to the appropriate Belgium embassy for verification. Importantly, since the system of embassy verification was introduced, there have been a number of cases where EUC's were found to be completely false. Furthermore, the importer is also required to confirm that the goods have arrived and the route taken. This must be done within three months of the arms leaving Belgium.

Outside the EU, the US government has also established a number of end-use monitoring systems for Military Security Police (MSP) equipment supplied under various government or commercial programmes. These include end-use monitoring by the US Department of State Bureau for International Narcotics and Law Enforcement Affairs,⁶⁴ for goods exported under the Arms Export Control Act.⁶⁵ The US Export-Import Bank has also instituted an end-use

⁶³ Amnesty International is particularly concerned about the provision of what was described as free 'End User' certificates on the promotional material for the IDEX'95 arms exhibition held in Abu Dhabi. The promotional material has a section entitled "Added value" which contains the following text: "The cost of exhibition space rental includes the following extra 'add-ons' FREE to all Exhibitors. Free Visas; Free 'End User' certificates; Free Transportation from Hotels to Exhibition Centre; Detailed programme of daily tourist visits for exhibitors and their partners."

⁶⁴ End-Use Monitoring Report, United States Department of State. Bureau of International Narcotics and Law Enforcement Affairs, February 1997. This report provides data gathered from the 1995 INL End Use Monitoring Report. The report provides information on the activities, conclusions and recommendations concerning the effectiveness, use and maintenance of project support resources provided under the International Narcotics Control program. Resources are monitored throughout their useful life as determined by the Narcotics Co-ordinator or Narcotics Affairs Section.

⁶⁵ According to the US government, 1997 saw the first annual report on the implementation of a comprehensive programme to monitor the end-use of defence articles and services, and to prevent the diversion of technology incorporated in defence articles, sold, leased, or exported under the Arms Export Control Act and Foreign

monitoring process for dual-use exports.⁶⁶ The current US administration is aware that the current scale of end-use monitoring is inadequate, but at least they have established such mechanisms and are attempting to improve them.

It is vital that the UK and other EU governments implement procedures and to monitor compliance with end-use certification.

4.3 Recommendations

The present system of end-use and end-user certificates has been shown to be ineffective and seriously flawed as a control mechanism. In the UK, the Scott Inquiry provided detailed evidence to show that the government was aware that end-use controls were being circumvented. Investigations in other countries have identified serious problems with end-use certificates and end-use monitoring systems. Despite the evidence of countries acting as 'conduits' or end-use 'black holes', governments continue to claim that the end-use system is adequate for controlling small arms transfers.

Oxfam believes that end-use control systems must be radically overhauled to provide effective small arms control. It is hoped the legislation stemming from the White Paper will provide such an opportunity. Clearly, effective end-use regulation will also require international co-operation. It is therefore, essential that the UK government leads efforts to establish a common international system of end-use regulation in appropriate international fora and export control regimes.

Whilst it is recognised that end-use controls can never be 100 per cent effective, it is clear that more could be done to make it more difficult to abuse the system, especially in the UK, where end-use controls seem to lag some way behind those currently operated by other governments. Best practice would point to the valuable role that embassies can play in verifying and issuing end-user certificates. Whilst some may argue against this on capacity and workload grounds, the number of licences issued to sensitive destinations are comparatively small. It is also important to note that a system of classification for sensitive destinations already exists in current UK licensing procedures, relating to the use of open general export licences (OGELs).⁶⁷ It would also seem an elementary move to introduce a system of written confirmation to say that the arms had been delivered.

In practice the following measures could be taken:

- ĩ All arms transfers must require end-use certification and this should be regarded as a legally binding agreement. This requirement must also encompass, for example, NATO and the Commonwealth countries; government to government deals; sales of surplus stock or any other body that may currently be exempt from end-use certification requirements. The right to conduct follow up end-use monitoring should be written into all contracts.

Assistance Act of 1961.

⁶⁶ US Export-Import Bank. Process in place to ensure Compliance with Dual-Use Export requirements. GAO Report to Congressional Committees, July 1997

⁶⁷ OGELs apply only to certain listed countries and certain goods. These are specified on each individual OGEL. Exporters do not have to apply for individual licences for goods or destinations specified under the terms of each OGEL. To use an OGEL, the exporter has to notify the Dti of its intention to make use of the licence. These licences do not require government scrutiny, and it is up to the exporter and/or Customs and Excise to ensure that the goods and destinations are eligible under the terms of the particular OGEL it wishes to use.

- 2 British embassies should be used to check the validity of any end-user documentation relating to all arms transfers to the recipient country, at the very least if that country is a sensitive destination. Consignees of arms should be required to submit in writing to embassies that they have received the goods and that they will only be used as stipulated under the terms of the licence. Specific provision should be made for the independent audit of compliance to the end-use certificate.
- 3 End-use certificates should be manufactured in a way that prevents easy forgery or copying, and all issuing of these certificates should be tightly regulated. Technological advances in electronic tagging or bar-coding could be utilised to help ensure that end-use documentation is authentic.
- 4 To control further the activities of international arms brokers, legislation must specify that copies of end-user certificates must accompany airway bills, cargo manifests or any other shipping information relevant to the transfer of arms and strategic goods. It should be an offence in law for handling and shipping agents to proceed with any arms delivery without ensuring the necessary documentation is correct and has been verified and approved by appropriate authorities at all stages of transshipment.
- 5 End-use control systems must have sufficient powers to ensure that, if specific countries are identified as consistently violating extant end-use certification systems, all future applications for export licences are denied.
- 6 End-use information should be transparent. Details of end-users relating to each export licence granted or refused (i.e. military, police, other state agency or commercial company) should be incorporated into all annual reports of strategic exports to national parliaments.
- 7 Arms transfers should be prohibited to any government or agency that refuses to comply with these requirements.

5. CONCLUSION

The unregulated or ineffectively regulated trade in arms continues to exacerbate conflict, contribute to human rights abuses and cause enormous human suffering around the world. Armed conflict undermines development and fuels poverty leaving organisations like Oxfam to pick up the pieces. Last June's EU Code of Conduct on arms sales and the July DTI White Paper on Strategic Export Controls are important and welcome developments in increasing control on the international arms trade but much more can and needs to be done. As demonstrated in this report, the three principal loopholes are brokering, licensed production and ineffective end-use control. Many governments including the US and some EU governments have introduced new regulations to control aspects of these loopholes - initiatives that Oxfam argues could be repeated here. Unless action is taken and these loopholes are closed, much of the international arms trade will continue to be Out of Control.

For more information please contact: Oxfam Policy Department, or Oxfam Media Unit
Tel: (01865) 312283 Tel:(01865) 312498

274 Banbury Road, Summertown, Oxford