

## Counting the Cost: SPEAK's arms trade campaign



Throughout the 1980s, whilst Saddam Hussein was at war with Iran and committing terrible human rights abuses against his own people, the British government continued to sell arms to Iraq and provide huge loans through the Export Credit Guarantee Department. Now, post-Saddam, the impoverished people of Iraq have been left with \$400 billion of debts to pay. SPEAK's Beccie D'Cunha explores these issues of trade, the arms trade and debt...

### ECGD

UK arms exports are subsidised by over £420 million per year by our government. The bulk of this subsidy - £227 million - is given through the Export Credit Guarantee Department (ECGD), in the Department for Trade and Industry. It exists "to help exporters of UK goods and services to win business, and UK firms to invest overseas, by providing guarantees, insurance and reinsurance against loss." In other words, if the buyer country does not pay or makes a late payment, any shortfall is covered by the British taxpayer.

ECGD provides guarantees to exporters at a significantly lower premium than that demanded by the market, so favoured exporters are subsidised to the detriment of others. Arms exports receive an average of 25% of ECGD cover, despite the fact that they comprise only 2-3% of UK exports. The criteria for assessing potential business are purely financial, so often projects can be supported, including military ones, which have a negative impact on development, human rights or security, as the adjacent case study of Iraq indicates.

Thanks to Jubilee 2000 campaigning, new laws were introduced in 2000, banning Export Credit Guarantees that provide "unproductive cover" to Highly Indebted Poor Countries (HIPC). However, this ban needs to be extended to other countries with development concerns, dubious human rights records and countries engaged in conflict, such as Iraq.

## Fuelling conflict:

### The Supply of British Arms & Export Credit to Iraq, 1979-90

In September 1980, Saddam Hussein, the new President of Iraq, invaded Iran and began a bloody conflict that was to last eight years and cause one million deaths. Meanwhile, at home, Saddam was also waging a brutal war on Iraq's Kurdish population.

During the Iran-Iraq war, the UK armed both sides of the conflict. In May 1982, the Conservative government stated that they were "prepared to consider requests for the supply of defence equipment from either side on a case by case basis, taking into account [their] neutrality obligations, [their] relations with the countries concerned and the need to work for a peaceful solution to the conflict." Throughout the 80s, British companies supplied complete weapons systems and component military parts to Iraq, including high precision machine tools to make components for missiles and shells; explosives for propelling large rockets; machines to make detonation fuses; tank spares; Land Rovers; radar equipment; and army uniforms. Many of these arms exports were insured by the ECGD, so that the companies would not lose out if Saddam did not pay (see adjacent box). Britain also played an important role in supplying the technological expertise and training needed for Iraq to establish its own military industry. Throughout the Iran-Iraq war and up until March 1990, Iraqi personnel received official training from members of HM Armed Forces or at MoD establishments, and were invited to UK arms exhibitions. This is support that Iran did not receive after 1982. Developing good trade relations with Iraq was viewed as particularly important due to the loss of Iranian markets after the fall of the Shah, and due to Iraq being the second biggest oil producer in the Middle East.

By 1983 however, Iraq was experiencing increasingly severe financial difficulties. Saddam's war spending was increasing while Iraq's oil revenues had fallen. In August of that same year the Confederation of British Industry advised companies who were not already doing business with Iraq not to enter the market. Saddam was in a sticky situation. It was at this point that the then Prime Minister Margaret Thatcher announced that the ECGD (see adjacent box) was extending a £250 million loan to Iraq. She also agreed to convert cash contracts worth \$200 million, which had already been signed, into credit. In exchange, it was demanded that £30 million owed by Iraq to British companies would be paid without delay. The interests of companies were protected through risking taxpayers' money. This loan was handled by merchant bankers Morgan Grenfell, although the risk if Iraq failed to repay its debts fell on the British taxpayer through the ECGD. The protocol that the bank signed with Iraq stated that the loan could not be spent on military equipment for the war against Iran. However, it is likely that this loan, and subsequent loans in the 1980s, could have released funds for Iraq's war effort that might otherwise have been spent on civilian projects. They undoubtedly helped to prop up Saddam's regime.

After the Iran-Iraq cease-fire was declared in 1988, Britain wanted to take advantage of trading opportunities that would arise out of this cease-fire. The ECGD underwrote a further £175 million loan in 1988, and a hugely increased £340 million loan in 1989. This financial support from the public purse continued despite the conclusion in March 1984 by a UN inspection team that Iraq had used chemical weapons against Iranian troops, a tactic that was to be used later in the war too. In addition, Saddam used chemical weapons against Iraq's Kurdish population, most notably in Halabja in March 1988 when 5,000 people died and another 12,000 were injured. When questioned in the House of Commons whether human rights violations, including the use of chemical weapons by the Iraqi government, would be taken into account when considering the provision of credit, Alan Clark from the Department of Trade and Industry, said: