Banking on Bloodshed

UK high street banks' complicity in the arms trade

Banking on Bloodshed: UK high street banks' complicity in the arms trade

Preface

War is one of the chief causes of poverty. War can completely undermine a country's development prospects, destroying schools and hospitals and putting agricultural land out of use for years to come. Fully 80% of the world's 20 poorest countries have suffered a major war in the past 15 years, and the human legacy continues long after. Nine of the 10 countries with the world's highest child mortality rates have suffered from conflict in recent years.

Yet not everyone is made poorer by war. Many companies thrive off conflict, whether through supplying military hardware to armed forces or running mercenary armies on behalf of combatant states. Others fuel conflict through their operations in war zones, such as oil companies in volatile countries like Colombia and Iraq, or through their continued trade in goods such as blood diamonds. Others again profit from financing the war effort.

This report forms part of War on Want's campaign to confront those companies which exacerbate or profit from war. The aim of the campaign is to expose the many different ways in which the corporate sector is involved in conflict, and to suggest public action to call such companies to account. The campaign complements War on Want's longstanding support for our partners in conflict zones: some of the world's bravest men and women, on the front line in the struggle for human rights.

In this report War on Want exposes the extent of the UK banking industry's complicity in the arms trade. Databases uncovered by War on Want reveal for the first time the billions of pounds of customers' money that high street banks use to finance the production of weapons. The arms industry sells products designed to maim or kill human beings or destroy a country's assets and infrastructure. This industry fuels war and poverty and undermines development worldwide, contributing to the suffering of millions.

Banks that claim to support sustainable development and human rights are financing the sale of arms, including cluster munitions and depleted uranium, which kill and maim innocent civilians. All top five UK high street banks invest in, provide banking services for and make loans to arms companies. The truth is that if you bank with Barclays, Halifax Bank of Scotland, HSBC, Lloyds TSB or Royal Bank of Scotland your money is directly supporting weapons production. War on Want calls on these banks to stop funding the arms industry and to end their complicity in the fuelling of war and poverty around the world.

John Hilary

John Hilary
Executive Director, War on Want

Executive summary

Conflict kills people, most of them civilians, and is also a major cause of poverty, which in turn leads to many more deaths. Yet not everyone is made poorer by war. The arms industry is responsible for producing the machines that kill, maim or destroy, and therefore profits from the destruction. The UK has exported $53 billion in arms in the past five years. In 2007 it had the dubious honour of topping the list of global exporters with a record $19 billion in orders, the largest of which was a $8.4 billion order from Saudi Arabia for 72 Eurofighter/ Typhoon aircraft.

The arms trade undermines development around the world, contributing to the poverty and suffering of millions. Whilst the world gave $104 billion in development aid in 2006, world military expenditure in the same year was $1,158 billion. The UK is the third largest exporter of arms to developing countries. The United Nations Development Programme (UNDP) has named military expenditure by developing countries as a major barrier to achieving the Millennium Development Goals.

This report reveals, for the first time, that all of the UK's high street banks fund the arms industry through direct investment in shares, participation in loan syndicates and the provision of banking services. War on Want has drawn on databases that until now have only been seen by the financial sector and a select number of academics. Databases AMADEUS and ORBIS, which are published by Bureau van Dijk Electronic Publishing and Reuters DelScan, respectively, are subscriber-only databases and have never been used to establish the link between the banking sector and the arms trade. Evidence from AMADEUS reveals how much money UK high street banks hold in shares in UK arms companies. ORBIS exposes the same holdings in international arms companies, while Reuters DelScan charts the loans issued by high street banks to arms dealers.

The new evidence War on Want has uncovered shows that if you bank with Barclays, Halifax Bank of Scotland, HSBC, Lloyds TSB or Royal Bank of Scotland your money is supporting the arms trade. In fact, the only UK high street bank that does not finance the industry is the Co-operative Bank.

Lockheed Martin F-16 Fighting Falcon jet fighter
Picture: Fredrik Naumann/Panos Pictures

Barclays:

- Holds, by far, the largest amount of shares in the global arms sector, with £7.3 billion invested in total.
- Ranks amongst the top 10 largest investors in US arms companies.
- Serves as principal banker for three arms companies: VT Group, Cobham and Meggitt.
- Has been part of 50 syndicated loans to the arms sector over the last 10 years and has invested in and gives loans to companies that produce cluster munitions and depleted uranium munitions.

HSBC:

- Holds shares in the global arms industry totalling £450.6 million.
- Serves as principal banker to two arms companies: BAE Systems and Meggitt.
- Has been part of 43 syndicated loans to the arms sector over the last 10 years worth £27.1 billion and has invested in and gives loans to companies that produce cluster munitions and depleted uranium munitions.

Royal Bank of Scotland:

- Holds shares in the UK arms sector totalling £36.4 million.
- Serves as principal banker to four arms companies: BAE Systems, Rolls Royce, Babcock and Ultra Electronic.
- Ranks as the world's leading creditor to the arms sector, having participated in 52 deals over the last 10 years worth £44.6 billion, including loans to producers of cluster munitions and depleted uranium munitions.

Lloyds TSB:

- Holds shares in the UK arms sector totalling £717.5 million.
- Serves as principal banker to BAE Systems and QinetiQ.
- Has been part of 40 syndicated loans to the arms sector over the last 10 years worth £33.3 billion, including loans to producers of cluster munitions and depleted uranium munitions.

Halifax Bank of Scotland:[1]

- Holds shares in the UK arms sector totalling £483.4 million.
- Serves as principal banker to two arms companies: Babcock and Chemring.
- Has been part of six syndicated loans to the arms sector over the last 10 years worth £1.2 billion.

Most high street banks are violating their own corporate social responsibility (CSR) statements. As the evidence in this report demonstrates, CSR as a voluntary approach to good practice cannot make companies accountable for their actions. For instance, there is an irreconcilable contradiction between Royal Bank of Scotland's stated commitment to human rights and sustainable development and its support for the arms industry. In addition, the sheer scale of Barclays's investments in arms companies' shares contradicts its stated concerns for sustainable development and human rights.

One bank has gone much further than just producing a CSR report. HSBC has since 2000 publicly stated its commitment to "avoid certain types of business, such as financing weapons manufacture and sales" and to have had that policy "fully in place" since 2006. However, since 2000 there has been no significant downward trend in HSBC lending to the arms sector. In fact, there was a major rise in HSBC's lending in 2005.

This report will begin with an overview of the global arms trade and the cost of war to the poorest people in the world. It will then expose for the first time the different ways that UK high street banks use our money to finance the arms industry. We will then contrast the hypocrisy of the ethical claims made by the banks and the unseen reality of their investments. Finally, War on Want will show how we can take action to stop account holders' money from being used to fuel conflict, poverty and human rights abuses across the world.

1. The arms trade – *"theft from those who hunger"*

"Every gun that is made, every warship launched, every rocket fired signifies, in the final sense, a theft from those who hunger and are not fed, those who are cold and are not clothed. This world in arms is not spending money alone. It is spending the sweat of its laborers, the genius of its scientists, the hopes of its children."
Dwight D. Eisenhower, 1953[2]

1.1 Making a killing

Worldwide, military spending is rising. While military expenditure decreased after the Cold War ended, falling to $831 billion in 1995, spending has since rebounded, peaking at $1,158 billion in 2006.[3] The US spends by far the most money on arms annually – $528.7 billion in 2006, or 46% of global military spending. The military expenditure of the top five countries (the US, UK, China, France and Japan) accounts for 63% of the global total, and the top 10 account for 77%.[4]

Only five countries account for around 90% of arms exports. These five are the permanent members of the UN Security Council: the US, China, UK, France and Russia.[5] In 2007 the UK had the dubious honour of topping the list of global exporters with a record $19 billion in orders, the largest of which was a $8.4 billion order from Saudi Arabia for 72 Eurofighter/ Typhoon aircraft. Over the last five years the US has exported $63 billion in arms, more than any other country, followed by the UK, which has exported $53 billion, Russia ($33 billion), France ($17 billion), Germany ($9 billion) and Israel ($9 billion). Over the same period the main importers were Saudi Arabia, which purchased arms worth $31 billion, with India ($18 billion), the US ($17 billion), Australia ($11 billion), Canada ($10 billion) and Pakistan ($6 billion) rounding out the list of the world's top arms importers.[6]

The 10 largest arms companies in the world are shown in the table below, along with the 10 largest British arms companies. A company may derive only a small percentage of its total sales from military products yet still rank as a major arms company.

Table 1: Major UK and international arms companies[7]

Company	Country	World Ranking	UK Ranking	Total Sales ($ million)	Military sales as % of total
Lockheed Martin	US	1		39,620	91.0
Boeing	US	2		61,530	50.0
BAE Systems	UK	3	1	29,968	93.0
Northrop Grumman	US	4		30,148	78.4
Raytheon	US	5		20,291	96.1
General Dynamics	US	6		24,063	78.0
EADS	Netherlands	7		52,019	25.4
L-3 Communications	US	8		12,477	80.1
Finmeccanica	Italy	9		16,466	55.0
United Technologies	US	10		47,829	16.0
Rolls Royce	UK	16	2	14,077	29.0
QinetiQ	UK	36	3	1,983	76.3
GKN	UK	40	4	6,797	20.2
VT Group	UK	45	5	1,740	70.0
Cobham	UK	46	6	1,979	61.4
Babcock	UK	55	7	1,456	59.0
Ultra Electronic	UK	65	8	739	76.0
Meggitt	UK	82	9	1313	39.0
Chemring	UK	100	10	357	89.0

The table shows each company's total sales, and the percentage of those sales that are arms-related. For example, United Technologies is the 10th largest arms company in the world, despite deriving only 16% of its sales from military equipment. The rankings are based on the value of each company's military sales.

1.2 Fuelling poverty

The arms industry is not an industry like any other. It profits from products explicitly designed to maim or kill human beings or destroy assets and infrastructure, and contributes directly to instability and poverty worldwide. At the start of the 20th century 5% of all war casualties were civilians; today 90% of people killed and wounded by armed conflict are civilians.[8]

War is also a major cause of poverty worldwide – of the 30 least developed countries worldwide, half have suffered a recent conflict.[9] Beyond the loss of human life, the destruction of crucial infrastructure such as roads, factories and utilities makes normal economic activity difficult. Uncertainty and fear also make it hard to carry out the work necessary to survive. As one person in Burkina Faso pointed out during a recent survey, "How can people do business when they fear attack every time they transport their goods?"[10]

Trade is badly affected by conflict, and foreign investment is withdrawn or scaled back. Food production is one of the industries worst hit by conflict, undermining food security for the whole population. Humanitarian and aid workers are often withdrawn during conflict, reducing vital services to the civilian population and increasing the number of deaths attributable to the conflict.

Even after a conflict has ended, the misery it causes continues. Internal displacement, a common consequence of war, makes resumption of normal activity difficult. The infrastructure that was destroyed must be rebuilt, which diverts money away from social spending. The psychological effect on the population at large may reverberate for years.

Eritrea ranks 157th in the Human Development Index yet devotes 24.1% of its GDP to military expenditure
Picture: Stefan Boness/Panos Pictures

The United Nations Development Programme (UNDP) has recognised the threat the arms trade poses, naming military expenditure as a major barrier to achieving the Millennium Development Goals.[11] Large debts assumed by developing countries to purchase military equipment exacerbate the problem. One recent survey showed that among the 17 main arms-exporting countries, only four had ever disallowed a deal because of development concerns, and only 10 would consider such action – despite the fact that all 17 are signatories to agreements that arms deals should be assessed for their impact on development prior to approval.[12]

Whilst the world gave $104 billion in development aid in 2006, world military expenditure in the same year was $1,158 billion. The US spent £11.3 billion on aid, compared with £273 billion on military purposes, a figure larger by a factor of 24.[13] The UK is the third largest exporter of arms to developing countries.[14] In fact, from 1998 to 2001 the USA, UK and France earned more income from arms sales to developing countries than they gave in aid.[15]

BAE Systems is the UK's largest arms company, with annual sales exceeding £15 billion.[16] It manufactures a vast range of products from ammunition and missiles to helicopters, fighter jets, aircraft carriers and nuclear submarines. BAE has supplied arms to developing countries. Examples include Tanzania, which was taking part in the World Bank's Highly Indebted Poor Country (HIPC) programme for debt relief in 2001 when it purchased a £28 million military radar system from BAE. BAE also signed a £1.5 billion deal to supply Hawk aircrafts to South Africa.[17]

Of the 10 countries with the highest military expenditure as a percentage of GDP, six rank in the bottom half of the world's Human Development Index, and four (Eritrea, Yemen, Burundi and Angola) fall in the bottom 25 of the world's human development rankings.[18] As a point of comparison, the average military expenditure as a percentage of GDP for the world's top five military spenders (the US, UK, China, France and Japan) was 2.42 %.[19]

Table 2: Military expenditure and Human Development Index rankings[20]

	Military expenditure (% of GDP)	Human Development Index rank (177 countries total)
Eritrea	24.1	157
Oman	11.9	58
Israel	9.7	23
Saudi Arabia	8.2	61
Yemen	7.0	153
Burundi	6.2	167
Iran	5.8	94
Angola	5.7	162
Jordan	5.3	86
Syria	5.1	108

1.3 Profiting from war and human rights abuses

In 2006 the UK government approved sales by UK arms companies to 19 of the 20 countries identified by the Foreign and Commonwealth Office as 'countries of concern' for human rights abuses. These countries included Saudi Arabia, Israel, Colombia, China and Russia.[21] Colombia, Russia and Israel are also countries in conflict. Deals have been approved in other conflict countries including Algeria, Turkey, Pakistan, Afghanistan, Indonesia and Georgia. In 2007 the UK government, in defiance of an arms embargo, allowed UK companies to sell Zimbabwe £1 million in cryptography equipment and software.

Israel is a regular customer of the UK arms industry, despite its flagrant violations of international law, including the military occupation of the Occupied Palestinian Territories. In 2006 the government approved for sale to Israel a laundry list of military hardware: helicopters, military aircraft cockpit displays, unmanned vehicles, anti-armour missiles and other electronic warfare equipment.[22] BAE Systems makes subsystems, or components, for the F-16 fighter jet, of which Israel has 236. F-16s have been deployed by Israel against civilian populations in both Lebanon and Gaza.[23]

Palestinian human rights are violated on a daily basis under Israeli occupation
Picture: Matt Robson/EAPPI

Many US companies also sell to Israel, including Boeing (Apache helicopters) and United Technologies (Black Hawk helicopters).[24] Lockheed Martin, the world's largest arms company, sells F-16 aircraft, F351 joint strike fighters and C-130J tactical transports to Israel in spite of its illegal occupation of Palestine. As one defence market analyst put it, "The Israeli Air Force now flies only US-origin fighters, a mix of F-15s and F-16s, and the rest of the service's fleet is almost completely of US origin."[25]

US contractors such as Boeing, Raytheon, Alliant Techsystems, Northrop Grumman and Lockheed Martin all benefit directly from US military aid to Israel. A $1.2 billion package was approved by the US Senate in the wake of the 2006 war in Lebanon, despite acknowledgement from the State Department that Israel had used American-made cluster bombs in the conflict.[26]

The Iraq and Afghanistan conflicts have been a boon to arms companies in the US and the UK. One UK company that has benefited particularly from the surge in demand from the Iraq war has been Chemring, which manufactures niche products such as missile countermeasures and flares. Profits have risen each year since the start of the occupation in 2003. In 2006 returns were almost 500% higher than in 2002, and share prices have followed.[27]

BAE supplies many weapons to the US and UK that have been used in the Iraq and Afghanistan conflicts, including V-22 guns and armoured fighting vehicles.[28] BAE also recently won a contract from the UK Ministry of Defence to service its Tornado jets in Iraq for £10 million apiece.[29] Lockheed Martin also supplies extensively to the US and UK governments to fulfil demand from the ongoing conflicts in Iraq and Afghanistan. These supplies include military ground vehicles and sniper targeting pods for fighter aircraft, amongst other products.

There are some weapons that have come under particular criticism for their toll on civilian life even long after a war has ended. Cluster munitions are one such weapon. They are designed to scatter dozens to hundreds of smaller bomblets over a large area and can cause high levels of civilian casualties both during attacks because of their indiscriminate, wide-area effects, and long afterwards, since unexploded ordnance turns fields, roads and even schools into minefields. One in four cluster munitions victims are children.

The world reached a consensus on cluster bombs in May 2008, with more than 100 countries, including the majority of stockpilers, agreeing a treaty to ban the use, production, stockpiling and transfer of all cluster bombs. The treaty will be signed in Oslo on 3 December 2008 and millions of these weapons will now be destroyed.[30] Major producers of cluster munitions, such as the US, Russia and China, still oppose the ban. GenCorp, Lockheed Martin, Textron, Raytheon and Thales have all produced cluster munitions.[31]

Another deeply controversial weapon that has faced worldwide opposition is depleted uranium. Depleted uranium is a toxic and radioactive weapon that is used to pierce armour. It has been used in Iraq, Bosnia, Serbia and Kosovo, mainly by US and UK troops. The weapon has been linked to significant increases in cancer and birth defects, amongst other health problems which are long term and often life threatening. General Dynamics, GenCorp and Alliant Techsystems all produce depleted uranium munitions, as did BAE before 2003.[32]

2. Financing the arms trade

New evidence published in this report for the first time from financial databases AMADEUS and ORBIS reveals the extent to which British high street banks finance the UK's and the world's largest arms companies. UK banks also finance smaller manufacturers of particularly abhorrent weapons like cluster bombs and depleted uranium. The major UK banks fund the arms industry through a variety of ways:

- Direct investment in shares
- Participation in loan syndicates
- The provision of banking services

2.1 Providing banking services

Each of the high street banks acts as a principal banker to at least two of the largest British arms companies, whilst Royal Bank of Scotland and Barclays are principal bankers for four of the top 10. The table overleaf shows which arms companies each bank is associated with, according to information provided in each company's most recent annual report.

The British Bankers Association was unwilling to provide an estimate of the value of acting as principal banker to arms companies, citing trade secrecy. However, considering that BAE's annual sales exceed £15 billion[33] and Chemring (the smallest of the UK companies considered) earned revenue amounting to £254 million,[34] there are obviously lucrative amounts to be made from managing these companies' accounts.

2.2 Directly investing in arms companies

Shareholding is a form of direct ownership in a company that entitles the shareholder to a proportion of the firm's earnings and assets. For example, if you own 5% of a company's total shares, you have claim to 5% of its assets. Shareholders profit from dividend payments or by selling their shares at a higher price than that at which they bought them.

Banks that hold shares in arms companies not only benefit from the arms trade, but are explicitly endorsing the industry and are therefore complicit in those companies' actions. Banks can use

An American tank in Najaf during the US siege of the city, August 2004
Picture: Kael Alford/Panos Pictures

Table 3: UK arms companies' principal bankers in 2007

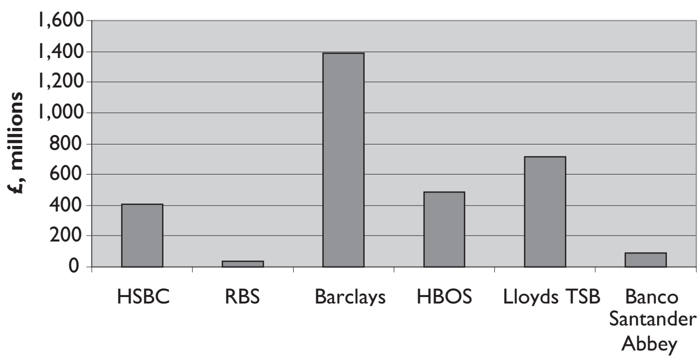
	HSBC	RBS	Barclays	HBOS	Lloyds TSB
BAE Systems	X	X (NatWest)			X
Rolls Royce		X (NatWest)			
QinetiQ					X
GKN					
VT Group			X		
Cobham			X		
Babcock		X		X	
Ultra Electronic		X			
Meggitt	X		X		
Chemring				X	
Total	2	4	3	2	2

their own money to buy shares, or can invest other people's money through funds they own and manage. The statistics that follow include both.

In the UK, companies are required by law to report all shareholders with holdings above 3%. Barclays and Lloyds TSB are the only high street banks with stakes in UK arms companies which exceed the reporting threshold. However, by examining specialised company information from the database AMADEUS, we have uncovered a much fuller picture.[35] This report exposes for the first time the fact that all five high street banks have shareholdings in Britain's largest arms companies (a detailed breakdown of the holdings can be found in the Appendix).

In fact, four of the five major UK banks hold shares in every single one of the UK's top arms companies. Royal Bank of Scotland is the exception; it invests directly in six of the 10. Abbey's parent company, Santander, holds shares in three UK arms companies. Royal Bank of Scotland, which possesses holdings of a fraction of 1% in only six companies, has the smallest combined stake, worth £36.4 million.[36] HSBC and Halifax Bank of Scotland, the other two banks without any stakes above the reporting threshold, nevertheless have holdings worth significant sums – £409.5 million and £483.4 million, respectively. With £717.5 million in shares, Lloyds TSB ranks as the UK banking industry's second largest shareholder. Barclays's investments in the UK arms sector total £1.39 billion, the highest total amongst UK banks.

Figure 1: Total value of shareholdings in UK arms companies as of June 2008[37]



Companies in the US are only required to report investors with holdings that exceed a 5% threshold. Barclays is the only UK high street bank with investments in US and European companies above the reporting thresholds. Its £5.9 billion in international arms investments dwarfs its UK holdings, and Barclays is amongst the top 10 largest investors in the US companies listed in Table 4. Barclays's global arms investments total £7.3 billion.

Through the ORBIS database, we were also able to examine the portfolios of those banks whose shares in arms manufacturers fell below the reporting threshold. Our research uncovered that HSBC holds shares in two US arms companies, General Dynamics and GenCorp, and the French arms company Thales totalling £41 million. The extra holdings bring the total value of HSBC's investment in arms companies to £450.6 million.

2.3 Investing in cluster munitions and depleted uranium

Both Barclays and HSBC invest in companies that produce cluster munitions and depleted uranium. Barclays has investments in five manufactures of cluster munitions: GenCorp, Lockheed Martin, Textron, Raytheon and Thales. HSBC holds shares in three of these companies. With the exception of Halifax Bank of Scotland, every UK high street bank has given loans to at least one cluster munitions producer in the last decade. As Belgian NGO Netwerk V points out, "Investors in cluster munition production can be considered as being complicit in the unnecessary killing and maiming of innocent civilians by cluster munitions during and after a conflict."[38]

General Dynamics, GenCorp and Alliant Techsystems all produce depleted uranium munitions, and so did BAE prior to 2003. Banks investing in or lending to any of these companies are therefore complicit in the serious long-term health problems associated with depleted uranium. Barclays holds shares in all of these companies; HSBC has investments in two; and, with the exception of Halifax Bank of Scotland, all of the UK banks have issued them loans.

Institutional investors

Besides the banks, many institutional funds such as pension funds and insurers hold large stakes in arms companies. This report identifies eight investors – Aviva, AXA, F&C, Invesco, Legal and General, Prudential, Schroders and Standard Life – with particularly large holdings. These companies, however, are by no means the only institutional investors active in the arms industry. (See the Appendix for full details of investor holdings in the arms companies.)

Many institutional funds are signatories to the UN's Principles on Responsible Investment (UNPRI), which emphasise incorporating environmental, social and corporate governance issues into investment analysis and ownership policy and practice. Of the investors identified, AXA, F&C, Schroders and Standard Life are UNPRI signatories. However, most institutional investors exclude arms producers from their ethical funds only. These are highly specialised funds that make up only a tiny percentage of the assets they manage.

Table 4: Barclays and HSBC shareholdings in international arms companies[39]

	HSBC		Barclays	
	% of total shares	Value of holding (£)	% of total shares	Value of holding (£)
Lockheed Martin			2.83%	626,125,064
Boeing			4.58%	1,359,639,291
Northrop Grumman			6.32%	823,870,737
Raytheon			3.28%	438,651,204
General Dynamics	0.15%	27,379,942	3.69%	673,546,569
EADS			0.44%	39,238,390
L-3 Communications			3.54%	222,953,375
Finmeccanica			0.65%	40,637,948
United Technologies			3.55%	1,235,278,472
Thales	0.21%	12,845,939	0.55%	33,644,127
ATK			3.80%	68,248,988
GenCorp	0.37%	849,227	5.42%	12,440,025
Textron			4.41%	325,763,845
Total		41,075,108		5,900,038,035

The investors and insurers identified here include some of the largest UK companies in the sector. Aviva, for example, is the UK's largest insurer (it owns Norwich Union). Aviva and Legal and General have 22.75 million customers between them – 37.5% of the UK's entire population.[40] This means that the money that people in Britain put towards their savings or use for insurance protection very likely supports weapons production.

Careful examination of the shareholders of major British arms manufacturers reveals several unexpected names (the holdings can be seen in detail in the Appendix). Large British companies such as British Airways, BT and the National Grid have arms investments. The Universities Superannuation Scheme also has significant holdings in arms companies, and has stated explicitly that it will not exclude them from its investment portfolio.

Even governments which are committed to ethical investment hold significant shares in arms companies. In 2003 the Norwegian Government Commission on Ethical Guidelines for the Government Pension Fund recognised that "owning shares or bonds in a company that can be expected to commit gross unethical actions may be regarded as complicity in these actions". Norway's pension fund has accordingly dropped from its investment portfolio manufacturers of cluster munitions. Despite its principled stance on ethical shareholding, Norway is a major investor in UK arms companies, possessing shares in six UK arms companies worth a total of £70.6 million.

2.4 Loaning money to arms companies

Another form of financial support for the arms trade is through lending. This section looks at general lending to the arms industry by examining all deals from the last 10 years. These deals are listed in the Loan Pricing Corporation database run by Reuters DealScan, a subscriber database used by the financial industry. The database reveals that in the last decade the top five UK banks have issued nearly 200 loans to the arms companies under investigation in this report.[41]

Some loans that finance specific defence exports have already been in the spotlight because they have involved sales to developing countries. For example, Barclays financed controversial BAE sales to Tanzania and South Africa.[42] HSBC and Lloyds TSB made claims to the UK government's Export Credit Guarantee Department for arms exports to Indonesia.

Lebanese children alert locals to the presence of unexploded ordnance after Israel air strikes August 2006
Picture: Sean Sutton/MAG/Pano Pictures

This deal sparked a great amount of controversy because Indonesia had been suspected of using the weapons against its own population.[43] These loans for individual projects are subject to the UN's Equator Principles, a framework used to evaluate the social and environmental impact of project financing.

However, the loans exposed in this report are listed in company books under 'corporate purposes', 'working capital', 'debt repayment' and other non-specific terms. Because the sums of money involved are so huge, loans are most often issued in syndication with other banks.[44] The loan money finances any of the company's activities, and the banks have no control over where the money goes or ability to assess its impact.

As Figures 2 and 3 show, Royal Bank of Scotland is the most active in lending to the arms sector, having participated in 52 deals over the last 10 years. If we measure net worth, Royal Bank of Scotland's trade deals also rank first in the industry: the total value of the syndicated loans Royal Bank of Scotland participated in amount to £44.6 billion.[45] Barclays is not far behind Royal Bank of Scotland in terms of both the number and value of deals with the arms sector. HSBC participated in more syndicated deals than Lloyds TSB (43 versus 40), but their net value was lower (£27.1 billion versus £33.3 billion). Halifax Bank of Scotland ranks last, with participation in only six deals that amount to £1.2 billion – a mere 2.6% of the total value of Royal Bank of Scotland's syndicated deals.

Figure 2: Number of syndicated loans each bank participated in, 1998-2008[46]

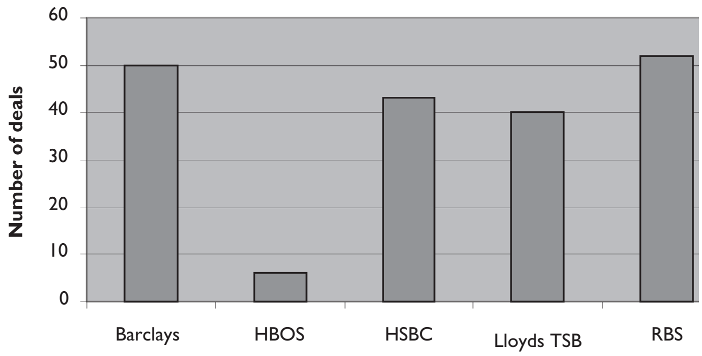
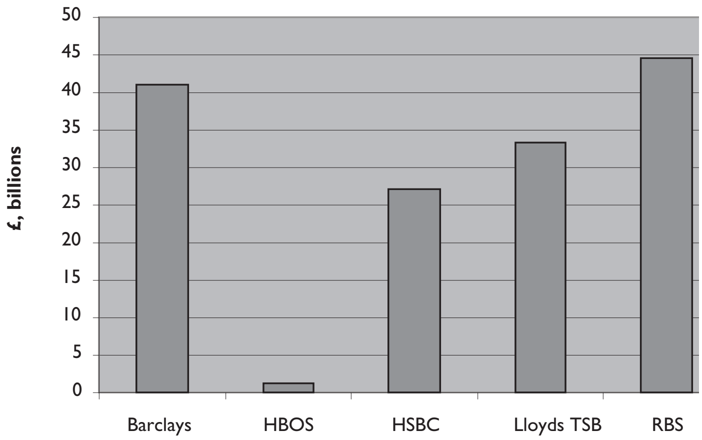


Figure 3: Value of syndicated loans each bank participated in, 1998-2008[47]



3. Corporate social responsibility: rhetoric v reality

The rise of corporate social responsibility means that many companies now advertise their apparent commitment to environmental protection, sustainable development and human rights. As we have seen, the arms industry represents a direct and pernicious threat to these goals. Yet most banks do not even address the sector specifically in their CSR policies, and the deep involvement of banks in the arms sector that this report exposes is indisputably at odds with their purported commitment to sustainable development and human rights.

What Halifax Bank of Scotland says…
Halifax Bank of Scotland provides no information on its website about its policy on the arms industry. The bank's corporate responsibility team, however, responded to our questions about its policy, stating: "We will never knowingly deal with organisations or individuals who are engaged in illegal or unethical activities."[48] When asked to clarify what Halifax Bank of Scotland understands 'ethical' to mean, no definition was forthcoming. Instead, we were referred to the responsible investment policy of Halifax Bank of Scotland's asset management business, Insight Investment, and specifically to the ethical fund that Insight Investment runs. This ethical fund, which holds a mere £33.2 million of the £109 billion Insight Investment manages, specifically excludes the arms industry.[49]


Israeli army Apache helicopter over Nablus, West Bank, April 2002

…and what it does
Apparently, Halifax Bank of Scotland applies ethical standards to only one fund which it manages, while the vast majority of its holdings are not subjected to any ethical oversight. The exclusion of the arms industry from its ethical fund suggests that a division of the bank considers arms companies unethical. The rest of the bank's dealings with arms companies, therefore, violate its stance to "never knowingly deal with organisations or individuals who are engaged in illegal or unethical activities".

What Lloyds TSB says…
Lloyds TSB also does not have a policy relating to the arms industry (and is the only bank that does not have a CSR link on its homepage). Its CSR policy does not address human rights or sustainable development. Lloyds TSB also ignored our request for more information regarding its stance on the arms industry. The guiding principle of its investment management arm, Scottish Widows Investment Partnership, is to "maximise returns for clients without making any moral or ethical judgements on their behalf. This means that we get involved in social, ethical and environmental issues only where these may affect a company's long term financial performance."[50] Like Halifax Bank of Scotland, Scottish Widows Investment Partnership offers a specialist ethical investment fund for customers who are concerned with such issues. This fund does not invest "in companies which produce alcohol or tobacco, generate turnover from gambling, publish or distribute pornography, provide animal testing services, test cosmetics on animals, own or operate nuclear power stations or sell fur products".[51] Arms companies are not mentioned.

…and what it does
As Lloyds TSB does not mention the arms industry in its CSR policy, its actions do not breach any stated principles. It is interesting to note, however, that its ethical fund considers cosmetic testing on animals as grounds for exclusion, but makes no mention whatsoever of dealing in weapons.

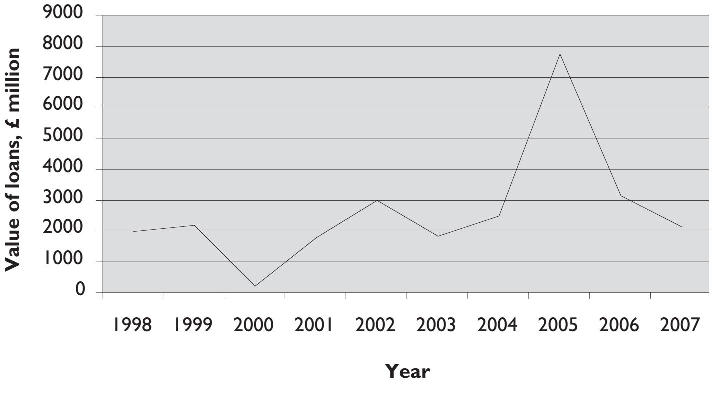
What HSBC says…
Of the three banks with publicly available CSR policies, HSBC's guidelines contain the most restrictive language on the topic of involvement with the arms industry. Generally, HSBC recognises that "being one of the world's biggest banks means the decisions we make can have a big impact. We aim to lend and

invest responsibly, avoiding projects where the potential for social and environmental damage outweighs the economic benefits."[52] Included as part of its explanation of responsible lending and investment is a commitment to "avoid certain types of business, such as financing weapons manufacture and sales, dealing with countries subject to international sanctions, and transactions that might be used to evade tax or to launder earnings from crime".[53]

…and what it does
In spite of its commitment to "avoid certain types of business, such as financing weapons manufacture and sales", this report shows that HSBC has arms company shareholdings worth £450 million, participates in loans to arms companies and acts as principal banker to two major UK arms companies. So how does HSBC reconcile its continued involvement in the sector with the robust language of its CSR policy? In a letter to Campaign Against Arms Trade on 17 February 2006, HSBC acknowledged its decision to "withdraw progressively from financing the manufacture and sales of weaponry", but added the caveat that it "would honour contractual commitments that had already been made".[54] However, this policy was originally unveiled in 2000. HSBC attributes the delay to a naturally occurring lag in implementation. In the same letter the bank explains; "it has taken us a little time to disengage from the weapons business and to reach the position we have today where our policy is now fully in place".[55]

However, since 2000, there has been no significant downward trend in HSBC's lending to the arms sector, and there was a major rise in lending in 2005.

Figure 4: Value of HSBC loans to arms companies, 1998-2007[56]



Because these loans are done in syndication with other banks, the idea that HSBC would be doing longstanding customers a disservice by not participating in the loans is hard to credit. Since its pledge to abstain from financing weapons manufacturers, HSBC has in fact participated in loans that were oversubscribed, which means that there were other banks ready and willing to step in and take its place. HSBC has not followed through on its promised full withdrawal from the weapons trade, and it therefore operates in direct violation of its publicly stated policy.

HSBC: Change in arms policy

Of the top UK banks, HSBC now has the most restrictive policy towards the arms industry. Its current stated policy marks a major change from its activities as Midland Bank in the 1980s and 1990s. Midland Bank, which was taken over by HSBC in 1992 and rebranded as HSBC in 1999, had close ties to MI6 and was described as the "most enthusiastic of all banks in pursuit of defence export financing". Midland set up hundreds of millions of pounds worth of trade credits for Iraq, and was closely involved in a £1 billion arms contract with Malaysia.[57]

What Barclays says…
Barclays also has a policy that specifically addresses the arms industry, which states that it "provides financial services to the defence sector within a specific policy framework. We assess each proposal on a case-by-case basis and legal compliance does not automatically guarantee our support."[58] The statement explains that "the aim is to ensure that defence exports financed by Barclays are not used by foreign authorities either to oppress their own populations or to support unjustified external aggression."[59] Barclays also states that it will not finance the manufacture of certain weapons, including "nuclear, chemical, biological or other weapons of mass destruction". Moreover, its policy also "explicitly prohibits financing trade in landmines or any equipment designed to be used as an instrument of torture".[60]

Barclays acknowledges the potential harm to its reputation from holding any ties to the arms trade. An internal document states that the bank's guidelines should apply to "any customer relationship whether borrowing or not".[61] Furthermore, the Barclays Code of Conduct contains a human rights clause which emphasises the "need to ensure that we are not involved in human rights violations, either directly or indirectly and that we operate in accordance with the Universal Declaration of Human Rights". The clause continues, specifying that the bank "will not be complicit, either directly or indirectly in the condoning of human rights violations… We will take steps to understand the potential human rights impacts of the organisations, projects and activities we support."[62]

…and what it does

The arms industry's effect on human rights is well documented, yet seemingly does not preclude Barclays's involvement with or support for it. As this report shows, the nature of Barclays's involvement with the arms trade violates its policies. Depleted uranium is radioactive, yet we uncovered evidence of Barclays's involvement with three depleted uranium producers. Our research also reveals that Barclays has issued loans to companies that produce cluster munitions. In addition, by participating in loans for unspecified corporate purposes, Barclays violates its stated commitment to assess case-by-case each funding proposal from an arms company. Finally, the sheer scale of Barclays's investments in arms companies – £7.3 billion shares that we uncovered – is irreconcilable with its stated concerns for sustainable development and human rights.

What Royal Bank of Scotland says…

Royal Bank of Scotland takes a similar position to Barclays – that it will finance legal activities in strict accordance with best standards. Royal Bank of Scotland says that it does not accept funding applications from companies whose activities contravene British legal standards, even if they are based outside the UK. The bank's policy on this issue reads, "Within the UK, the manufacture and export of defence equipment is subject to strict regulation and licensing arrangements laid down by the Government and approved by Parliament, and in accordance with internationally accepted codes and standards. We only fund businesses that comply with these regulations. In relation to landmines, UK Government policy reflects the highest international standards in response to the Ottawa Convention and bans the production and export of all types of anti-personnel landmines, including non-detectable ones, to all countries. Royal Bank of Scotland does not support any application for funding world-wide that would contravene these standards."[63]

…and what it does

This report did not reveal any instances where Royal Bank of Scotland acted in direct violation of its arms policy. The bank, however, keeps ties to the arms industry through investment, lending and the provision of banking services to arms companies. This longstanding support for the industry is fundamentally at odds with Royal Bank of Scotland's stated commitment to human rights and sustainable development.

The Co-operative Bank's ethical policy

The Co-operative Bank has a far more comprehensive policy regarding the arms industry than any of the major high street banks. Its explanatory leaflet about the arms industry addresses all of the reasons behind the Co-operative Bank's policy, most notably the proven links between conflict and poverty and the mutually self-defeating aims of development aid and arms exports. The document then sets out a restrictive policy on investment in the arms industry.

The policy states that: "the bank will not invest in:

- companies which manufacture for systems (or products) that kill, maim or destroy
- companies who issue licences for the production of armaments for oppressive regimes
- individuals or organisations involved in the brokerage of armaments to oppressive regimes
- companies which export products to oppressive regimes that, while not designed to kill, maim or destroy, are parts for equipment which have a battlefield application or are essential to the operation of a weapon, such as radar and electronic warfare, military communications and armour."[64]

This report found no evidence of any involvement by the Co-operative Bank with the companies investigated. By contrast, HSBC, which also pledges not to finance weapons manufacturers, was revealed to have extensive ties with the worst offenders from the arms trade.

4. Conclusion and recommendations

The arms trade provides the destructive hardware used in conflicts across the world. This report has exposed, for the first time, the extent to which the five main British high street banks are funding this violent trade. High street banks are using our money to fund companies that sell arms used against civilians in wars across the world, including conflicts in Iraq and Afghanistan. They are financing an industry that sells arms to countries committing human rights abuses such as Israel, Colombia and Saudi Arabia. Money from our savings and current accounts is being used to fund companies that produce pernicious weapons like depleted uranium and cluster bombs.

Faith in the banking sector is already at an all-time low. The revelation that high street banks are investing in weaponry will add to this public mistrust. Barclays, Halifax Bank of Scotland, HSBC, Lloyds TSB and Royal Bank of Scotland are all complicit. Barclays stands out for the sheer scale of its investments. Royal Bank of Scotland is the most active in lending to the arms sector. HSBC shows its glaring hypocrisy by having claimed to divest from the arms trade while actually continuing its holdings.

Whilst the complicity of high street banks is the focus of this report War on Want believes that the arms trade should ultimately be abolished. However, with governments such as the US and UK determined to pursue military adventures around the world, the arms trade remains big business. War on Want believes that now is the time to act to put an end to high street banks' support for arms companies.

As a result of the financial crisis there are now unprecedented calls for regulation of the banking sector. It is understood that the light touch of deregulation has been a major cause of the current financial crisis. Calls have focused on the social functionality of banks as providers of finance to small business and mortgages. By the same token War on Want believes that there should be regulation of bank lending and investment in respect of other social criteria.

Former Minister for Defence Procurement Lord Willy Bach and the then chairman of BAE Systems Sir Richard Evans sharing a hawk jet cockpit, Bangalore, India, February 2003

Take action

The government

Write to the government and demand that: all banks are made to publish the full details of their loans, holdings and other banking services to the arms trade. Call on the government to introduce regulation which prevents high street banks from supporting the arms trade whether through loans, investments or other banking services.

Write to:

Rt. Hon. Lord Mandelson
Secretary of State for Business, Enterprise & Regulatory Reform
Department for Business, Enterprise & Regulatory Reform
1 Victoria Street
London SW1H 0ET

The banks

Write to your bank and demand that they stop financing the arms trade and call for transparency on all their investments. You can threaten to move to a different bank if they don't guarantee that your money will stop being used to fuel conflict, poverty and human rights abuses.

Write to:

John Varley
Chief Executive
Barclays Group
1 Churchill Place
London E14 5HP
john.varley@barclays.com

Dyfrig John
Chief Executive
HSBC
8 Canada Square
London E14 5HQ
dyfrigjohn@hsbc.com

Eric Daniels
Chief Executive
Lloyds TSB
25 Gresham Street
London EC2V 7HN
eric.daniels@lloydstsb.co.uk

Chief Executive
HBOS plc
The Mound
Edinburgh EH1 1YZ
investorrelations@HBOSplc.com

Stephen Hester
Chief Executive
Royal Bank of Scotland
135 Bishopsgate
London
EC2M 3UR
investor.relations@rbsir.com

For further information:

Co-operative Bank
www.co-operativebank.co.uk

Campaign Against Arms Trade
www.caat.org.uk

Cluster Munition Coalition
www.stopclustermunitions.org

Join us!

War on Want relies on your contributions to continue campaigning on corporations and conflict. Become a member today – you can join online at www.waronwant.org or use the form at the back of this report.

Appendix – Details of shareholdings

Table 5: UK banks' holdings in UK arms companies as of March 2008[65]

	HSBC Bank		Royal Bank of Scotland		Barclays Bank		HBOS		Lloyds TSB		Banco Santander (Abbey)	
	% of total shares	Value of holding (£)	% of total shares	Value of holding (£)	% of total shares	Value of holding (£)	% of total shares	Value of holding (£)	% of total shares	Value of holding (£)	% of total shares	Value of holding (£)
BAE Systems	1.93%	315,164,079	0.13%	21,228,669	3.40%	555,211,330	1.00%	163,297,450	0.91%	148,600,680	0.39%	63,686,006
Rolls Royce	0.22%	16,342,168			4.12%	306,044,230	1.49%	110,681,044	1.45%	107,709,741		0
QinetiQ	1.03%	13,904,197	0.20%	2,699,844	1.33%	17,953,963	2.30%	31,048,206	5.22%	70,465,928		0
GKN	0.96%	18,279,744			3.38%	64,359,932	0.40%	7,616,560	0.15%	2,856,210		0
VT Group	0.90%	10,805,634	0.52%	6,243,255	4.21%	50,546,355	1.04%	12,486,510	3.49%	41,901,847	0.57%	6,843,568
Cobham	0.80%	19,023,048			5.99%	142,435,072	5.24%	124,600,964	6.97%	165,738,306		0
Babcock	0.29%	4,286,777	0.30%	4,434,597	2.28%	33,702,937	0.75%	11,086,493	4.03%	59,571,420		0
Ultra Electronic	0.25%	2,138,820	0.11%	941,081	10.35%	88,547,148	0.55%	4,705,404	3.95%	33,793,356		0
Meggitt	0.28%	4,818,845			2.63%	45,262,721	0.59%	10,153,994	4.96%	85,362,394	0.81%	13,940,230
Chemring	0.57%	4,778,059	0.10%	838,256	9.86%	82,652,042	0.92%	7,711,955	0.18%	1,508,861		0
Total		409,541,370		36,385,702		1,386,715,728		483,388,581		717,508,742		84,469,803

Table 6: Institutional investors' holdings in UK arms companies as of March 2008[66]

	Aviva		AXA		F&C		Invesco		Prudential		Legal and General		Schroders		Standard Life	
	% of total shares	Value of holding (£, millions)	% of total shares	Value of holding (£, millions)	% of total shares	Value of holding (£, millions)	% of total shares	Value of holding (£, millions)	% of total shares	Value of holding (£, millions)	% of total shares	Value of holding (£, millions)	% of total shares	Value of holding (£, millions)	% of total shares	Value of holding (£, millions)
BAE Systems	1.85%	302.10	10.32%	1,685.23	1.07%	174.73	1.07%	174.73	4.07%	664.62	1.84%	300.47	0.59%	96.35	2.53%	413.14
Rolls Royce	2.96%	219.88	0.93%	69.08	1.24%	92.11	6.17%	458.32	5.10%	378.84	2.16%	160.45	1.41%	104.74	2.67%	198.33
QinetiQ	0.56%	7.56	0.96%	12.96			0.11%	1.48	3.00%	40.50	3.82%	51.57	1.06%	14.31	0.18%	2.43
GKN	1.30%	24.75	5.46%	103.97			1.03%	19.61	4.07%	77.50	1.47%	27.99	4.93%	93.87	6.03%	114.82
VT Group	3.47%	41.66	4.24%	50.91	1.32%	15.85			4.07%	48.87	1.33%	15.97	1.06%	12.73	2.99%	35.90
Cobham	5.45%	129.59	5.79%	137.68	0.20%	4.76	0.47%	11.18	7.96%	189.28	0.69%	16.41	1.55%	36.86	0.64%	15.22
Babcock	1.54%	22.76	1.62%	23.95	0.10%	1.48	2.61%	38.59	4.04%	59.72	1.62%	23.95	16.95%	250.55	6.22%	91.94
Ultra Electronics	2.27%	19.42	1.61%	13.77	5.87%	50.22	2.85%	24.38	4.04%	34.56	3.85%	32.94	5.69%	48.68	3.36%	28.75
Meggitt	1.45%	24.95	6.53%	112.38	0.98%	16.87	0.87%	14.97	4.00%	68.84	7.27%	125.12	6.30%	108.42	3.56%	61.27
Chemring	1.14%	9.56	5.87%	49.21			3.26%	27.33	4.11%	34.45	4.83%	40.49			5.13%	43.00
Total		802.24		2,259.13		356.01		770.60		1,597.18		795.34		766.51		1,004.80

Table 7: Institutional investors' holdings in international arms companies as of June 2008[67]

	Aviva		AXA		F&C		Invesco		Prudential		Legal and General		Schroders		Standard Life	
	% of total shares	Value of holding (£, millions)	% of total shares	Value of holding (£, millions)	% of total shares	Value of holding (£, millions)	% of total shares	Value of holding (£, millions)	% of total shares	Value of holding (£, millions)	% of total shares	Value of holding (£, millions)	% of total shares	Value of holding (£, millions)	% of total shares	Value of holding (£, millions)
Lockheed Martin			2.83%	1,225.29			0.94%	406.99	0.30%	129.89	0.49%	212.15				
Boeing			1.01%	586.76			0.49%	284.66	0.31%	180.09	0.91%	528.66			0.10%	58.09
Northrop Grumman	0.11%	28.06	8.61%	2,196.46			0.68%	173.47	0.29%	73.98	0.73%	186.23				
Raytheon			0.99%	259.10	0.16%	41.87	0.57%	149.18	0.30%	78.51	0.37%	96.83				
General Dynamics			0.36%	128.59			0.77%	275.05	0.29%	103.59	0.21%	75.01				
EADS			1.52%	170.85							0.97%	109.03				
L-3 Communic-ations			0.73%	89.97			0.41%	50.53	0.31%	38.21	0.33%	40.67				
Finmeccanica			0.75%	59.10												
United Technologies	0.12%	81.71	2.12%	1,443.62			0.63%	429.00	0.31%	211.09	1.38%	939.71	0.10%	68.10		
Thales			0.28%	21.59			0.86%	66.31								
ATK			0.74%	26.01			0.25%	8.79	0.29%	10.19	0.22%	7.73			2.69%	94.55
GenCorp							0.18%	0.81			0.68%	3.05				
Total		109.78		6,207.34		41.87		1,844.78		825.56		2,199.09		68.10		152.64

Table 8: Other shareholders in UK arms companies as of June 2008[68]

	British Airways		BT Group		National Grid		Universities Superannuation Scheme Limited		Government of Norway	
	% of total shares	Value of holding (£)	% of total shares	Value of holding (£)	% of total shares	Value of holding (£)	% of total shares	Value of holding (£)	% of total shares	Value of holding (£)
BAE Systems	0.16%	26,127,592	0.17%	27,760,567			0.95%	155,132,578		
Rolls Royce									0.53%	39,369,767
QinetiQ			0.11%	1,484,914			0.11%	1,484,914		
GKN			0.44%	8,378,216			0.22%	4,189,108	0.51%	9,711,114
VT Group	0.11%	1,320,689	0.15%	1,800,939						
Cobham	0.24%	5,706,914	0.21%	4,993,550	0.13%	2,972,351	0.84%	19,974,200	0.47%	11,176,041
Babcock			0.17%	2,512,938			0.17%	2,512,938		
Ultra Electronics			0.59%	5,047,615			0.23%	1,967,714	0.87%	7,443,094
Meggitt			0.33%	5,679,353					0.12%	2,065,219
Chemring			0.17%	1,425,035			0.61%	5,113,362	0.10%	838,256
GenCorp			0.66%	2,964,456						
Total		33,155,195		59,083,127		2,972,351		190,374,814		70,603,491

References

[1] At time of press, Halifax Bank of Scotland is facing possible takeover by Lloyds TSB

[2] D Eisenhower, 'The Chance for Peace', speech to American Society of Newspaper Editors, 16 April 1953

[3] *SIPRI Military Expenditure Database: Table on world and regional military expenditure, 1988-2006*, Stockholm International Peace Research Institute, 2007

[4] 'The 15 major spender countries in 2007', Stockholm International Peace Research Institute, 2007

[5] *Guns or Growth: Assessing the impact of arms sales on sustainable development,* Control Arms, June 2004

[6] '2007 Market Review – UK Top Global Defence Exporter', UK trade and Investment Defence and Security Organisation, 2007

[7] 'Facts and Figures: World Top 10 Arms Companies, 2006', Campaign Against Arms Trade, July 2007

[8] *Promotion and Protection of the Rights of Children: Impact of Armed Conflict on Children*, United Nations Department for Policy Coordination and Sustainable Development, 1996

[9] *Human Development Report 2008*, United Nations Development Programme; Armed Conflict Database, International Institute for Strategic Studies, 2008

[10] *Voices from around the world – The people's consultation 2007 – Global Report*, Control Arms

[11] *Human Development Report 2003*, United Nations Development Programme

[12] 'Governments are sacrificing development goals for arms exports', Control Arms, 22 June 2004

[13] *SIPRI Military Expenditure Database*, Stockholm International Peace Research Institute, 2007; 'Development aid from OECD countries fell 5.1% in 2006', Organisation for Economic Co-operation and Development, 3 April 2007

[14] *The Co-operative Bank – Good with money: The arms trade*, The Co-operative Bank, 2008

[15] *Shattered Lives: the case for tough international arms control*, Control Arms, 2003

[16] 'About Us', www.baesystems.com/AboutUs/index.htm

[17] C McGreal, 'Arms deal investigators probe BAE payments to South African', *The Guardian*, 6 January 2007; 'BAE Systems: A corporate profile', Corporate Watch, June 2002

[18] *Human Development Report 2008,* United Nations Development Programme

[19] 'The 15 major spender countries in 2007', Stockholm International Peace Research Institute, 2007

[20] *Human Development Report 2008*, United Nations Development Programme; SIPRI Military Expenditure Database, Stockholm International Peace Research Institute, 2007

[21] R Norton-Taylor, 'UK top world table of weapons sales', *The Guardian*, 21 June 2008

[22] R Norton-Taylor, 'UK top world table of weapons sales', *The Guardian*, 21 June 2008

[23] 'Statement', Stop Arming Israel, www.stoparmingisrael.org/statement/

[24] 'Israel – IAF Equipment', GlobalSecurity.org, www.globalsecurity.org/military/world/israel/iaf-equipment.htm

[25] According to Tom Baranauskas, a senior Middle East analyst at Forecast International, a leading provider of defence market intelligence services in the United States, as quoted in T Deen, 'Israel Violates US Law With Attack on Lebanon', Antiwar.com, 18 July 2006

[26] E MacAskill, 'US questions Israel's use of cluster bombs in a rare rebuke', *The Guardian*, 30 January 2007; B Opall-Rome, 'Israel AF to Replenish War Stocks', *Defense News*, 6 October 2007

[27] C Feltham, 'The Investment Column: Military pyrotechnics supplier Chemring shows plenty of fizz', *Independent*, 23 January 2008

[28] C Harrington, 'BAE Systems nears V-22 gun award from US', *Jane's Defence Weekly*; S Pfeifer, 'BAE wins $715m US order for vehicles', *Financial Times*, 17 March 2008

[29] D Hencke, 'MoD plans raid on landmine removal fund to keep Tornados flying in Iraq', *The Guardian*, 10 March 2008

[30] 'Over 100 countries adopt treaty to ban cluster bombs', Cluster Munition Coalition, 30 May 2008

[31] *Explosive Investments: Financial Institutions and Cluster Munitions*, Netwerk Vlaanderen, February 2007, p 6

[32] *Too risky for business: financial institutions and uranium weapons*, joint report by ICBUW, Netwerk Vlaanderen and BankTrack, November 2007

[33] 'About us', www.baesystems.com/AboutUs/index.htm

[34] 'Key financial data', www.chemring.co.uk/chg/ir/kfd

[35] 'Bulk shareholding lists', Department for Business Enterprise and Regulatory Reform, 2008; AMADEUS database, Bureau van Dijk Electronic Publishing, 2008; all the data from the AMADEUS database used in this report was obtained in March 2008 and later updated on 6 June 2008 to reflect market capitalisation as reported by www.hemscott.com or uk.finance.yahoo.co.uk

[36] The value of shareholdings is calculated from the percentage stake of the company's stock market capitalisation as reported by www.hemscott.com on 6 June 2008. These figures are not static: stock market capitalisation will rise or fall as shares are bought and sold

[37] AMADEUS database, Bureau van Dijk Electronic Publishing, 2008

[38] *Explosive Investments: Financial Institutions and Cluster Munitions, Netwerk Vlaanderen*, February 2007

[39] ORBIS database, Bureau van Dijk Electronic Publishing, 2008; all the data from the ORBIS and Reuters DealScan databases was obtained on 6 June 2008 and accounts for each company's stock market capitalisation as reported by www.hemscott.com or uk.finance.yahoo.com

[40] Aviva homepage, www.aviva.com; 'About us', www.legalandgeneralgroup.com/about-us/about-us.cfm

[41] This does not mean there were 200 deals; because of the syndication arrangements, all five banks could participate in one deal

[42] 'Deals of the Year', Trade Finance, January/February 2001; T Crawford-Browne, 'Dubious loans trap Africa in third world debt', *Cape Times*, 9 June 2005; 'All systems go – Tanzania deal approved', Campaign Against Arms Trade, February 2002

[43] 'Export Credit Guarantees Department', Commons Publications: Bound Volume Hansard – Written Answers, 19 September 2002

[44] The Loan Pricing Corporation database provides incomplete information on the extent of individual banks' contributions within the loan syndicate. This section therefore uses as a measure of comparison the total value of the syndicated deals

[45] The values of the loans are expressed in inflation-adjusted 2007 prices

[46] Reuters DealScan Database, Reuters Loan Pricing Corporation, 2008

[47] Reuters DealScan Database, Reuters Loan Pricing Corporation, 2008

[48] Email exchange between War on Want and I Roe, Senior Corporate Responsibility Officer, HBOS, 15, 17 January 2008

49. Email exchange between War on Want and I Roe, Senior Corporate Responsibility Officer, HBOS, 15, 17 January 2008

50. *Corporate responsibility review 2006: Building long-term relationships*, Lloyds TSB

51. *Prospectus of Scottish Widows UK and Income Investment Funds ICVC*, Scottish Widows Investment Partnership, 25 July 2008

52. 'What we mean by corporate sustainability', www.hsbc.com/1/2/corporate-responsibility/csr-at-hsbc

53. 'Our sustainable approach to banking', www.hsbc.com/1/2/sustainability/our-sustainable-approach-to-banking

54. I Godfrey-Davis, 'Letter from I Godfrey-Davis, HSBC Head of Group Corporate Relations, to Josh Gilbert, Campaign Against Arms Trade', 17 February 2006

55. I Godfrey-Davis, 'Letter from I Godfrey-Davis, HSBC Head of Group Corporate Relations, to Josh Gilbert, Campaign Against Arms Trade', 17 February 2006

56. Reuters DealScan Database, Reuters Loan Pricing Corporation, 2008

57. S Dorril, *The Silent Conspiracy: Inside the Intelligence Services in the 1990s*, London, 1994, pp 338-341

58. 'Corporate Lending: Defence Sector', www.personal.barclays.co.uk/BRC1/jsp/brccontrol?task=articleFWsocial&value=12769&target=_self&site=pfs

59. 'Corporate Lending: Defence Sector', www.personal.barclays.co.uk/BRC1/jsp/brccontrol?task=articleFWsocial&value=12769&target=_self&site=pfs

60. 'Corporate Lending: Defence Sector', www.personal.barclays.co.uk/BRC1/jsp/brccontrol?task=articleFWsocial&value=12769&target=_self&site=pfs

61. 'Group policy on the defence sector', Barclays plc, July 2004

62. 'Barclays Group: statement on human rights', Barclays plc, June 2006

63. 'Frequently asked questions – does the group lend to the defence industry?' www.rbs.com/global_options.asp?id=GLOBAL/FREQUENTLY_ASKED_QUESTIONS#corres8

64. *The Co-operative Bank – Good with money: The arms trade*, The Co-operative Bank, 2008

65. AMADEUS database, Bureau van Dijk Electronic Publishing, 2008

66. AMADEUS database, Bureau van Dijk Electronic Publishing, 2008

67. ORBIS database, Bureau van Dijk Electronic Publishing, 2008

68. AMADEUS database, Bureau van Dijk Electronic Publishing, 2008; ORBIS database, Bureau van Dijk Electronic Publishing, 2008

I want to support War on Want's campaign on corporations and conflict

Please complete clearly:

Name:

Address:

Post code:

Email:

I wish to donate to War on Want

£250☐ £100☐ £50☐ £25☐ £10☐ Other ______

☐ I enclose a cheque / postal order / CAF voucher made payable to War on Want *(delete as applicible)*

☐ Please debit my Maesto / Visa / Mastercard / CAF Charity card *(delete as applicible)*

Card no:

Name of cardholder:

Start Date: Expiry Date:

Issue No: *(Maestro only)* Security Code:

Signature: Date:

New Gift Aid Declaration

☐ Please tick if you would like War on Want to reclaim the tax that you have paid on your donations since 6th April 2001 and on any future donations. You must have paid an amount of income and/or capital gains tax (in the UK) equal to the tax that will be claimed (currently 28p for each £1 you give).

I want to join War on Want with a Direct Debit

DIRECT Debit

Originator's Identification Number:

3	8	8	2	4	0

Name and full address of your Bank or Building Society

To the Manager of:

Address:

Post code:

Name(s) of account holder(s):

Sort Code: ☐☐-☐☐-☐☐

Account Number:

Reference (to be completed by War on Want):

Introduction to your Bank or Building Society:

Please pay War on Want Direct Debits from the account detailed in this instruction subject to the safeguards assured by the Direct Debit Guarantee. I understand that this instruction may remain with War on Want and if so, details will be passed electronically to my Bank/Building Society.

Signature(s)

Date:

Please accept my Direct Debit of: ☐ £5 a month ☐ Other

Commencing on the: ☐ 1st ☐ 8th ☐ 15th ☐ 22nd

of: ☐☐ mm ☐☐ yy

Building Societies may not accept Direct Debit Instructions on some types of account

☐ Thank you. We'll keep you up to date with news about our work and how you can help. If you don't want us to keep in touch, please tick this box.

C698

Published October 2008

Written and researched for War on Want by Anna Morser

War on Want
Development House
56-64 Leonard Street
London EC2A 4LT
Tel: +44 (0)20 7549 0555
Fax: +44 (0)20 7549 0556
E-mail: mailroom@waronwant.org
www.waronwant.org

Printed on recycled paper

Company limited by guarantee Reg. No. 629916. Charity No. 208724

War on Want

War on Want fights poverty in developing countries in partnership and solidarity with people affected by globalisation. We campaign for workers' rights and against the root causes of global poverty, inequality and injustice.

Cover picture: The aftermath of an attack by Israeli war planes, Tyre, Lebanon, August 2006
Picture: Moises Saman/Panos Pictures

This report has been produced with the financial assistance of the European Union. The contents of the report are the sole responsibility of War on Want and can under no circumstances be regarded as reflecting the position of the European Union.

FIGHTING GLOBAL POVERTY