

What you can do?

Export Credit Agencies' support for the export of arms should be stopped. All its policies should become available for public scrutiny. Here are some suggestions.

Gather information

In most countries, information on the (arms export) policies of ECAs is lacking. Without information, it is almost impossible to raise an issue. Demanding information and distributing it is an action in itself.

- ✓ Contact your national or regional anti-arms trade or ECA-Watch organisation for information.
- ✓ When opposing an arms deal, ask if it is ECA backed.
- ✓ Demand full openness on arms sales policies of national ECAs.
- ✓ Ask members of parliament for information on the credit agency (e.g. percentage of arms exports etc).
- ✓ Start a procedure by using the "freedom of information act" in your country.

Activities

- ✓ Raise the issue of ECAs involvement when opposing an arms deal. ECA support transfers the private risk of an arms deal to the taxpayer. This can be used as a convincing argument against the arms sale.
- ✓ Export Credit Agencies may have offices spread throughout the country - an opportunity for action. You can also ask local organisations to raise the issue on a local level.
- ✓ The involvement of a private bank in an arms deal opens a range of consumer actions. Private banks have offices on community level. Target those with flyers, advertisements and actions.
- ✓ When helpful, ask groups from other countries to write letters or articles to support your national activity.
- ✓ Lobby your government or members of parliament to end the support of export credit agencies for arms trade and for more transparency. Alternatively, demand the government to raise the issue at the EU or OECD level.
- ✓ Look for other organisations to build up a coalition in your country to change the export policy and to ask for more public information

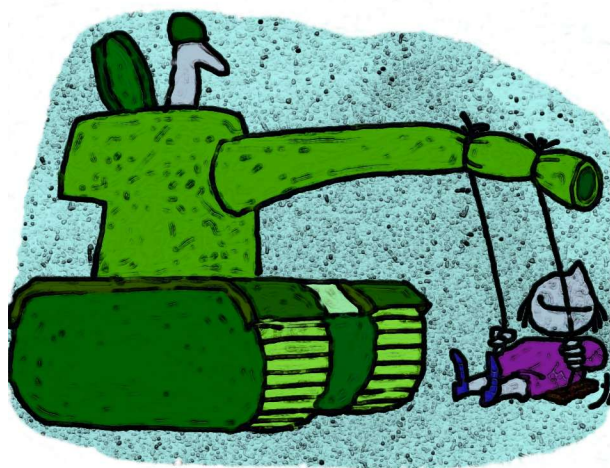
A European policy on how to target ECAs and their arms export policies cannot be prescribed. Political situations in European countries differ, on the level of openness, political possibilities, culture and awareness. The points above are not a recipe, but only hinting to possibilities.

This is an brochure from the Dutch Campaign Against Arms Trade. For information on export credit agencies and arms trade, www.stoparmstrade.org and www.eca-watch.org. You can also contact m.peperkamp@stopwapenhandel.org. Late September, the ENAAT Research Group will publish a report on ECA support for military transactions, www.enaat.org

Export Credit Agencies financing arms trade

A call for action

Export Credit Agencies are the single most important source of developing countries' debt. One of the sectors benefiting most from ECA support is the military industry. This industry receives around a quarter of all ECA support.



Military export credits are not coherent with development policies, which aim at reducing poverty through reducing the global debt burden and combating bribery. They also threat security through promoting the spread of arms.

Support for arms sales by European ECAs

1. The United Kingdom (ECGD): between 38 and 50 % in 2002-2005.
2. The Netherlands (Atradius-DSB): on average 27 % since July 2002, with a peak of 57% in 2004.
3. France (COFACE): one-third (estimation based on information from the ministry of Finance).
4. Germany (Hermes): between 0,2 and 9.4 % of all -long and short term-credits.
5. The Belgian ECA guaranteed twenty percent of all the exported arms for which an export licence has been provided.

Export Credit Agencies

Export Credit Agencies (ECAs) are national, public or publicly mandated facilities. Backed by government funding, they support exports to developing countries which private banks consider too risky (commercially or politically). ECAs provide direct loans, or when commercial banks or exporters provide the loans or the credit, ECAs provide guarantees or insurances. In this way, they are covering potential losses for banks or exporters. In case their counterpart does not pay, the ECA will compensate them. In this way, the private risk of the company is effectively transferred to the public sector and thus the taxpayer. Without ECA support there would be no financing, and very often, no arms deal.

As a Midland Bank executive in charge of arms deals stated: "You see, before we advance monies to a company, we always insist on any funds being covered by the [UK] Export Credit Guarantee Department... We can't lose. (...) Either way, we recover our loan, plus interest of course. It's beautiful."

How ECAs hamper development

According to the United Nations Development Program (UNDP) military expenditure is an important barrier to attain the Millennium Development Goals. Military expenditure often equates several times the amount spent on education and healthcare. The UNDP states that 'without reforms [of the arms export policies] by exporters and recipients, commitments to the Goals seem questionable on both sides.'

Another barrier, according to the UNDP, is the indebtedness of developing countries. According to different estimations, between fifteen and twenty percent of the total global debt is related to military expenses. The World Bank, the IMF and other international financial institutions do not fund military transactions. ECAs however, do give loans or guarantees for arms sales.

The cancellation of ECA debt is booked as official development assistance, but military debts are excluded from this policy. Unfortunately, so little is known on ECA policies and debts, that we cannot make sure that the cancellation military debt is not paid from the development assistance budget.

Corruption also hampers development. Transparency International states: "bribing foreign officials in order to secure overseas contracts for their exports has become a widespread practice in industrial countries,

particularly in certain sectors such as exports of military equipment and public works. Normally these contracts are guaranteed by government-owned or -supported Export Credit Insurance schemes (...)." Arms trade is one of the most corrupt businesses.

ECAs play an essential role in the above-mentioned negative aspects of arms trade on development. Without them, most of these arms deals would not take place at all.

Export credits and arms trade

Between twenty and thirty percent of all long-term credits and guarantees are military. Arms exports, however, make up for a relatively small proportion of all exports. Only in four European Union countries arms exports exceed 0.5 percent of the total exports. Support for arms exports is thus excessive.

Officially, all European Union countries adopted a Code of Conduct on arms exports. In this code, criteria are set to measure the human rights, security and development complications of arms sales. Most countries do not implement this code strictly. The involvement of ECAs waters down the implementation even more. Once an ECA backs an arms deal, the government becomes a financially interested party. Financial involvement is conflicting with the government's role as an independent supervisor.

As is described above, industrialized, arms producing countries promote their arms exports through export credit agencies. In this way, they stimulate military expenditure in developing countries, facilitate corruption, contribute to new – unsustainable- debts and are fanning conflicts. This practice is not coherent with development and security policies.

For all these reasons, we recommend:

- ✓ European Export Credit Agencies should stop lending support for the export of strategic goods (dual use and arms).
- ✓ Export Credit Agencies and national governments should publish information per policy. This should at least include value of the policy, exporter, exported goods or services, financier and commissions.

Best Practices

The Austrian ECA already does not guarantee any military goods; the Swiss ECA excludes lethal weapons from its support.