



BRIEFING PAPER

Number CBP 8310, 11 August 2020

UK Defence Industry Exports

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Summary

Defence industry exports, commonly called arms exports, are the export of military and dual use items (that could be used for military or civilian use) to other nations. The UK is one of the world's largest exporter of arms.

There are two main sources of statistical information from the UK Government on the size and value of UK arms exports. Both publications come from organisations under the Department for International Trade: the [Defence & Security Organisation](#) (DSO) and the [Export Control Organisation](#) (ECO). Third party data from the [Stockholm International Peace Research Institute](#) (SIPRI) can also be used when analysing arms exports.

This paper provides a brief overview of the available DSO and ECO data with explanations on how data is collected and counted. A section specifically on arms exports to Saudi Arabia is also provided as the export of weapons to Saudi Arabia has proven particularly controversial in recent years.

The Library briefing paper '[An introduction to UK arms exports](#)' provides more detailed information on the UK's policy towards arms exports, the controls in place, how licences are generated and who can impose arms embargoes.

1. DIT Defence & Security Organisation

The DIT DSO collect data on UK defence exports via a survey of UK defence companies based on the number of orders won. DIT DSO estimates that it captures around 90% of defence exports by value through the survey.

For comparative purposes the DIT DSO publishes global data about defence exports by relying on international open sources of contracts which have been signed. Full [methodological information](#) is available from DIT DSO.

In 2018 the value of UK defence exports (based on orders) was £14 billion – this is the largest value since 2007.¹ Over the last ten years the average value of exports was £8.9 billion per year. Over the last 35 years the average value was £7.2 billion per year.

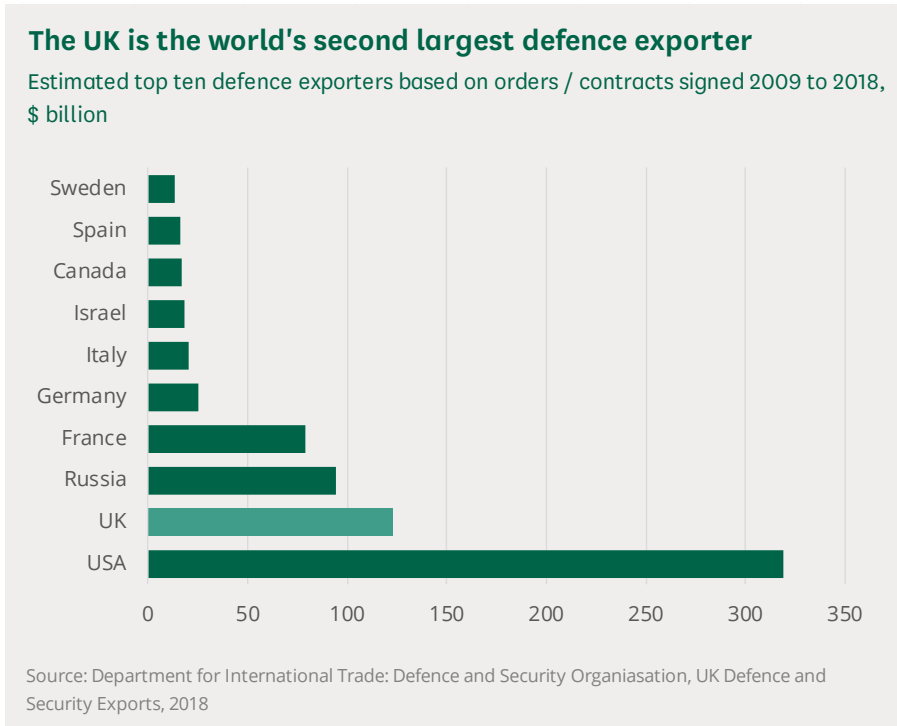


Between 2009 and 2018 **the UK was the world's second largest defence exporter**, behind only the USA. The value of the USA's exports in this period was nearly as much as the combined value from the UK, Russia, France and Germany.

In last year's release, Italy dropped to 6th place and Germany climbed back to 5th. The places remain the same in 2018, except for Spain swapping with Sweden in 9th & 10th respectively.²

¹ All figures in real terms 2019 prices unless otherwise stated.

² DIT DSO, [UK defence and security export statistics 2018](#), p. 10.



In 2018 the Middle East accounted for around 60% of UK defence exports, followed by North America (18%), Europe (11%), Asia Pacific (9%). Africa and Latin America both accounted for 1%.



2. DIT Export Control Organisation

The DIT ECO publish data on the number and value of licences issued for the export of strategic goods: **military goods**, for example assault rifles and combat aircraft; **civilian/non-military goods**, for example imaging cameras and information security equipment; and **'dual use' goods** (civilian goods for a military purpose). Whether a licence needs to be issued for the export of strategic goods is determined by four factors³:

³ DIT ECO, [Strategic export controls: country pivot report](#), January 2018, p. 3.

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- Nature of the goods to be exported
- Destination concerned
- Ultimate end use of the goods
- Licensability of trade activities of the goods due to be exported

The DIT ECO explains that⁴:

Broadly there are two types of licence, individual and general. Licences can be standard or open.

Each licence names the goods that can be exported and specifies the destinations to which they can be exported, along with other details and restrictions. General licences are pre-published and can be used by all eligible exporters whereas individual licences are issued following a successful application and allow only those named on the application to export certain goods.

Those exporting under general licences must adhere to the terms and conditions of the licence under which they wish to export. Exporters must register with the ECO to use a general licence and are subject to regular audits to ensure the licence terms and conditions are being adhered to. Those requiring an individual licence must submit an application to the ECO where they wish to make exports not covered by the terms and conditions of a general licence.

Generally, open licences can be used with fewer restrictions than standard licences. Standard licences tend to name a specific quantity of specific goods that can be exported to a specific destination whereas open licences may include a wider range of goods or destinations and generally do not limit the quantity of goods that can be exported.

The DIT ECO report only on the value of **Standard Individual Export Licences (SIEL)** issued during a year, rather than on the traded value of the goods. We do not know from official sources whether the goods covered by a licence have actually been delivered to the end-user. Licences issued in previous years may be re-issued during subsequent years. For example, in 2009 a large licence for combat aircraft was issued, although as the order had not been completed a new licence was issued in 2013 for the same value of the same goods. This happened again in 2015 for the same reason.⁵

There are five sub-types of SIEL⁶:

- **Permanent:** items that are for permanent export to a destination. They are generally valid for two years from date of issue.
- **Temporary:** where the export is temporary, for example for the purposes of demonstration, trial or evaluation. Goods must be returned before the licence expires. Temporary licences can cover more than one destination; in such circumstances they are counted once against each destination.
- **Incorporation:** goods due to be incorporated into another system or product.
- **Transshipment:** needed for the transshipment of certain goods through the UK en-route from one country to another, providing certain conditions are met.
- **Goods covered by Council Regulation 1236/2005:** concern trade in certain equipment and products which could be used for capital punishment, torture or other cruel, inhuman or degrading treatment or punishment. These are classed as non-military goods but appear separately to the statistics on licences for non-

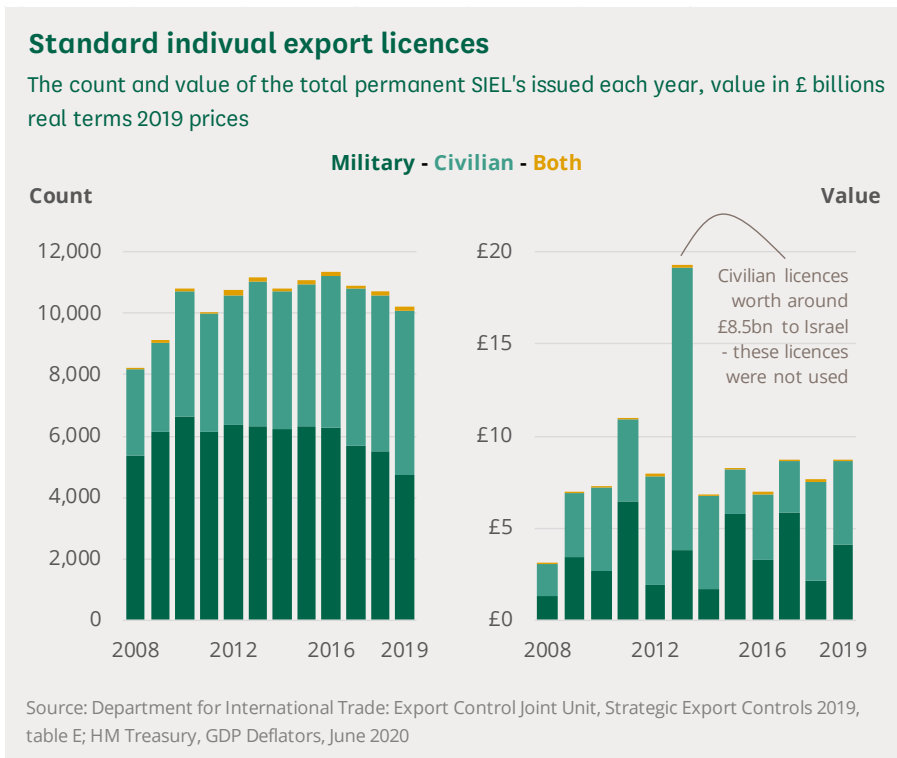
⁴ DIT ECO, [Strategic export controls: country pivot report](#), January 2018, p. 3.

⁵ DIT ECO, [Strategic export controls: commentary 1 January to 31 March 2015](#), p. 5.

⁶ DIT ECO, [Strategic export controls: country pivot report](#), January 2018, p. 7.

military goods. SIELs for goods covered by Council Regulation 1236/2005 are therefore not included in the count of non-military goods of other SIEL subtypes.

Generally, there has been an upward trend in the total number of SIEL licences issued since 2008, although in the most recent couple of years the number of licences issued has dropped slightly. **In 2019 there were just over 10,200 licences issued**; this is an increase of around 24% compared to 2008. Historically licences for military goods made up the majority of all permanent SIEL licences, although this has shifted most recently to favour goods for civilian use. **Between 2010 and 2019 the average number of licences issued per year was around 10,800.**



The value of permanent SIEL licences has fluctuated year to year. In most years the total value of licences was between £6-8 billion. **In 2013 the real terms value of all permanent SIEL licences issued was £19 billion.** Part of the peak of 2013 can be explained by around £8.5⁷ billion worth of non-military licences issued for export to Israel in Q1 2013 (although these licences were surrendered before any goods were shipped) and the re-issuing of military licences for combat aircraft to Saudi Arabia in Q2 2013 (as discussed above).⁸

In 2019 the total value of SIEL licences issued was £8.7 billion. Around £4.5 billion of this was for non-military graded licences, £4.1 billion for military licences and £21 million for dual-use licences.

⁷ Real terms 2019 prices.

⁸ DIT ECO, [Strategic export controls: commentary 1 January to 31 March 2015](#), p. 5.

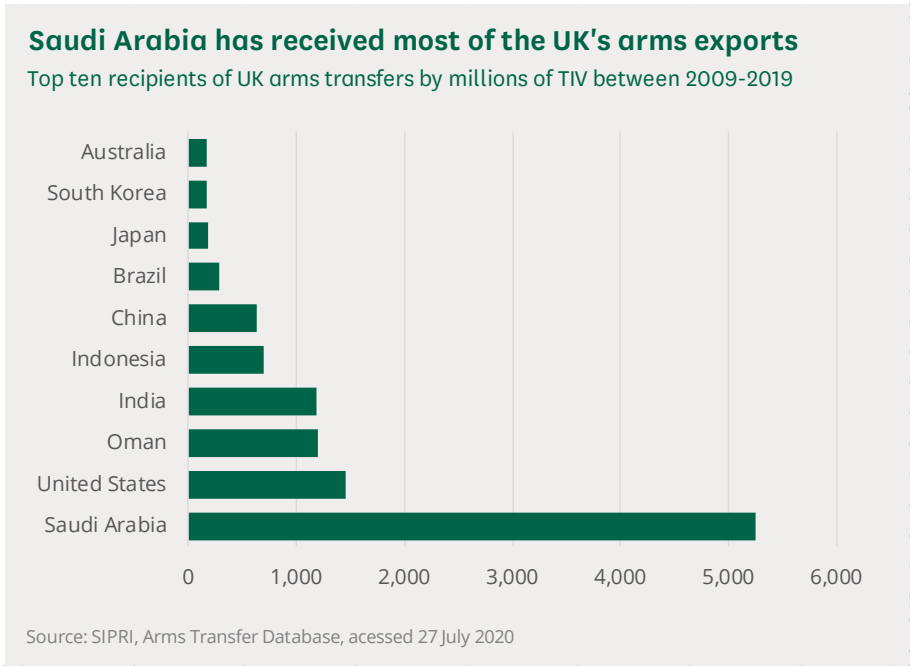
3. Arms exports to Saudi Arabia

There were 227 SIEL licences issued for export to Saudi Arabia in 2019 with a total value of £662 million. In terms of the number of licences issued in 2019, the majority (67%) were for goods deemed to be non-military in nature/use. The clear majority (96%) of the value came from licences for goods deemed to be for military use.

SIELs to Saudi Arabia				
The count and value of the total permanent SIEL's issued each year to Saudi Arabia, value in £ millions real terms 2019 prices				
	Military	Civilian	Both	Total
Count				
2008	35	48	0	83
2009	54	86	0	140
2010	91	111	4	206
2011	91	97	3	191
2012	107	92	2	201
2013	102	166	4	272
2014	108	174	3	285
2015	130	144	8	282
2016	91	192	0	283
2017	116	163	0	279
2018	60	146	0	206
2019	73	152	2	227
Value				
2008	£122	£5.0	£0.0	£127
2009	£1,975	£44.7	£0.0	£2,020
2010	£397	£95.9	£0.8	£494
2011	£1,992	£14.3	£0.9	£2,007
2012	£115	£4.7	£2.9	£122
2013	£1,776	£24.1	£7.0	£1,808
2014	£84	£60.6	£0.7	£145
2015	£3,074	£123.0	£15.8	£3,213
2016	£717	£79.0	£0.0	£796
2017	£1,174	£21.2	£0.0	£1,195
2018	£59	£78.7	£0.0	£137
2019	£638	£23.3	£0.0	£662

Source: Department for International Trade: Export Control Joint Unit, Strategic Export Controls 2019, table E; HM Treasury, GDP Deflators, June 2020

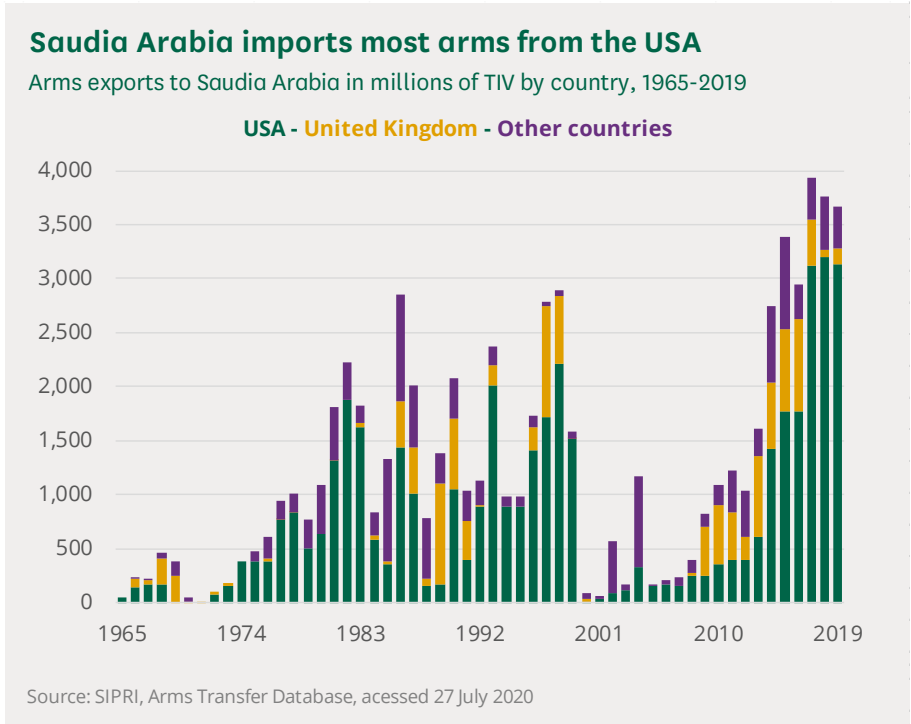
Some of the value of licences issued for export to Saudi Arabia are essentially duplicated and counted twice in the time series above. For example, in 2009 a large licence for combat aircraft was issued, although as the order had not been completed a new licence was issued in 2013 for the same value of the same goods. This happened again in 2015 for the same reason.



What is TIV?

SIPRI has developed a unique pricing system to measure the volume of deliveries of major conventional weapons and components using a common unit – the SIPRI trend-indicator value (TIV). The TIV of an item being delivered is intended to reflect its military capability rather than its financial value. This common unit can be used to measure trends in the flow of arms between countries and regions over time – in effect, it is a military capability index.

Between 2009 and 2019 Saudi Arabia has received the most of the UK's arms transfers when measured by SIPRI's TIV metric. The USA and Oman received the second and third most. In 2019 the estimated volume of the UK's arms transfers to Saudi Arabia was around 135 million TIV – this was around 14% of the total UK arms transfer volume globally.



The USA is the largest exporter of arms transfers to Saudi Arabia. In 2019 the estimated volume of the USA's arms transfers to Saudi Arabia was around 3.1 billion TIV. This accounted for around 85% of arms transfers to Saudi Arabia in 2019. **The estimated volume of transfers to Saudi Arabia in 2017 was the largest ever.**

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