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POLITICAL SCIENCE ■

Doctoral Research Paper

Changing the Rules of the Game

**A Voluntary Code of Conduct by the Defence and Arms Industry
and Transparency International's Defence Against Corruption**

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December 2010

Research Paper

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Abstract

This paper reports the history of the recently launched Common Industry Standards (CIS), an international anti-corruption code of conduct for the European defence and arms industry. CIS is a landmark in that it is an outcome of the first voluntary collective action by major defence and arms companies based in Europe to delegitimize systemically and permanently reverse the norm of corrupt practices in the business. Based on process tracing through extensive interviews with key officials from the relevant institutions, as well as an examination of the archival records, the paper unpacks and explores the interlinkages and complexities among the actors, factors, processes, rationales and strategies that brought about CIS. It finds that Defence Against Corruption (DAC), an initiative of the UK Chapter of the noted NGO, Transparency International (TI), occupied – and continues to occupy - a pivotal place in its development. The paper therefore also uncovers the history of TI(UK)'s defence programme and examines its role and impact on the industry in its search for collective no-corruption commitment. It argues that CIS would probably not have emerged with the credibility it enjoys or the broad support it receives from the industry had TI(UK) not contributed to mobilizing anti-corruption in the controversial business since the beginning, in 1999. Furthermore, TI(UK) could probably not have wielded influence in the debate on the norms and ethics in this sector without certain conditions. In particular, the institutional aptness of this NGO for the defence and arms industry and certain contextual developments conducive to promoting anti-corruption in this business appear to have been among the compelling elements behind TI(UK)'s success in inducing CIS.

Acknowledgements

I am indebted to Transparency International (UK)'s Defence Against Corruption team and its long-term associate, Joe Roeber, for making archival resources available and for their moral as well as editorial support. Its board member, Laurence Cockcroft, and former board member, David Murray, also provided substantial editorial comments. I would also like to express my gratitude to the interviewees who were generous with their time and insights. The research was aided by the University of London Central Research Fund.

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1 The Development of the Common Industry Standards for European Aerospace and Defence: Introduction

The global trade of conventional weapons, defence systems and equipments had long been perceived to be one of the most corrupt, yet one of the few that had remained virtually untouched. That is, corruption in the defence business had been left to be rife as status quo and rarely been problematized or formally addressed. The consensus seemed to have been that it was impossible or much too difficult and sensitive to try to correct the norm primarily because the industry is closely linked to sovereign priorities, namely national security and strategic national interests. The secrecy and lack of transparency had long been assumed to be legitimate and necessary to promote and maintain a competitive defence industrial base and sufficiently strong armed forces. The defence and arms industry had been given the right to expect and enjoy a position of exception to the rule of transparency and accountability in democratic societies.

At some point in recent history, however, this consensus and expectation seem to have shifted dramatically. It now appears that not only those outside the industry but many of those who are involved in the trade also believe that the norm in the industry not only needs to change but that it can be changed. The major companies appear ready to acknowledge and address the issues and risks involved in widespread corruption and their spill-over effects into other parts of societies. One of the evidences of such dramatic transformation in this business in terms of its own tolerance of corrupt practices is the emergence of an anti-corruption code of conduct governing all of the defence and arms companies based in Europe: the Common Industry Standards for European Aerospace and Defence.¹ It is an entirely voluntary initiative to reduce corruption on the part of the European industry (including the UK).

The Common Industry Standards (CIS) was rolled out by the Aerospace and Defence Industries Association of Europe (ASD) in 2007 and became binding for all companies in 2008. It is a set of statements outlining the basic rules with respect to corruption in the business. It represents a common approach to anti-corruption measures and aims to promote new standards of behaviours for defence companies by enhancing their compliance programmes. They are obliged to promote, among others: the prevention of corruption in the international defence market; the prohibition of corrupt practices, be it with public or private individuals; accountable and traceable recording of gifts and offers of hospitality as well as political donations and contributions; the responsible management of agents, consultants and intermediaries, requiring companies to conduct thorough due diligence for all candidates and regular re-examinations thereafter. Some of the objectives of CIS are stated as: to encourage the adoption of explicit corporate policies and practices which are intended to achieve compliance with applicable laws; to gain acceptance by external stakeholders of the intent and effort of the industry in the efforts to prevent corruption in the international defence market.

CIS is the written affirmation of the industry's commitment to observe and apply national anti-corruption legislations according to international agreements, the 1997 OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transaction and the 2003 UN Convention against Corruption. For there are no exemption

¹ Countries covered by CIS (ASD) are Austria, Belgium, Bulgaria, Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland, Turkey, and United Kingdom.

either for the defence and arms trade or on the grounds of national security stated in these treaties, CIS perhaps is not a particularly remarkable document summarizing proper duties already largely required by law. It is, nonetheless, an extraordinary landmark for two reasons. The first is that halting corrupt practices for many means giving up promising lucrative opportunities. It is the right thing to do - at minimum in the legal sense - but it appears an irrational move. The second is that CIS is an outcome of the industry's first voluntary collective move to delegitimize and prohibit acts of bribery including active, passive, private and public forms of corruption. It clarifies that European companies now expect one another to abstain from such acts in all transactions at all levels and to contribute to the permanent reversal of the norm in the business. CIS is also significant because there is clear anticipation within the industry that further developments concerning this code of conduct will subsequently induce a global code which harmonizes varying standards around the world in order to help create fairer market activities by all major defence and arms companies. The 'untamed tiger' has started to visibly tame itself.²

As a way to answer 'what happened to bring about this shift in the defence and arms industry?', this paper documents the history of Common Industry Standards. The experience of the major companies based in the US - as documented in the history of the Defense Industry Initiative on Business Ethics and Conduct (DII) - as well as the historical events that affected the social responsibility of the industry, such as post-Cold War economic conversion and the Ottawa Landmine Treaty, tell us that government pressure or directives have been critical in instigating changes in the defence and arms industry. The position of the government might have been shaped by scandals and other exposing impacts of the media, authoritative work and leadership of civil society, or some combination of these. Nonetheless the general understanding remains that this industry very rarely changes policies and practices related to ethics and responsibility without clear and specific government instructions or stipulations. Defence manufacturers have a special and integral relationship with the state due to their role in providing national security and sovereignty, and will comply with its direction but *only its* direction. Hence it is reasonable to hypothesize that the development of CIS most likely involved demand, threat, leadership or support on the part of their national governments. On the other hand, the independent role of civil society organizations, specifically non-governmental organizations (NGOs), and their influence in the debate on the responsible standards of behaviours of global businesses have been known for some time (Ku and Diehl 2006). As it will be seen in Section 2.3, this is especially the case for the broad anti-corruption movement. While assuming the underlying necessity of government, this paper therefore pays attention to the multiplicity of driving forces and actors behind the development of CIS.

Two methods were employed in gathering empirical data: reviews of both public and private documents³ and interviews of representatives of relevant organizations. Confidential documents are referred to in the paper only to the extent that they help to verify the nature of events and meetings. Data stemming from such sources are marked as such. Since available written records are limited because of the industry's links to national security and the ongoing sensitivity of the issue of corruption in the arms trade, consultation with individuals who were or have been involved in the processes of creating anti-corruption standards and are able to provide evidence, even if anecdotal, is useful to supplement and connect information. Their accounts can be confirmed by comparing with

² The description of the industry given by the former chair of TI(UK), Laurence Cockcroft, in a written correspondence.

³ Private documents were kindly made available for limited viewing by some interviewees.

those of others if no written records are available. Most interviews were conducted in person while the rest of the conversations were held on the telephone. The length of these sessions ranged from approximately 30 to 75 minutes. To respect some of the interviewees' wishes for anonymity and the specific rules under which certain meetings were held (e.g. Chatham House Rule), this report describes an interviewee or the source of comments as a representative of an organization and is identified with randomly numbered codes. The combination of the semi-structured interviews and examination of materials allows for the corroboration of data as well as reasonable reconstruction of main events and processes leading up to CIS.

These data will also be briefly considered from the perspective that information, trends and emerging norms tend to travel fast and with influence in densely networked industries. Those who are familiar with the structure of the global defence and arms business will be aware that it has become one of the most interconnected fields with the end of the Cold War and the forces of contemporary globalization. Large companies often collaborate as partners and team members on projects and in bidding for prospective programmes; become licensees and sub-contractors to one another; and create joint ventures and spinoffs. Network theory proposes that such numerous and close relationships are not only economic, legal or technical but also deeply social, and therefore help shape the thinking, decisions and behaviours of those in the network (De Nooy, Mrvar et al. 2005). It views that these ties between actors (i.e. members of a network) can be an intrinsic source of causal pressure for beliefs and behaviours.⁴ It follows that the denser the network, the more flows of communication and influence that raise the probability of changing the norms and standards in an industry. This theory introduces the possibility that the path to CIS for the global defence and arms industry might have been fairly smooth – fluent and perhaps even quick – rather than turbulent or complex. Whether the networked structure of the business had an impact on the development of CIS is reviewed briefly in Section 7.

Overall, the study finds grounds to report that, contrary to the basic hypothesis, the development of Common Industry Standards did not require the central participation or measurable pressure from the government sector. Three factors – an NGO and two conditions - are found to have been especially compelling for the European defence and arms industry to have introduced CIS: an appropriate facilitator for the industry, namely Transparency International (UK); the maturity of the anti-corruption norm existing outside the industry; and the suitable timing for change. Of these three, the first, the institutional aptness and appropriate character of TI(UK), appears to have been the most critical element. The situation of the defence and arms industry regarding anti-corruption was similar to a prisoner's dilemma whereby it required a competent and respectable third party, TI(UK), to garner collective action by the major companies. This independent organization particularly qualified for this role in instituting anti-corruption because it is widely regarded as credible and authoritative by the business, government and civil society sectors. The paper asserts that although CIS could have emerged without TI(UK) in theory, the development process was constructively intense and the outcome of collective action more viable and substantive with the ongoing support and involvement of this non-governmental organization.

This paper is relevant in two ways for those who are keen to see changes in the rules of the game that govern the global defence and arms trade. One is that the historical review of a landmark anti-corruption initiative by the defence and arms industry deepens our understanding of the potential as well as the way forward for progress in this business.

⁴ From the University of Southern Maine, Department of Sociology, Social Network Analysis, course introduction materials (2005)

Second is that it helps to surmise what may move companies in this direction both from the corporate responsibility and civil society perspectives.

The remainder of the paper proceeds as follows. In Section 2, the background to the emergence of the general anti-corruption norm is briefly outlined. Section 3 then introduces how Transparency International (UK) took the initiative to galvanize the simmering but diffused concerns among officials of the defence establishment into a focused multi-sectoral dialogue in 2000 and further facilitated a series of constructive fora to encourage cooperative action. It shows the ways in which TI(UK)'s Defence Against Corruption emerged and evolved over the course of the approximately eight years in relation to the set of codes and standards for the industry.⁵ Section 7 discusses some of the overarching analytical issues identified in the research.

2 Seeds of Change

The Common Industry Standards unveiled in 2007 have roots that go back at least 15 years as well as a more recent background that is intricate involving multiple actors and their varying visions for instituting anti-corruption in the global conventional arms business. The ensuing section briefly describes how the anti-corruption norm came about and encroached upon the 'last refuge of corruption' (J. Githongo of Kenya, as quoted in Pyman, Scott et al. 2008, p14).⁶

2.1 Good Governance

With the end of the Cold War the so-called Washington Consensus emerged and appeared to dominate the logic behind the economic policies and reform recommendations of international financial institutions and some western governments concerning development assistance and conditions for foreign aid. The Washington Consensus is widely known for its strong universal emphasis on smaller government, privatization, market deregulation and trade liberalization. The appropriateness and effectiveness of such prescriptive approach to structural changes continue to be debated today. Even though the Consensus did not necessarily enjoy a good reputation due to its links to the neoliberal economic policy paradigm, an element of its package for development nonetheless made sense to many: the realization of a healthy society depends on good governance that respects the importance of human rights and prioritizes the rule of law (Rajkumar and Swaroop 2002). Several European countries as well as the European Commission who were not obviously or consistently pushing the Washington Consensus nevertheless adopted good governance as one of the policies for determining aid distribution. As one interviewee recalled, 'good governance was all the rage in the 1990s' (interview TI03). Importantly, the lack of transparency and accountability in public institutions became palpable in the transition processes of former communist bloc countries and poorer regions, and corruption was highlighted as a major impediment to implementing good governance (Rose-Ackerman 1999; Abed and Gupta 2002). As such, anti-corruption became a central feature of the international good governance agenda.

⁵ It should be clarified that CIS is not the only focus or achievement of TI(UK)'s DAC programme. DAC has other parallel goals and streams of work, notably related to defence anti-corruption reform in governments. CIS and the ongoing efforts for a global version of the CIS is one of the few specifically concerned with the defence and arms industry.

⁶ John Githongo is an anti-corruption activist and expert, and also the founder of the Kenya Chapter of TI.

Another key element considered essential in realizing good governance has been the development of civil society sector in the aid recipient state. Human rights and the rule of law are strengthened by the active participation in the political and social processes of civil society organizations, in particular non-governmental organizations (NGOs) (Keck and Sikkink 1998). The basis for this position has become reinforced as civil society organizations increasingly command political presence and wield influence as legitimate actors in the policy-making arena in the developed countries. Their authority has further grown with the advancement (and reduction of costs) in communication technologies which have significantly empowered them. The increasingly instantaneous global communication network has aided forging various transnational movements encompassing multiple organizations and causes to promote the accountability of public and private institutions. A dynamic civil society sector is viewed as an advocate and enabler of good governance.

It therefore makes sense that one of the notable movements for good governance driven by civil society has been the global anti-corruption movement. The demand is not just on governments but also multinational corporations particularly where public resources are concerned, such as in the extractive industry. It has been looked back that the 'worldwide anti-corruption movement has grown important cross-sectoral roots in the past decade, and is likely to continue to deepen its influence on particular industries over the years ahead' (Wetterwik and Buckley 2000, p12). Civil society organizations are key to combating corruption and implementing transparency and accountability as a way to pursue good governance.

At the forefront leading this global movement has been the NGO, Transparency International (TI), which specializes in anti-corruption. A TI official recalled that it 'caught the wave of worldwide enthusiasm for good governance and for fighting corruption in particular' (interview TI05). TI was founded in 1993 by Peter Eigen, a former World Bank officer who was frustrated with the recurring outcomes in which Bank loans were not reaching where most needed but continued to disappear corruptly for private benefit. The initial aim of the organization was to 'bring corruption out in the open and propose pragmatic ways to rid of it' (interview TI01). Transparency International today has Chapters in over 90 countries. Its mission remains to facilitate change both in the public and private sectors by raising awareness and proposing constructive solutions to the damaging effects of corruption. TI is strictly non-partisan and considers engaging with, rather than confronting, governments, companies, international institutions and other civil society organizations, and developing consensus, collaborative platforms and strong coalitions as the best way forward for all concerned. TI also helps to implement policy reforms and monitor compliance.

2.2 OECD Anti-Bribery Convention

As NGOs were mustering and raising the international pressure to contain the prevailing problem of corruption in the 1990s, the US government was asserting its influence to legally level the playing field with respect to the wide tolerance for bribery in international business transactions. American companies have been complying with the strict Foreign Corrupt Practices Act (FCPA) since 1977 while non-US companies have had no formal obligation or real incentive to refrain from bribing officials to win or maintain business abroad (McCoy and Heckel 2001). This clear disadvantage propelled the US government to actively seek equivalent laws at the international level, starting in 1989 (OECD 2000).

In 1997 the OECD enacted the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. The Convention is consistent with the aims of the OECD in that curbing corruption and advancing good governance are the foundations of strong economies and efficient market systems. The pressure the US government was able to impose is evident in that the Convention is comprehensive, legally binding and functions on the basis of relatively narrowly defined exceptions, which are some of the key features of the FCPA (Carlberg 2003). The performance of governments in enforcing the Convention, however, has not been impressive. This has continued to frustrate both the US government and American firms for businesses in Europe and elsewhere continue to operate virtually at an advantage in this regard. Therefore, in addition to international lawyers and campaigners, they remain keen to see further developments in standardizing the rules of the game.

The US may claim the majority of the credit for the creation of the OECD Convention, but not all. Transparency International, with other civil society organizations like the International Chamber of Commerce, propelled additional forces to delegitimize corruption at the global level and helped to garner endorsement among businesses as well as governments (OECD 2000). Faithful to its methodology, the way TI pursued the realization of the Convention was through engaging with organizations of all sectors and taking constructive measures to clarify real issues regarding corruption and encourage collective action. It is probably fair to say that the Convention might have taken much longer to come into being without the will, expectation and supportive environment such civil society organizations as TI helped solidify. Accordingly Transparency International earned a respected status in the policy-making circles and the international business community.⁷

2.3 Globalization and the Role of Global Businesses

Not long after the OECD Convention formally came into force in February of 1999, the world was rocked by the Seattle protests against the World Trade Organization Summit in November. The demonstrations were significant at least in three ways. One is that it became one of the culminating points whereby the power of NGOs as a sector to have an impact on the international policy making processes was made abundantly clear. Second, it was a moment in which the widespread contention against the ways in which the globalization processes, and their ramifications were sweeping across the globe, were also epitomized. Third, the disruptive protests were not only aimed at the powerful international financial institutions and governments but also the major multinational corporations that were seen as the main beneficiaries as well as drivers of globalization.

The anti-globalization and anti-corporation movements have been significant for the anti-corruption movement, because they have emphasized the role and behaviours of multinational firms including corruption in perpetuating the existing system which rewards the rich and the powerful but punishes the poor and the vulnerable. Transparency International did not participate in the Seattle protests and are clear about its non-partisan position and approach. It is however fair to observe that NGOs like TI also acquired further legitimacy with the increasing voice and influence of NGOs in general. Anti-corruption efforts also gained momentum with the growth of critical views on the behaviours of contemporary global businesses and therefore the raised awareness of multinational

⁷ TI's flagship tools, the Corruption Perceptions Index, Bribe Payers Index and later the Global Corruption Barometer, have also contributed to their respected status and reputation.

businesses of the negative consequences of their irresponsible decisions, including corrupt acts. More significantly, many major firms learned the implications of the *perception* of lacking in commitments to responsibility. Mere accusations of bribery, for example, whether legally founded or not, can cause extensive damages especially in terms of a firm's reputation.

Although defence and arms companies are in many ways exceptional and may even be shielded from such forces that regular businesses experience, they are not immune to political, economic and social changes unfolding in the rest of societies. Most major defence and arms manufacturers are indeed multinational corporations with international operations, workforce, and shareholders as well as similarly extensive formal and informal obligations. Thus, it may be the case that some executives and officials in the defence establishment were feeling the encroachment of the anti-corruption norm into their world by the end of the 1990s. Some of the most corrupt cases in history have involved the defence and arms industry. The sale of military air radar and traffic control system to Tanzania, a country with no air force and one of the world's poorest populations, by the UK government and industry has been an infamous example since about 1997. The UK also experienced a major scandal in the 1980s and 1990s known as the Foxley affair in which a civil servant with the Ministry of Defence amassed millions in bribes from defence and arms companies without severe consequences. Both cases highlighted the corrupt behaviours of businesses in addition to problems in the government despite the changing norms in the wider society.

Status quo in the highly competitive post-Cold War globalized defence marketplace was not only going directly against the political and social tide but moreover becoming economically unsustainable. Yet, at the same time, those companies which sought to act more 'with the times' and demonstrate ethical conduct like other multinational businesses - that is, abstain from paying bribes and other corrupt practices - were destined to lose out, so long as everyone else remained in the traditional mode exploiting the 'last refuge' status of the business. This is a classic prisoner's dilemma situation which calls for collective action requiring a certain amount of trust and dialogue among the 'prisoners'. It is therefore not an easy dilemma to escape considering the unique problems of the global defence and arms industry. While it would be highly complicated to bring together key actors into effective collaborative action for changes in the sphere of ethics and responsibility (when bribes often still bring in lucrative contracts), the risks of remaining where they are with the old habits and customary rules of the game would probably mean the decline of the business in terms of its legitimate place in globalized societies (Eigen and Eigen-Zucchi 2003). The world is increasingly becoming intolerant of corrupt multinational corporations as well as governments.

3 The First Junction: The Stockholm Colloquium

Against the backdrop of the growing concerns, interest and the anti-corruption norm, the Stockholm Colloquium on Corruption in the Arms Trade took place in February 2000. The Seattle demonstrations of three months prior were still fresh in memory.

Despite the fact that TI's numerous studies consistently listed the defence and arms industry as one of the most corrupt sectors along with oil and construction at least since 1999, corruption in this sector was not yet on the agenda of TI at this time (interview TI03). Notwithstanding the numerous allegations of major bribes habitually taking place throughout the 1990s and the extent of military spending in such aid recipient states was

frequently the subject of examination and criticism by donors, it was not part of the general good governance programme among the development institutions. There still was deep political ambivalence and reservations about bringing the defence and arms trade into the corruption debate within as well as outside TI. The initiative to convene a conference to address specifically corruption in the defence sector was therefore innovative but daring, because it was not at all obvious whether such debate would be welcomed much less take off to stimulate international action. In this sense the individuals who organized the Stockholm meeting took a pioneering leap of faith.

Joe Roeber, an associate of Transparency International (UK) since 1995 and a member of its Strategy Committee, was pivotal in initiating the international and multi-sectoral discussion of corruption in the defence and arms trade which has become relatively unexceptional today. He had been a fierce critic of the business for its susceptibility to corruption and the magnitude of its damage imposed on societies, especially developing countries where public resources are typically very limited. He discussed with Fredrik Galtung, who was one of the founding staff members and senior researchers at Transparency International's International Secretariat, on the need to critically and urgently approach the subject of corruption in the defence and arms trade.⁸ During the spring and early summer of 1999, Roeber who had been a visiting fellow at the Stockholm International Peace Research Institute (SIPRI) came to informally exchange views on these issues with Anne-Charlotte Wetterwick of the Strategic Export Controls Office of the Swedish Ministry for Foreign Affairs (SMFA). In one of the conversations, Roeber brought up Galtung's idea to convene a small group of experts to brainstorm on the prospects and ways to reduce corruption in the global defence and arms industry. Wetterwick concurred that putting together an international closed meeting should be attempted given the extent and depth of the issue. Roeber, Galtung and Wetterwick recognized that, in light of the controversial and complex nature of the subject, the meeting ought to spend equal amount of time, if not more, on drawing constructive solutions as well as on describing and clarifying the problems. Finally, they agreed that the meeting should be an opportunity to ascertain the potential to continue to make headway in a collaborative manner among the key actors from the government, corporate and civil society sectors in this regard.

While the Colloquium was the initiative of the two TI associates, SMFA offered to host this event based on Wetterwick's conviction. It was timely for the Swedish Government to do so as it was to take over the Presidency of the European Union for the first half of 2001 and corruption in the global defence and arms trade helped to provide them with a clear and unique agenda on which to build and promote their leadership. Sweden's involvement in this area was also logical for it had been a critical leader in both the good governance and anti-corruption movement and the regulation of the global arms trade. It is reasonable, however, to speculate that at the basis of its interest in hosting the Colloquium lie the recent Bofors scandals from which it wished to recover its clean name. The Swedish company was at the heart of a corrupt contract with the Indian government, and there were rumours that the Prime Minister, Olof Palme, was assassinated in 1986 to conceal truths about the arms deal.

There were discussions among the three organizers about the need to get away from the controversial subject of the ethics of weapons and the arms trade. Companies and government officials based in Europe were acknowledged to be especially sensitive to the anti-armaments or the 'merchants of death' views held by many in the public. Some firms

⁸ Fredrik Galtung would go on to develop TI's Bribe Payers Index (BPI).

are reluctant to engage with civil society organizations because they presume the necessity to engage primarily in moral debates, rather than discuss pragmatic solutions to specific challenges like corruption. It was therefore agreed that the event would assume the complete legitimacy of the business and focus on the real issue of corruption. The urgency to improve transparency and accountability would be a central theme because the defence and arms trade is a public matter driven by public money, particularly where the aid for good governance in development is concerned. For these reasons, the three organizers concluded that they ought to carefully plan a closed and small forum attended by invited experts and representatives of key organizations only. They would discuss under the Chatham House Rule whereby discussions would take place without the fear for the names of representatives going on the record. In the meantime, Roeber was in touch with Laurence Cockcroft in London, a founding Board member of TI and TI(UK) about his activities, who was instrumental in facilitating this international meeting as part of the UK programme. Transparency International and the Swedish Government together hoped to offer an intimate and collegial setting appropriate for the topic and participants.

The Stockholm Colloquium took place 3-6 February 2000. The Colloquium had two objectives: to demarcate the mechanisms facilitating corruption and to propose measures to curb the opportunities for the acts of corruption. Additionally, the meeting was to inform 'the value of bringing together different interest groups to address the problem' (Wetterwik and Buckley 2000, p1).⁹ It remains a significant event in the history of anti-corruption in the defence sector because it was the very first moment in which industry, government and civil society organizations convened in order to consider directly, specifically and collectively how to constructively approach the problem of corruption in the global defence and arms trade. Participants from the government sector included representatives from Sweden (Ministry for Trade and Ministry for Foreign Affairs), the US (State Department), and the UK (Ministry of Defence), among others. Representatives from the industry included Lockheed Martin, Boeing, and Thompson-CSF (now Thales). Civil society participants were Human Rights Watch (USA), SIPRI and the International Institute for Strategic Studies (London) in addition to Transparency International.¹⁰

Records indicate that all of the participants seemed to have arrived with a common recognition that the defence and arms trade is, and will remain, susceptible to corruption, yet that this was not a valid justification to continue accepting and regarding corrupt practices as a largely evasive problem that eludes an active and serious search for long-term solutions. It was later observed that representatives were 'assembled to coalesce a moral force to control corruption hitherto considered 'taboo' to speak about'.¹¹

Of the participants from industry, the representative of the then- and still- number one defence and arms company in the world, Lockheed Martin, exhibited notable enthusiasm and commitment for the prospects of change in the global business. He replied promptly and early to the invitation to the Colloquium from the Swedish government, and responded also positively to the suggestion to speak on the case of his company.¹² His presentation outlined the parameters and effectiveness of the FCPA legislation and the extensive compliance policies and programmes of Lockheed Martin. The essence of his address can be interpreted as highlighting the advanced state of the US norm of anti-corruption and defence ethics compared to Europe and other regions. An ethical *and*

⁹ Report available at <http://www.defenceagainstcorruption.org/ti-publications/>

¹⁰ Participant list was kindly provided by Joe Roeber.

¹¹ <http://www.defencejournal.com/2000/mar/arms-trade.htm>

¹² Copies of correspondence records were made available for limited viewing by Joe Roeber.

profitable company subtly - or not so subtly - imparted pressure on others, namely, the non-US companies and government officials, to step up their anti-corruption efforts. The Colloquium was the place where, for the first time, the inevitability of a different future was broadly accepted and the probable need of collective action for change was quietly acknowledged.

Another notable outcome of the Colloquium was that the participants expressed expectations of help by governments to institute anti-corruption standards in the global defence and arms trade. This included the state's responsibility to apply the OECD Convention and define legal repercussions and other penalties. Governments were also invited to help clarify the definitions of sensitive data and the extent of legitimate secrecy in order for the defence and arms businesses to realistically commit to transparency. The meeting clarified that the intention among firms to combat corruption was growing in some parts of the industry, rather than being imposed upon externally for compliance. There was the assumption that such a will nevertheless would require assistance and support from the government sector.

Civil society was uniformly recognized as suited 'to lead a sustained and informed focus and movement' including encouraging multi-sectoral networks. Although awareness of the need to change customary practice was increasing, there was still room for more permeation within and outside the industry. 'Solidarity against corruption to counteract networks of patronage and bribery' was required and civil society organizations like TI were valuable in forming and strengthening such coalition (Wetterwik and Buckley 2000, p8). The Colloquium itself was testimony to two features concerning TI. First, collaboration and cooperation between different sectors was not only possible and needed to make progress but of interest to many, notwithstanding the differences in their preferred approaches and strategic interests. 'It must be considered a sign of the times that a broadly based meeting such as the Stockholm Colloquium was possible to bring about' (Wetterwik and Buckley 2000, p7). Second, without TI the meeting probably would not have happened. It was the individuals at this NGO which conceptualized the Colloquium while the Swedish government offered sponsorship. These acknowledgements provided a strong basis for TI to continue its work in addressing the challenge and facilitating the efforts to curb corruption in the global defence and arms trade. Roeber returned to London and helped found a project dedicated to strengthening the collaborative efforts at TI's UK Chapter. This initiative was championed by Cockcroft and formally named 'Corruption in the Official Arms Trade'.

For the Stockholm Colloquium was the first instance in which government, industry and civil society assembled to openly discuss corruption in the business and possible next steps towards its reduction, it can be viewed as a launch pad not only for Transparency International's defence programme but also for the transnational anti-corruption movement in the defence business.

4 The Cambridge Conference and Important Contextual Developments in the Early 2000s

4.1 Transparency International and the 2001 Cambridge Conference

Some key social, economic and political developments that have been shaping since the Stockholm Colloquium manifested in the Cambridge Conference on Corruption in the

Official Arms Trade in April 2001, the second multi-sectoral gathering specifically organized to address corruption in the business. Whilst the relevant contextual developments are outlined in the rest of Section 4, an important shift evident in Cambridge compared to the Stockholm meeting 14 months prior is reviewed here. Whereas the Stockholm Colloquium was held by the Government of Sweden (Ministry for Foreign Affairs and Ministry of Trade) with the assistance and contribution of Transparency International (UK), the Cambridge Conference was convened by TI(UK) in association with the Swedish Government. Most of the funds for the conference were provided by the Department for International Development (DFID) of the UK Government. Several private funders in addition to the Government of Sweden also contributed to covering the cost. Though the Swedish Minister of State for Foreign Trade addressed the conference, the chair was occupied by Frank Vogl, the Vice Chair of Transparency International Secretariat, and the meeting was welcomed and opened by Cockcroft, who had become the Chair of TI(UK) in 2000. In short, leadership appeared to have been transferred and TI situated much more in the driving seat of the anti-corruption movement in the defence and arms industry.

The change of leadership is not a surprising outcome for two reasons. First, as the record above indicated, individuals associated with Transparency International (UK) generated the idea of mobilizing the multi-sectoral talks on how to curtail corruption in the international trade of conventional weapons. It is reasonable that the parent organization of the brainchild remained and further asserted authority in its development. Under the bold direction of Cockcroft who sought funding from DFID (see Section 4.4 for details of this process), TI(UK) had launched the Corruption in the Official Arms Trade programme based on the potential for improvement affirmed in Stockholm. A strategy committee for this programme, headed by the Deputy Chair, David Murray, had been formed which solicited the governmental involvement from the UK along with the Swedes. The Secretariat of Transparency International in Berlin observed this growing initiative and support concerning the defence and arms trade since the Colloquium, and had accepted the organized approach TI(UK) was taking to engage with this 'difficult and politicized area of risk' (interview TISec 01; TI03). Cockcroft had successfully moderated the distinct concerns for this risk. Second, one of the consensuses that emerged from the Stockholm Colloquium was that civil society should play an active role in pressing the discussion forward. The task was deemed to be more appropriate for a specialist NGO than for one government - the Swedish - to assume primary ownership of the debate. TI(UK) had been de facto delegated this ambitious role at the end of the meeting in Stockholm by its participants.

This transfer of trust is consistent with the times in that NGOs were increasingly getting involved in international politics as legitimate actors. However, it appears that TI was not automatically placed at the front position of the movement for instituting the anti-corruption norm. The hosts of the Stockholm Colloquium, the Swedish government, took the issue of corruption in the global defence and arms trade to the European Union even before their six-month Presidency term commenced in January 2001. They attempted to garner momentum for extending anti-corruption norms into the arms trade and improve coordinated efforts among the European governments to prevent and fight corrupt practices. It attempted to promote this by proposing to add anti-corruption as a condition for issuing export licenses to firms at the EU level. It was the first time such an idea was formally brought for consideration among EU Member States (Pagrotsky 2002). Their efforts, however, proved to be too ambitious and ahead of their times. They were received with deep hesitation and wide reluctance to engage in radical steps concerning the defence and arms trade. The then-Minister of Trade of the Government of Sweden recalled, 'it is fair to

say that swift results have proved difficult to achieve. The topic is still cloaked in sensitivity and progress demands a delicate touch' (Transparency International (UK) 2001, p1). The then-Swedish Minister of State for Foreign Affairs also remarked, '[T]he initial responses showed us that...[w]e had to conclude that the EU was not yet ready...' (Transparency International (UK) 2001, p17). While this did not mean that the Swedes reverted on their commitment to the initiative, they logically turned to TI(UK) which could leverage its expertise to continue spearheading the efforts outside the formal EU realms.

Compared to the Stockholm Colloquium, the Cambridge Conference was a much larger and more transparent event. The conference had almost twice as many participants including guests from the media. It was not held under the Chatham House Rule and reports containing all of the names and detailed comments were made available for public access. These were indicative of the change in the industry where it was once taboo to publicly acknowledge the prevalence and discuss corrupt practices.

At the same time, the conference can be seen as a site in which the terms of the debate - the appropriate framework for delegitimizing corruption in the arms trade - were negotiated. That is to say, in order to successfully pursue the anti-corruption agenda in this controversial - and powerful - business, not everybody and not all perspectives could be incorporated into the discussion. For example, the Secretariat of the UN Disarmament Section voiced a moral view that, corrupt or clean, and even if legal, the production and sale of weapons should be overall restrained and ultimately reduced. It has been documented that corruption inflates the volume of the trade, meaning that it encourages unnecessary - and perhaps undesirable - arms build up around the world. That is to say that the overall quantity of weapons would diminish with the systemic reduction in corruption. The disarmament argument, however, seemed to imply the culpability of the clean trade also, and therefore fell short of mobilizing support from majority of the audience. While it is an important and valid point, the consensus appeared that its moral approach diverted the attention and momentum from the pragmatic focus on anti-corruption as a legal, social and economic problem. The legitimacy of the business was to be accepted without question in the debate on how to curtail corruption in the arms trade.

The meeting in Cambridge was likely the formal birthplace of the concept for the Common Industry Standards. During the preceding months, TI(UK) had continued to work with the Ministry of Foreign Affairs of the Government of Sweden, other NGOs such as Saferworld and Oxfam and a few interested global defence companies, and outlined possible concrete directions for the anti-corruption efforts. One of these was to look to the various existing business ethics programmes. The Swedish Minister of State for Foreign Affairs stated that '[a] number of companies in different fields have over the years developed ethical programmes - that work represents a very valuable starting point for efforts to develop a guide or model specifically designed with the peculiarities of the arms trade in mind' (Transparency International (UK) 2001, p18-19). Some in the industry had initiated discussions on the implications of the OECD Convention on the defence and arms trade. US companies and the US subsidiaries of European firms were well rehearsed in the US model, which is based on the strict FCPA regulations, the contractor suspension and debarment policy at the DoD and the Defense Industry Initiative, the industry ethics consortium. It appears the idea to develop a set of common standards specific to the defence and arms industry, though still vague, emerged almost simultaneously from the government, industry and civil society sectors during the multi-sectoral collaborative stage in Cambridge.

It is, however, notable that the records indicate TI(UK)'s cautious position at this time: 'it will be difficult to build a common standard that will be equally applied in all

countries adhering' (Transparency International (UK) 2001, p68). This is not to say that TI(UK) was doubtful about the prospect but immediately pragmatic in terms of the incremental process such endeavour would require (interview TI02). This also points to the increasing sense of leadership TI(UK) was gaining in mobilizing the anti-corruption norm in the global defence and arms industry.

Following the Cambridge Conference, TI(UK) published a paper titled the 'Corruption in the Official Arms Trade' in April 2002. The press release was accompanied by the personal appearance and a supporting statement by Clare Short MP, the then Secretary of State for International Development. The publication can be seen as a symbolic and succinct moment in which the problem of corruption in the defence and arms trade became an open and legitimate topic whose realistic and constructive remedial efforts were already underway. It included the basic proposals for what was to become the Common Industry Standards.

The Sections below highlight some of the historical changes that were emerging in the wider social, economic and political areas in the early 2000's. Three developments, the events of September 11, 2001, corporate social responsibility, and the world poverty campaigns, are worth reviewing briefly in that their impacts were encroaching on the previously sheltered defence and arms industry, and moreover conducive to the budding anti-corruption movement among the major defence and arms companies based in Europe.

4.2 September 11th and the Role of Defence Companies in the Contemporary Global Security Environment

Surprisingly, none of the interviewees explicitly recognized the events of September 11th 2001 or the ensuing wars in Iraq and Afghanistan to have influenced the industry towards working closer and coming to an agreement about an industry-wide anti-corruption code. Soaring defence budgets and military expenditures did not result in an increased sense of need or urgency for cooperative action regarding corporate responsibility and anti-corruption. A former senior officer at the US DoD commented, 'some may consider that there is less need to bend the rules in good times', or a lucrative period (interview DoD02).

An official of a UK industry association indicated that the companies may not change their policies or practice related to corruption directly and explicitly because of the wars, but that the inevitable attention of the public to the industry probably has had an impact on some firms. These companies may have become more aware of their collective image and reputation, both in the positive and negative sense (interview DMA03). The legitimate and crucial role of the defence and arms business in supporting the armed forces and contributing to national and international security has been highlighted. Some firms have spoken of its patriotic responsibility and value in bringing about peace. The wars, however, also highlighted the corrupt practices of a small number of defence contractors. These specialized in the logistics of military operations and the provision of private security and therefore are not part of the core defence and arms industry. Controversies surrounding such companies as Halliburton and Blackwater nonetheless brought the whole of the industry that is supporting the military, if only briefly, to the forefront of public attention in a damaging light due to their shady behaviours and lucrative remunerations in conflict

zones. Major defence and arms companies are often seen by the public as benefiting from the wars just like these private military firms, even if these two are clearly separate businesses from the perspective of the industry. These developments indicate that the stakes of unethical behaviours on the part of the major defence and arms companies got higher than before September 11.

Another relevant outcome of 9/11 and the subsequent wars is the increased blurring of the lines between defence and security in terms of the market, technologies and the firms. Many defence companies operate in and contribute to the civilian arena, for example, by way of dual-use technologies, and vice versa. While the opportunities for corrupt acts may not be affected by this development, the damages inherent in allegations of corruptions may have become more significant due to its wider exposure to diverse markets and stakeholders.

Almost all of the industry officials viewed that the efforts to develop the Common Industry Standards would have progressed even if the tragedies in 2001 and the wars starting in 2002 and 2003 hadn't occurred, for the discussions facilitated by TI(UK) to cultivate commitment were independently held without reference to this contextual development. Still, it appears reasonable to assume that they have had some impact on the increased sense of social responsibility of the defence and arms companies.

4.3 Corporate Social Responsibility and Multi-Stakeholder Initiatives

As previously indicated in Section 2.3, multinational businesses have become increasingly scrutinized especially since the 1999 Seattle Protests about their roles and responsibilities in supporting socially and environmentally sustainable societies in a globalized era. A notable and common response by businesses has been to voluntarily demonstrate their commitments beyond the pursuit of profits and maximization of shareholder value in the form of corporate citizenship or corporate (social) responsibility (CSR or CR) policies and programmes.¹³ Many of these are distinct from traditional philanthropic activities in that they emphasize investments in integrating and embedding ethical principles into business operations, rather than only making external financial gifts. It is now widely expected that a major global company, regardless of industry, has a set of CR policies and programmes. Although the idea and practice of corporate social responsibility has been around at least since the 1970s, its mainstreaming among the large corporations at the worldwide level seems to have begun during the 1990s and surged in the early 2000s.

Two notable advancements in CR have emerged around the turn of the century. One is for companies to have systematic dialogues and cooperative schemes with their stakeholders, including civil society organizations. The other is to practice CR at the macro rather than the micro level. Many major companies have come together as an industry to address common challenges in corporate responsibility and act in a concerted manner to improve their collective impact on societies. These two forms of CR have often merged as multi-stakeholder initiatives, where one or more stakeholders of an industry, mainly NGOs and governments, encourage and support a group of companies in an industry or industry associations to participate in macro or meta-CR schemes (Utting 2002; Forman and Segaar 2006). Examples include the Forest Stewardship Council created in 1993 for sustainable forestry, the Fair Labor Association established in 1999 to protect the local suppliers of the garment industry, and the Kimberley Process, the global 'blood-free diamonds' initiative

¹³ 'Corporate responsibility' is increasingly used in lieu of 'corporate social responsibility' today. This paper uses CR to refer to CSR, corporate citizenship and other similar policies and programmes.

formed by the diamond industry in 2003. Multi-stakeholder industry initiatives have generally been well-received by businesses because they serve as fora for learning best practices and discussing effective solutions for social or environmental challenges that companies commonly face. In these cases, a collaborative initiative was needed because individual corporate reputation hinged on an improved wider industry image. In other cases, collective action was often required to share the costs and solve the prisoners' dilemma problem in an industry.

Some of the top defence contractors observed these proliferating schemes and the benefits such investments could bring to a company as well as industry. Thales and EADS both recognized the value of organized CR initiatives and both not only became signatories to the UN Global Compact in 2003 but also participated in the process to add anti-corruption as its tenth principle. Being aware of the gap between their corporate efforts and the industry reputation, these firms projected that corporate responsibility of defence and arms business in an increasingly borderless world would have to more actively take the prevalent issue of corruption and transparency into account. The interest and commitment of these primarily French firms were at least in part driven by the distinct politico-economic context of France which was developing since around 1994. Criminal trials involving elites at the highest levels of national government and oil business for massive fraud and conspiracy were underway which have resulted in imprisonment as well as fines in the millions for the convicted. Many executives of French companies were thus keen to demonstrate commitment to responsibility and compliance as well as the willingness to do so in a multi-stakeholder fashion at the international level.

At this point, some leading defence and arms companies had recognized the need for a common corporate responsibility policy on anti-corruption, but had not clearly envisioned its development process. The possibility of involving an NGO in the debate, which the initiatives in other industries frequently involved, did not appear urgent or possible for some companies which have had negative experiences with radical anti-arms NGOs and anti-war campaign groups. At the same time, a few companies, in particular Thales, have had exposure to Transparency International and other NGOs at the Stockholm and Cambridge Conferences and Global Compact processes who prefer to engage constructively with businesses including defence companies. The option of working with an NGO to drive the industry-level initiative forward was not entirely foreign to some of the global defence and arms firms.

During these historical years of the early 2000's and since the Cambridge Conference, preliminary and informal discussions on the subject of anti-corruption as a potentially important aspect of corporate responsibility agenda took place periodically among a few of the top European defence and arms companies starting in 2002 (interview BAE01, Thales02, EADS02). Those based in France, especially Thales and EADS, were the most attentive to the changing tides both in the industry and in the general climate for transnational businesses. They recall the marked commitment of the French government to implement the OECD Convention among the major indigenous companies around the turn of the century. They also developed a close relationship with the Chair of the OECD Working Group on Bribery in International Business Transactions (Professor Mark Pieth) in discussing the particularities of the industry in adapting the international rules and norms. It can be therefore assumed that some firms had some degree of pre-existing awareness that anti-corruption was becoming a firmly established norm outside the industry and it was a matter of time before the defence and arms industry had to address the need to change.

4.4 World Poverty and Socio-Economic Justice Movement

The world poverty and socio-economic justice movement which emerged in the early 2000s was possibly one of the most relevant and timely contextual developments for the growth of anti-corruption norm in the defence and arms industry. This is surprising because the pursuit of socio-economic justice and the aims of the arms business appear unassociated with one another. The influence of the global movement which became known as 'Make Poverty History' and culminated in 2005 is indirect but noteworthy in the history of the Common Industry Standards.

The movement was significant for it helped appropriate the capital requisite for continuing anti-corruption efforts in the defence and arms industry. It was noted above that one of the main sponsors of the Cambridge Conference in April 2001, the public birthplace of the original ideas for CIS, was the Department for International Development of the British Government (DFID). DFID played an instrumental role in facilitating this important forum along with the Government of Sweden who had been an established advocate of good governance and anti-corruption. The success of the conference clarified that there was a scope and will to reduce corruption in the international transactions of defence products but also that maintaining the momentum and furthering the cross-sectoral dialogue would require a dedicated, capable and independent party to drive the process forward based on a long-term strategy. There was consensus that TI(UK) was in the best position to keep leading the initiative. While the moral and political support from the Swedish Government had been solid, its ability to contribute monetarily to the Corruption in the Official Arms Trade initiative was expected to significantly diminish by the end of 2001 due to internal changes in policies and agenda associated with the change of government. TI(UK) had hoped that DFID would expand its endorsement post-Cambridge by way of a longer-term sponsorship of a small full-time team. The Department has been the main funder of TI(UK)'s defence programme since 2003.

DFID has not been an accidental supporter of anti-corruption in the defence and arms business or TI(UK) but an appropriate and purposeful one. Firstly, it is logical that the UK Chapter of Transparency International which organized the conference sought financial assistance from a UK funder with a major grant for civil society initiatives. The protocols of TI stipulate that all national Chapters must secure their own funds. Second, DFID has been deeply involved in the world poverty movement and regards pervasive corruption in the global defence and arms trade to be complex but nevertheless a serious obstacle to the pursuit of good governance and socio-economic justice in developing countries.

The Department began assisting TI(UK)'s initiative (then called Corruption in the Official Arms Trade) in 2000 in light of its growing interest in reducing the impact of corrupt commercial practices imposed on societies, which was an issue highlighted in the 2000 edition of the Human Development Report published annually by the United Nations. It pays particular attention to the Report for it seeks to be in approximate harmony with the development priorities of the UN. It saw that the effectiveness of the fight against corruption would be severely limited without tackling the 'knotty issue' of corruption in the global defence and arms trade, for this business was perceived to be one of the most deeply corrupt. The estimated amount of money being diverted from essential investment needs and the destructive ramifications of overly high military expenditures due to corruption in developing countries were too great to overlook, even though the challenge was known to be highly risky. The multi-sectoral and collaborative approach to the complex problem of 'integrity in defence' (interview TI03) proposed by TI(UK) appealed to DFID initially as an

experimental but ultimately pragmatic endeavour (interview DFID01). It was important for the UK government that TI(UK) sympathized that the aims of the programme ought to go beyond levelling the playing field for the industry and increasing efficiency of the global market. The goal in 2003 was stated as:

‘To contribute to the reduction of corruption in the official arms trade with a view to reducing the degree to which funds which should be directed to poverty relief, healthcare and education in poor countries are diverted to the purchase of armaments’¹⁴; ‘the ultimate beneficiaries... will be the populations (and especially the poor) in countries whose corruption levels are reduced as a consequence of ‘clean’ defence spending’ in addition to the companies and their home governments who... will benefit from being able to focus on the specification and performance of their products and associated services... instead of the diversion of effort into the planning of hidden financial arrangements’.¹⁵

More recently in 2006, the aim is defined as ‘to assist the development of developing countries by reducing corruption in the defence sector’ and as such ‘[t]he main beneficiaries of the project are the populations of arms importing countries’.¹⁶

It turned out that the period following the Cambridge Conference – after September 2001 - was, ironically, an optimal time to put in a request for funding to DFID. The Department was well aware of the phenomenon that the so-called War on Terror measurably increased military expenditures around the world. In other words, the traditional notion and practice of national security resurged whereby the distribution of limited public monies would be skewed towards upgrading defence systems and procuring additional arms, rather than for eradicating poverty and promoting socio-economic development. This trend appeared to move against the emerging idea that, while ensuring national security remains a valid and important objective, human security must be equally taken into account when making decisions concerning the long-term security of a society and its people. A new concept was becoming widely recognized among development practitioners as well as researchers: an effective state provides and protects the needs and welfare of citizens, beyond the territorial integrity of the nation-state (Duffield 2005). Like many aid agencies and international NGOs, DFID viewed security in broader terms than traditional national security and hence the aims of poverty reduction and development assistance in the post-9/11 world within this paradigm (Department for International Development 2006). Its interest in abating corruption in the global defence and arms business had been part of its long-standing good governance programme and now increasingly also part of its human security agenda. TI(UK)’s proposal to continue its anti-corruption in defence programme and reduce unnecessary spending on forging national security capabilities by states fit this bill (interview DFID01).

The global poverty and socio-economic justice movement and the human security paradigm are interlinked. The world-wide anti-poverty activism was not only emerging since poverty eradication was designated the top position in the UN Millennium Development Goals in 2000, but gained strength also around the time of the outbreak of the wars that followed the events of September 2001. These protests incorporated a dimension

¹⁴ TI(UK) internal document (September 2003)

¹⁵ TI(UK) internal document (September 2003)

¹⁶ TI(UK) internal document (2006).

which was concerned with the effects of wars armed conflicts on the poor. Although the best known achievement of the Make Poverty History campaign was the cancellation of huge debts owed by developing countries to developed countries, its fundamental underlying objective was to put significant international pressure on governments, of both developed and developing countries, to prioritize human security. That is, it called upon states to end preventable human suffering and confront the causes of man-made poverty, such as wars and state-sanctioned violence. The UK government's politics regarding the wars notwithstanding, it was at the heart of the world poverty and socio-economic justice campaign in 2004-2005. It had successfully put the subject on the international political agenda first in 2004 by sponsoring the Commission for Africa in order to identify the major obstacles towards sustainable prosperity on the continent. Moreover, as the president of the G8 it made the world poverty a major part of the formal discussions at the 2005 Summit. Developing countries, on the other hand, pledged to reduce corruption and improve governance so that aid would be more effectively and efficiently delivered to the poor (Department for International Development 2006). Accordingly, the Make Poverty History campaign and the leadership of UK government in its promotion situated DFID at the centre of supporting NGOs that prioritized the importance of human security in conflict and poverty stricken areas and promote innovative anti-poverty and anti-corruption measures.

A DFID representative recalled that 'there was a certain climate of powerful ideas both within and outside the Department' when TI(UK) submitted its request for long-term financial support for its Preventing Corruption in the Official Arms Trade initiative after the conference in Cambridge (interview DFID01). The relationship between DFID and TI(UK) had begun in the mid-1990s during the early years of Transparency International. The work of the Department had been based on the importance of good governance in developing countries and the valuable role of civil society organizations. DFID's specific support for TI(UK)'s defence programme materialized when Clare Short MP, the founding Secretary of State for DFID, pioneered in coupling the push for reform in the defence establishment with the international development agenda.¹⁷ DFID thus helped finance the Cambridge Conference as part of its ongoing support for TI(UK), largely irrespective of the popular campaign that was beginning to transpire; where the world poverty and socio-economic justice movement made a significant difference for the prospective Common Industry Standards was in the period subsequent to the conference. The political climate encouraged by the movement was appropriate and conducive for DFID to increase its financial support for such innovative and concrete strategies that combined the goals of anti-poverty and anti-corruption as the one TI(UK) had promulgated for the global defence and arms business.

5 2004-2005: A Turning Point

The period since the Cambridge meeting had been in effect relatively quiet mostly because at this point the anti-corruption initiative in the defence and arms trade lacked a distinct driving force. No corporation or industry association stepped up to take lead or continue the discussion in a visible or collective manner. TI(UK) was in the midst of negotiating with DFID about the required substantial capital to advance its programme. The turning point, therefore, seemed to have arrived when TI(UK) finally obtained the necessary long-term funding and was able to re-galvanize the industry into continuing the talks

¹⁷ Baroness Chalker (then Mrs. Linda Chalker), the former Minister for Overseas Development (1989-1997), was the first Minister to support Transparency International.

towards collaborative action. The following section outlines two of the three of the pivotal events of 2004-2005 that had direct implications on the development of CIS. The third event is explored in Section 6.

5.1 The 2004 Arundel Conference

The first meeting in Stockholm in February 2000 hosted by the Swedish Government in association with Transparency International (UK) was strictly closed and small; the Cambridge Conference in April 2001 was more transparent and dynamic, and convened by TI(UK) in association with the Swedish Government; the third multi-sectoral gathering on corruption in the defence and arms industry held in Arundel, Surrey (England) in June 2004 was highly focused with a strong emphasis on agreeing on actions and solutions, and was solely hosted by TI(UK). As the sole convener, it is apparent that by this third conference TI(UK) had become the principal driving force of the movement to strengthen anti-corruption in the global defence and arms business.

The Arundel meeting was in fact a major highlight yet only one part of a project of Transparency International (UK), which was its first formal, full-time, fully funded and dedicated programme to promoting anti-corruption in the defence and arms trade. The title of the conference was the same as this project, Preventing Corruption in the Official Arms Trade (PCOAT). Although the extra cost of the conference was borne by the Swedish Ministry for Foreign Affairs, PCOAT as a project was entirely funded by the UK Department for International Development alone. TI(UK) hoped that, whereas Stockholm and Cambridge were scene-setting and issue-exploring events, Arundel would be the definitive forum in which specific strategies for the industry such as an anti-corruption code for the industry would be assessed (interview TI02). The determined position of TI in building momentum to produce pragmatic outcomes manifested in the fact that Peter Eigen, the Founder of TI and the Chair at the Secretariat, often referred to as *the* pioneer of the worldwide anti-corruption movement, arrived from Berlin to open the conference in person.

An inadvertently useful background for elucidating the challenge as well as for leveraging the awareness of the participants toward making progress was underway around the time of this conference. BAE Systems, the largest defence and arms company in the UK and Europe, had recently become the subject of international attention for alleged major corruption. A whistle blowing letter dated 2001 concerning a suspected large slush fund for paying Saudi Arabia government officials had been published by the media in September 2003. This was part of the so-called Al Yamamah case, which highlighted the company's (alleged) inappropriate actions and the UK government's involvement to win the multi-billion dollar Al-Yamamah contract. Just a few weeks prior to the conference in May 2004, the then-Chairman of BAE Systems had made a statement to the parliamentary defence committee assuring the company's innocence in the matter. The scale of the scandal was such that it is fair to say that BAE Systems was at the centre of critical attention in the industry as well as the public at large; additionally, to a certain extent by association, not only British companies but the whole global defence and arms industry was in the spotlight for its state of business ethics. The conference was held, therefore, in a particular and intense atmosphere.

The mood seemed to be reinforced once the lack of obvious commitment on the part of the UK industry to actively and collaboratively abate corruption was revealed. The representatives that gathered in Arundel included 6 defence companies, 5 governments and

6 civil society organizations (the complete list of names was not disclosed). BAE Systems was not present despite the invitation from TI(UK), and neither were other major UK based companies. Notwithstanding the expectations and hope on the part of its colleagues in the global industry its absence consequently precipitated in disappointment in terms of its lack of support for collaborative efforts. Moreover, its lack of understanding and appreciation for the wider consequences of its decisions and the need to address the issue as an industry was received with bewilderment. Amidst the hard questions the representative of the UK Ministry of Defence found himself presented with regarding government policies and procedures for preventing corrupt acts by its defence contractors (Transparency International (UK) 2004), some participants perceived that the real frustration laid more with the major UK companies (interview TI02). Although TI(UK) does not comment on individual firms as a principle, the general view seemed that there was a perceivable gap between BAE Systems' position as one of the most dominant players in the global market and its apparent disregard for social responsibilities and the value of collective reputation.

This observation highlighted the contrasting fact that Lockheed Martin, the world's number one defence and arms company based in the US, and Thales, one of France's top firms, had become a core and leading part of the multi-sectoral international dialogue since their participations in Stockholm. In other words, the unique circumstances surrounding the Arundel Conference elucidated the variation among the global defence and arms companies in their understanding of ethical conduct and responsibility. Many of the participants therefore seemed to agree that the harmonization of standards was an effective course of action and the quest for an industry-wide commitment to a common code of conduct was appropriately desirable. While such ideas had been discussed before, for example, at the Cambridge meeting, their relevance and urgency were more pronounced at Arundel.

In order for the emerging impetus towards developing a set of common industry standards to be realized, the question of what was meant by 'common' had to be debated. Were the US, UK and Continental European defence and arms industries indeed one industry, and if so what was the best way to pursue a transnational (transatlantic) set of standards? The representatives of the US industry pressed that the existing model of US Defence Industry Initiative on Business Ethics and Conduct, an industry consortium which ensures that all DoD contractors pursue high ethical standards including anti-corruption, could and should be expanded into a global initiative (Transparency International (UK) 2004). The general rigour of compliance programmes by all major US defence companies had been clarified since Stockholm where Lockheed Martin first introduced its policies and practice as an example of adherence to DoD regulations. These programmes and also the strict rules, which include suspension and debarment as contractor upon violations of ethics, were once again outlined by the DoD's Deputy General Counsel at Arundel. From the American perspective, anything less than these existing standards would not be 'common' but unfair for US companies would still have to comply with tougher standards while others would not.

The European industry officials, on the other hand, cautioned that there was still significant variance on the Continent beyond the differences between the UK and Continental Europe, or Europe and the US. They asserted that this local situation had to be addressed before they could attempt to bridge the divisions along US, UK and European lines. The legal and cultural distinctness both between Europe and the US and also between the numerous countries of Europe could not be underestimated. They regarded the latter as less complicated to address due to the EU regulations and obligations. Equally importantly, there appeared to be notable sensitivity among the European companies present at the

conference with respect to the idea of expanding an established US initiative or replicating the DII model as a way forward. From their perspective, these directions to internationalize US standards did not imply universal effectiveness. They did not necessarily foresee 'Americanization' as bringing about harmonization of norms. The European representatives therefore suggested that a set of standards common throughout Europe was the next appropriate step. Convergence of standards between the US and Europe, and beyond, could follow from this pan-European consensus.

Transparency International (UK)'s aspiration had been to encourage the global defence and arms companies to develop an industry code that is transnational, so that the negative impacts of corruption on societies are systemically reduced. Although TI(UK) had been keen to support the possibility of internationally extending the DII model, their conviction was that a more narrow focus on anti-corruption, rather than encompassing business ethics for the whole of the industry, would be better suited as an effective framework at the global level. Corruption was regarded as the common and the gravest risk for all defence and arms companies.

At Arundel, TI(UK) facilitated a working group session dedicated to the topic of global industry standards. They proposed the idea of developing a model based on DII but which focused on anti-corruption. They suggested the direction of leveraging existing instruments, namely, to combine TI's Business Principles for Countering Bribery with the DII format which underlines ownership of the programme by business. Although TI(UK)'s recommended objectives and strategies were valid in principle, in particular the focus on anti-corruption, they seemed to overlook the concerns and reservations of the European firms about leaping towards a transatlantic standard without first confronting the diversity of standards within Europe. In short, TI(UK)'s proposals were received as not yet entirely viable.

In fact, the Institute of Business Ethics (UK) presented a study during the conference which identified a general comparability between the corporate policies of major US and European defence companies regarding ethical conduct, notwithstanding the variance on the European Continent. It was observed that the US codes tended to be more compliance or rules driven, whereas European codes were based more on values. In light of the fact that the laws governing firms operating in the US and Europe are independent including under the OECD Convention, developing rules-based codes for both industries were presumed to be highly complex and probably also impractical and unfruitful. That is to say that rather than extending US-type standards and programmes, collaborating on codes that are grounded in common values and principles appeared sound and sustainable for an international, transatlantic or global initiative. The task for the officials of defence and arms industry of Europe seemed increasingly better defined: to collaborate on a set of values-based codes focused on anti-corruption for all European firms in the business.

This undertaking required an independent and competent driver. It was clarified, as it had been in Stockholm and Cambridge, that TI(UK) had an ongoing important role in such processes concerning the global defence and arms business, both at the European and the anticipated transatlantic and global levels. The Arundel meeting itself was part of TI(UK)'s contribution in assembling and facilitating key figures in the industry to explore its future in a rapidly changing world. TI's unique credibility and expertise in supporting industry leaders in anti-corruption efforts were once again confirmed.

The Arundel Conference was a turning point for the development of the Common Industry Standards because more detailed and substantive discussions on how to implement anti-corruption norm and prevent corruption in the global defence and arms

trade than in Stockholm and Cambridge took place. The meeting laid out possible course of actions for the European companies to consider with respect to US-Europe differences. It was also significant in that the world's third largest and Europe's largest defence and arms company, BAE Systems, was absent. This fact emphasized the precarious backdrop for the event, and accentuated and affirmed the need to raise standards at the industry level. The conference experienced stimulated debates and the push for agreeing on next steps, and strengthened the support for TI(UK)'s contributions.

5.2 The Arrival of Mark Pyman

The Arundel Conference of June 2004 was significant also in that it was the first dynamic opportunity for Mark Pyman, the first formal director of the TI(UK)'s Preventing Corruption in the Official Arms Trade project (PCOAT; formerly COAT), to observe firsthand and partake in the industry-wide dialogue concerning anti-corruption measures in the global defence industry. He had arrived in January 2004 with the mandate of taking the project forward by realizing key priorities that had been identified in the preceding years 2000-2003. First of these was to make the industry code of conduct happen. Laurence Cockcroft, the Chair and David Murray, the Deputy Chair of TI(UK) and also the Chair of the Steering Committee for PCOAT, had led the search for a full-time director whose presence was discerned as crucial for attaining more tangible success in the defence and arms establishment. Pyman's background is in the oil industry, an industry which has had its share of troubles for corrupt practices and lack of transparency, among other issues. Not only as the chief financial officer but also the head of procurement for various Shell operations in Europe, Africa and China, he had gained extensive experience in operationalizing anti-corruption regulations and programmes. His expertise in minimizing waste of financial and other corporate resources and ensuring value for money in important transactions is also appreciated as an independent reviewer of the UK Government's major procurement programmes.

Notwithstanding that the gathering in Arundel was regarded as success in moving the initiative forward, he was disappointed that it did not deliver an agreed course of specific action for developing a global anti-corruption code of conduct on the part of the industry. He was inspired to explore strategic ideas for the TI team. Three tactics he employed appear particularly consequential.

First, Pyman embarked on extensive networking in the global defence and arms industry and related circles. It is essential for civil society organizations hoping to form alliance or influence their future decisions and actions to become acquainted with key officials and relevant contacts in major institutions. Defence has traditionally been a relatively closed sector where confidentiality and secrecy were once paramount principles. It is not known to welcome strangers and openly discuss matters. At the same time since the end of the Cold War and acceleration of globalization, the industry had become an unusually densely linked up field with continuous mergers and acquisitions, joint ventures, multi-firm team projects, and subcontracting relationships often extending beyond national borders. For similar reasons, many companies have become more open to previously unknown parties, for example, through working with small and new civilian businesses. Their ethics and Corporate Responsibility teams, especially in the US, are often acquainted with one another through their DII memberships and other professional activities. More than any other industry, the global defence and arms industry is a tough arena to break

through for a civil society organization with the intention of having a voice and influencing choices and behaviours of key companies in the ultimate aid of distant developing countries. It was critically important for Pyman to network immediately, extensively and persistently upon joining TI(UK) and also to continue after Arundel.

He visited key executives of European defence companies and industry associations including those who had been involved in the international and cross-sectoral dialogues on anti-corruption measures before his arrival. Discussions revealed that Thales, EADS and Saab were among the more enthusiastic in the group about the idea of an anti-corruption 'meta-code', an industry framework for good business conduct. On the other hand, records of TI(UK) from around this time indicate that 'the coolest reaction [for the industry code of conduct] was from UK companies... they still see little benefit'.¹⁸ Pyman recalled in an interview that the reception by BAE Systems was 'very cool, perhaps the coolest of all'. The report further identified the absence of this major company from the efforts to be a risk: '[b]ringing BAE Systems into the fold of companies interested in anti-corruption measures is regarded by most as an important element of progress... and would act as a positive signal to other UK defence companies'. He recognized that part of his job was 'to expand and hold the ring of defence companies, governments, and other institutions with diverging attitudes and levels of appreciation' for a concerted action to globally promote anti-corruption in the industry¹⁹.

Pyman also flew to Washington DC to establish personal ties and strengthen institutional links, such as with Lockheed Martin, Raytheon and Boeing and the office of the Defence Industry Initiative. He made most of these trips with Hugh Edleston, a retired Rear Admiral with the Royal Navy.²⁰ David Murray and Pyman had confirmed the benefit of officially involving former military personnel to enhance the defence programme's knowledge and credibility, and had invited him to become a military advisor to TI(UK) in 2004.²¹ Edleston supplements Pyman's experience in multinational business operations with his defence expertise and military procurement knowledge²². TI(UK) demonstrated that it was prepared and qualified to drive forward the initiative to develop anti-corruption measures in the global defence and arms trade. Importantly, it was able to strengthen the case for reducing corruption and the need for collective action across the industry divisions along national lines to realize it. These two professionals were able to enhance the trust and respect of the industry officials in working with a civil society organization. If their participation in the 2005 annual meeting of DII in Washington DC was received with ambivalence, they were publicly described as 'our good friends from Transparency International, UK' in the consortium's 2008 annual report²³. At Arundel, Pyman therefore was in the company of contacts he had already made in person and those he was cultivating. Fundamentally, he was broadly aware of the various outlooks and relationships among most of those present, and critically he was aware of the dynamics between the companies based in Europe and the US as well as within Europe.

The second of the three notable steps that he took started gradually in early 2005, at which point a defence industry anti-corruption code remained an active proposition yet

¹⁸ TI(UK) internal document, July 2004

¹⁹ Ibid

²⁰ Edleston was the military attaché to Lord Ashdown, the High Representative to Bosnia and Herzegovina from 2002 to 2006.

²¹ Edleston had been collaborating with TI(UK) on a less structured basis since 2003.

²² The retired Royal Air Force Air Commodore Alan Waldron also subsequently joined, providing TI(UK)'s defence programme with the elite expertise from the two major armed forces of UK.

²³ Public Accountability Report of the Defense Industry Initiative on Business Ethics and Conduct 2008-2009, p7.

lacking in measurable progress. He renamed the programmes from Preventing Corruption in the Official Arms Trade to Defence Against Corruption. Informed by the ongoing numerous informal and formal conversations with officials of the business, government and civil society sectors, Pyman spent time reflecting on the disposition – the preferences and leverage points - of the companies in question. One of the details to which many European defence firms have been traditionally and increasingly sensitive is the fact they are often referred to and labelled as being in the armament business. They are aware of their persistent popular perception as warmongers or ‘merchants of death’.²⁴ In addition, the term ‘the arms trade’ today has negative connotations with the killings of civilians as a result of the notorious illicit trade in small and light weapons in developing countries. Multinational manufacturers of conventional – large and legitimate – weapons and complex systems have been keen to distinguish themselves from the dealers of illicit AK-47s, machine guns and portable weapons (interview DMA03). In fact, most companies do not describe themselves as manufacturers of weapons but corporations of defence technologies, systems and equipments for national and international security and peacekeeping in post-conflict operations. In the post-9/11 environment, they pride themselves on their contribution to enhanced defence capabilities. Finally, legitimate manufacturers of small arms were not centrally involved in the industry’s anti-corruption debate. TI(UK)’s programme title ‘Preventing Corruption in the Official *Arms Trade*’ included this ill-suited reference to their business. Pyman therefore proposed to ‘change the flavour’ of TI(UK)’s description of its efforts by renaming the programme in late 2005.

This amendment to ‘Defence Against Corruption’ signified two developments. One is, by starting to replace ‘arms’ with ‘defence’ in the project title and other areas, TI(UK) inserted a strengthened tone of alliance and partnership with the industry (interview TI05). It decreased the distance between the two parties by using the language preferred by the industry. The use of ‘defence’ exhibited a sense of respect for the business and differentiated Transparency International from anti-arms NGOs. While TI(UK) did not assume that the new name of the project itself would directly help catalyze change in the business, they viewed that the modified title would not be detrimental to their cause. Defence Against Corruption was evocative also in that the title suggested as if the defence companies as an industry had already become united in their stand and the fight against corruption. TI(UK) deemed this inference to be accurate to a certain extent because ‘the European and US defence industry and governments, as well as significant importing governments, are now engaged in the process’.²⁵ The pressing task under this banner therefore was to raise the interest and support from the wider circles of the defence establishment and maintain their commitment and prevent disengagement. Pyman succeeded in re-energizing the TI(UK) defence programme and reaffirmed TI(UK)’s capability and credibility in leading the anti-corruption initiative in the global defence and arms business.

²⁴ ‘Merchants of Death’ is the title of the 1934 seminal book on the US and European arms industries by Engelbrecht and Hanighen.

²⁵ TI internal document 2006

6 Enter Lord Robertson: The Last Mile to CIS

The third and the most consequential move that Mark Pyman made, with the then-Chair of TI(UK), Laurence Cockcroft, was to engage Lord George Robertson of Port Allen, once described as one of the most powerful statesmen in the world. Reflecting both on the character and records of the defence and arms business in the anti-corruption efforts which were most recently manifested during the Arundel Conference, Pyman recognized two critical bottlenecks that need to be overcome in order finally to propel the long-awaited action on the part of the industry. One of the impediments to developing a European - and subsequently a global - code of conduct was that the industry lacked a definitive incentive or pressure to spur the key companies into collaboration. Little involvement could be expected from the government sector. TI(UK), as an NGO, neither could nor wished to command and preside over the companies to carry out negotiations towards an anti-corruption agreement. The other hindering factor observed by Pyman for making progress was that BAE Systems and Europe's largest industry, the UK industry were not actively contributing to the process. In other words, Britain and Europe's number one defence and arms company had to be more involved for meaningful talks to resume and actual steps to be taken toward developing a set of anti-corruption standards for the global industry. TI had not been successful in persuading this stop firm to claim a more significant place in the multi-sectoral efforts. Overall, the industry seemed immovable and thus in need of an intimidating 'whip' for the final phase after the Arundel Conference to produce more tangible results.

Pyman deemed that a powerful motivation must be introduced from within the industry, the government, or another authoritative source in order to help the industry to overcome both obstacles. It was sensible to look to the last of these three options, for the first two had yet to come forth, notwithstanding TI(UK)'s repeated attempts. It is worthy of mention that the UK Ministry of Defence was exhibiting increased interest in working with TI(UK) to explore ways to reduce corruption in the defence establishment also around this time in 2005. It is assumed that the close relationship TI(UK) was developing with the US DoD had some effect in raising the awareness of its UK counterpart (interview TI02). Since this NGO-state relationship was just and slowly taking off, it was not reasonable to expect a MoD official to provide this incentive²⁶. Furthermore, TI(UK) was aware that the industry in question required someone whose allegiance extended beyond one nation. This independent and distinguished figure thus had to be internationally eminent, knowledgeable about the trade, and interested in seeing changes in the defence and arms business, in other words, an advocate for citizens as well as the industry. Most of all, he had to be an exceptionally imposing figure for the defence and arms companies with heavy political weight so that they would promptly respond to his decisive convening power and command for cooperation by immediately discerning the damaging consequences of choosing the opposite stance.

Lord Robertson, the former Secretary General of NATO (1999-2004) and the former Secretary of Defence of the UK Government (1997-1999), fulfilled all of these prerequisites. He is regarded as one the most significant Secretary Generals in NATO's history and is the recipient of, among other honours, the 2003 US Presidential Medal of Freedom. He would be the threatening impetus for collective action by commanding the presence and input particularly of the representatives of the UK industry, thereby moving the initiative forward

²⁶ An important meeting between MoD senior representatives and the TI(UK) defence team scheduled on 7 July 2005, however, had to be suspended due to the terrorist bombings in central London. This temporarily stalled the furthering of the relationship.

towards a common set of standards to curb corruption in the global defence and arms business. Cockcroft had recently come in contact with Lord Robertson through his extensive networks and activities, and referred Pyman to meet with Lord Robertson in the spring of 2005. Lord Robertson agreed instantly to chair a series of closed, informal roundtable sessions on an ad hoc basis. Unlike the invitations to previous conferences, TI(UK) did not receive any negative reply from the global firms to the letters requesting their presence and contribution at these meetings.

TI(UK)'s goal in these discussions, with the backing of Lord Robertson, was not only for the industry to create an anti-corruption code of conduct but, in addition, to agree to develop a DII-like consortium grounded in a set of anti-corruption standards. The importance of a structured forum for maintaining dialogue and enhancing collaboration had become clear during TI(UK)'s consultations with the leaders of the US industry as well as the Deputy General Counsel of US DoD who encourage as well as sanction the behaviours of these contractors. Despite their fierce rivalries, US companies are collectively and almost instinctively committed to the common codes as stated in the Defense Industry Initiative. Pyman had learned that the effectiveness of the codes is in this living forum through which the companies monitor and encourage each other to be accountable to the standards. TI(UK) believed that industry agreements were 'a little more than window-dressing' without an industry consortium which would be the embodiment of a force against corruption in the international defence and arms transactions (TI internal document 2006).

The first meeting, held in London in November 2005, was attended by all of the major companies from the US, UK and Continental Europe. TI(UK) opened the meeting with a detailed presentation of the proposed framework for a transatlantic consortium anchored in a set of anti-corruption principles. This proposition was prepared with the help of the above representative of US DoD, among others. While catalyzing the participants into open discussion, it soon became evident that this idea was rather ambitious for the companies. To start with, this was the very first time that all of the top global defence and arms companies had sat around a table as equals in order solely to debate how to move forward with anti-corruption for the industry as a whole. While many were present at the past conferences hosted by TI(UK) and had attended to similar issues and debates, it took time for the participants to work out the varying views and preferences on the prospect of a common code of conduct alone. Some of the US representatives had arrived with the expectation of producing a tangible outcome which would help to bridge the transatlantic gap in ethical standards. Hence, the group negotiated the extent and value of the code in depth but did not arrive at the concept of a transatlantic consortium.

Further meetings in London chaired by Lord Robertson, organized by TI(UK) and attended by all major companies, were held in May 2006, March 2007 and April 2008. The detailed records of these meetings are undisclosed but we are able to deduce another highlight of the negotiations from the ultimate outcome - the Common Industry Standards for European Aerospace and Defence – contrasted with the ultimate aims of TI(UK). As indicated in its proposal for a global industry consortium, TI(UK) was keen for the companies to develop, at the minimum, a global anti-corruption code of conduct. It appears that the companies once again struggled with divisions along geographical lines. It may be recalled that, in the past, the US industry representatives showed a readiness for a global set of standards more than those from Europe, provided that this was based on norms acceptable to American firms. The Continental European and UK representatives were cautious about such a direction. It can be conjectured that, during these meetings, the leading US firms, some of which have been pressing for change in Europe since the

Stockholm Colloquium in 2000, probably expressed some frustration about the fact that the standards the European companies were pushing for were much more basic and lenient due to their lack of 'teeth' compared to those with which US companies have to comply by law (i.e. FCPA and the contractor suspension and debarment penalties enforced by DoD). TI(UK) recalled that Lord Robertson often interrupted to reunite the floor when the focus on differences along geographical lines seemed to dominate the talks, and continually insisted on discovering common ground which the companies could further expand in the future.

Albeit with the slightly reluctant endorsement of the US representatives, those that gathered agreed to establish first a European version of the global anti-corruption code. The actual text of the Common Industry Standards, however, was produced by the Aerospace and Defence Industries Association of Europe (ASD). More than one member of the ASD Council recalled that most of the participants at one of the Lord Robertson meetings affirmed that the European document would require a 'home' that was credible, authoritative and overarching, such as the ASD. Additionally, it would benefit from a clear sense of pan-European ownership. Both factors would be conducive to the prospects that a global or transatlantic version would be attempted in the future (interview ASD01). A working group called the Anti-Corruption Taskforce was put together at ASD in early 2006; that is to say, by the second meeting chaired by Lord Robertson. The members of the Taskforce from the industry included, among others, Thales, Finmeccanica, EADS and BAE Systems as well as the International Chamber of Commerce.²⁷ Several drafts of the code, which was initially called the European Declaration of Principles, were circulated within the Taskforce, then distributed to major national industry associations for extensive consultation.

The fact that BAE Systems took part in the Taskforce suggested that it gradually became more active and collaborative in the industry-wide efforts through the Lord Robertson meetings. This shift is noteworthy from the viewpoint that it had exhibited little interest in cooperating with others on anti-corruption until then. However, it may be less so when taking into account the vulnerable conditions in relation to the public and the media under which it was increasingly finding itself around this time. The years 2005 to 2007 were an extraordinary period for the UK defence and arms industry. BAE Systems had been formally under investigation by the UK Serious Fraud Office for corruption since 2004 following the publication of the slush fund story in 2003. The ongoing case made multiple headlines, even in the Financial Times. The inquest, however, was dropped in December 2006 after the government intervened for national security reasons. This controversial decision was soon challenged in the following year, in the form of a judicial review brought forth by two small radical British NGOs. Victory for these obscure groups was unfavourable, if nothing else, for one of the world's largest defence and arms companies as well as to the UK government. In 2007, the US Department of Justice placed the company under investigation. Around this time, the board of directors considered replacing the chief executive, and did so in September 2008.²⁸ It hurriedly created the position of chief compliance officer which it had lacked until well into 2007 (Reisinger 2008). The chairman of the board commissioned the internationally well-known Woolf Report, published in 2008, developed by a committee led by a former Lord Chief Justice, which reviewed the firm's

²⁷ http://www.fsi.no/sfiles/89/41/1/file/05_ethics_and_anti-corruption_t_svensgard_.pdf

The involvement of ICC is significant, among other reasons, because ICC is known to be 'the inventor and expert in self-regulation' (interview Thales02).

²⁸ BAE Systems announced in October 2007 that the then-CEO would step down in 2008. The current CEO took over on 1 September 2008.

policies and programmes related to ethics and responsibility.²⁹ The industry meetings chaired by Lord Robertson from late 2005 to early 2008 occurred in parallel to these events. It is, therefore, perhaps unsurprising that BAE Systems steadily increased its contribution to the collaborative process for a common anti-corruption code of conduct in the global defence and arms industry. It would have been inconsistent for them to stay disengaged from the collective initiative vis-à-vis Lord Robertson³⁰ and the works of the ASD Taskforce.

Notwithstanding the logical change it has demonstrated, the nearly reverse statements made by the representatives of BAE Systems have been striking. They acknowledged: 'we were rather arrogant in the past... the recent experiences have been humbling and we now appreciate the value of being perceived not just as an ethical but active and collaborative company in the area of business ethics and corporate responsibility' (interviews BAE02; 03). TI(UK) observed that the firm became warmer, or more approachable and collaborative, compared to when its demeanour and attitude to the industry-wide anti-corruption initiative could be described as cool, probably the coolest of all the firms (interview TI05).

It is, however, worth noting that the Common Industry Standards took shape while the firm was undergoing this gradual transformation. That is to say, BAE Systems was not immediately or always enthusiastically involved in the development process. This can be observed in the fact that CIS was still described in 2009 as 'more of a (Continental) European initiative' by one of its counsels³¹, which indicated that the company is still developing a sense of co-ownership in spite of being on the ASD Anti-Corruption Taskforce, the group that drafted the code. Furthermore, it expressed plans to set up and lead a separate anti-corruption forum for the UK industry albeit described as a complementary activity to ASD's initiative. This activity could be seen at the time as diverging from a pan-European effort. These illuminate the possibility that CIS would probably have emerged without BAE System's involvement at the centre of the collective efforts. The probability of CIS would have surely diminished had BAE completely failed to join in the dialogue because it is difficult to imagine other UK-based firms effectively accepting the European anti-corruption programme without the guiding participation of BAE Systems. The significance of its presence in the meetings chaired by Lord Robertson and the Taskforce lied in that Britain's number one defence and arms company strengthened the Common Industry Standards for European Aerospace and Defence by making them truly European, rather than allowing it to be a Continental European agreement. Moreover, as the top European and the world's third most lucrative defence firm, BAE Systems' participation added legitimacy to the international and potentially global code of conduct for anti-corruption. The scandals were therefore instrumental in enhancing, rather than ensuring, the outcome.

It ought to be emphasized that, while the presence and contributions of UK-based companies were valuable to the development of CIS, they probably would not have participated in the process had Lord Robertson not summoned them to engage in the collective action. That Transparency International (UK) produced the idea of introducing Lord Robertson to the industry is noteworthy. In fact, some companies that had primarily negative experiences in working with NGOs started to give genuine due credit to TI(UK) through this consequential move it had made (interview BAE01). Yet, the fact that Lord Robertson accepted the request and critically led the global defence and arms business

²⁹ TI(UK) submitted an opinion paper to the Woolf Committee and contributed to the identification of the recommended changes.

³⁰ Lord Robertson received a call from the chief executive of BAE Systems assuring its cooperation (interview TI03).

³¹ From a communication with TI(UK) to set up an interview with the representatives of BAE Systems.

towards the first international anti-corruption code of conduct for its own sake and of his own volition for virtually no personal gain is extraordinary.

The 2004-2005 period was a turning point in the development of CIS because pragmatic actions for implementing an anti-corruption norm in the defence and arms trade were discussed at Arundel Conference which was held in the wake of the so-called BAE Scandals (who was absent); the competent and full-time director of the defence programme at TI(UK) arrived who took some of the most consequential steps regarding the programme as well as CIS. One of these was to engage Lord Robertson of Port Allen, the eminent former Secretary General of NATO, who essentially demanded all of the major defence and arms companies, once and for all, to gather, negotiate and produce an international anti-corruption code of conduct as a way to curtail corruption in its midst. The last mile to CIS consisted of the formation of the Taskforce at ASD dedicated to the writing of the code for Europe. This phase during which the series of closed industry meetings took place was assisted by the culminating pressure on BAE Systems to demonstrate commitment to ethics and standards of behaviours fit for its power and position in the industry. It is reasonable to view that the Common Industry Standards for European Aerospace and Defence, while indeed an industry initiative, is also the fruit - albeit indirect - of TI(UK)'s persevering and tactful work since 1999 in catalyzing collaborative action among the global firms.

Recent Developments and Next Steps

Following on from CIS and the impetus passed on from the European companies to the industry association ASD via the Taskforce has been the transatlantic code of conduct focused on anti-corruption announced in October 2009: Global Principles of Business Ethics for the Aerospace and Defence Industry. The natural move for ASD after the release of CIS was to deepen the relationship with its closest equivalent counterpart organization in the US, the Aerospace Industries Association of America (AIA), specifically in the area of ethics and responsibility specific to the industry. These Principles, jointly developed by ASD and AIA, are the first outcome of attempts to harmonize differing standards between Europe and the US. They reflect an aspect of the ambitious proposal advanced by TI(UK)'s defence programme throughout its history and some of the US companies, such as Lockheed Martin, in that they are based on the standards fundamental to both the CIS of Europe and the DII of the US. Like CIS, the Principles are regarded as a working code with expectations of improvement and augmentation over time.

The next step is therefore apparent from the perspective of TI(UK)'s Defence Against Corruption team, for CIS and the Global Principles are both interim achievements. The area covered by the document has room to expand so that they may more effectively and comprehensively increase the prospects of reducing corruption in the global defence and arms trade. The best practices among the leading corporations both in defence and business ethics assert that Global Principles ought to be accompanied by and given life through a structured and focused global industry consortium. This means that membership, too, requires further work. The influence of the new standards will not be truly global without involving more companies and associations from other and equally pertinent parts of the world, such as Russia. These actors are likely to require the support of their governments as well as solicitations from the European and US industries. It seems that hence state institutions also need to become more closely involved.

It may not be easy for TI(UK) to press for progress in all of these areas at the transatlantic level. Yet, at the same time, all these tasks would significantly benefit from an

experienced, dedicated and independent party not only to maintain the momentum for change but also to broker various interests and concerns as well as facilitate innovative strategies appropriate for the global and long-term project. The companies and associations both in the US and Europe have come to view TI(UK) as a partner in their collaborative endeavours to delegitimize and reduce corruption from the global trade. The road ahead looks bumpy, to say the least, but the character of Transparency International informs us that it is unlikely to shy away from the challenge now.

7 Considering the Critical Factors for the Development of CIS

7.1 The Role and Value of TI(UK)

Tracing the path of Common Industry Standards for European Aerospace and Defence simultaneously revealed the history of TI(UK)'s anti-corruption programme for the defence and arms business, now known as Defence Against Corruption (DAC). TI(UK) appeared prominent, even ubiquitous, in the development of the pan-European code of good business conduct. However, while the account gave an impression that this prestigious NGO was necessary in the process, a few readers might disagree with this estimation. Let us explore if TI(UK) was as critical as it appeared, and whether CIS could or probably would have materialized without TI(UK).

It is possible theoretically that the industry could have gathered on its own and created an agreed anti-corruption code without the facilitation provided by TI(UK). As surveyed in Section 2, the historical current around the turn of the century concerning corruption in commercial transactions and the responsibility of global corporations was such that even the defence and arms businesses - at least some of the leading firms - were recognizably becoming aware of the eventual need collectively to face 'the scourge in their midst' (Transparency International (UK) 2001). For example, it is plausible that informal conversations taking place among a few European companies with corruption experts from the OECD in France in 2002 could have subsequently morphed into the industry's hub for pursuing a CIS-like agreed set of standards for ethical behaviour (interview DMA03, BAE02, EADS03). Thales deemed it appropriate for anti-corruption principles to be integrated into its corporate responsibility policies and became a signatory of the UN Global Compact to that effect. It also envisioned an industry-wide initiative, a burgeoning model for transnational corporations in other sectors, in order to integrate anti-corruption with corporate responsibility at the macro level (interview Thales02). A minority of leaders in the industry, some of whom became the de facto captains of CIS, like Thales, were starting to reconsider the long-established but outdated norms and rules of the game based on bribes and other improper activities.

Additionally, the 2000s witnessed BAE Systems becoming engulfed in a series of high-profile allegations of corrupt acts, and a number of large defence companies paid close attention to the implications on the industry as a whole, including their collective reputation in the post 9/11 era. It may therefore be popular to assume that CIS emerged primarily as a direct response to the BAE scandals in order publicly to affirm the industry's commitment to high standards of behaviour.³² It may also be presumed that firms based in the US leveraged the controversial allegations in the UK to urge European firms finally to collaborate on a programme to improve ethics and compliance (Reisinger 2008). The

³² As stated, for example, in World Bank's case story on CIS at <http://info.worldbank.org/etools/antic/detail.asp?ID=7>

interests of US firms as well as government to see progress in terms of anti-corruption in the UK and Continental Europe go back to the period even before the OECD Convention. That is to say, the commotion and attention the scandals invited probably triggered a sufficient sense of urgency and brought together major companies across Europe to develop an international code. Representatives of UK industry associations looked like they were positioning themselves to play a more active role in uniting the industry to address hard issues around this time (interview DMA02; 03), for example by co-leading the UK industry's anti-corruption forum with BAE Systems and engaging in relevant discussions with their counterparts in Continental Europe and the US. In sum, it seems conceivable that there were a number of external as well as internal stimuli throughout the early and mid 2000s which would have propelled the European defence and arms industry towards ultimately realizing CIS-like achievement without the involvement of TI(UK).

These views are not particularly tenable, chiefly because stimuli alone do not always induce appropriate courses of action and a minority of those with critical perspectives cannot consistently muster others into cooperative action. The varied understanding among the major companies regarding the powerful anti-corruption norm - that corrupt practices were fast becoming illegitimate and indefensible not only outside but also inside of the defence and arms industry - meant that progressive leaders in the business faced the task of actively educating the less informed, persuading the less convinced and finally spurring collaboration across national divisions. There would have been great uncertainty among a few company officials, who are typically fully occupied with directing and managing the growth of their own organizations, to take on such long-term undertakings.

The scandals involving BAE Systems had affected not only the company's but also its colleagues' thinking on standards of conduct, reputation and responsibilities as global companies in the defence and arms business. These reflections were instrumental in strengthening and accelerating the ongoing negotiations for CIS rather than instigating the process. In other words, CIS would have probably emerged with or without the high-profile allegations, for these occurred only after the development process of CIS was underway.

This research found that one of the recurring themes throughout the anti-corruption efforts in the industry was the differences in the norms as well as interests maintained by the US, UK and Continental European companies despite their transnational structure as an industry. While the willingness of the US industry and DoD to support reform in Europe was evident, this offer required a mediator because what they pressed for were products based on the US model (i.e. FCPA and DII) - a concept that often provokes resistance in some parts of Europe. But it would have been a daunting and unpragmatic job for one or two industry leaders to invest their resources in reconciling these forces while representing their own organizations.

The guidance of industry associations which focuses on common interests is essential but restricted, in that their authority is largely extended only to the geographically domestic sphere. They are also dependent on the support of the companies, especially the large ones. As the key UK defence and arms companies were not regularly at the core of the international anti-corruption movement within the industry, it is not easily deduced that national associations could have wielded sufficient influence transnationally in generating a CIS-like outcome. It appears that the contextual developments of the 1990s and 2000s, including the major allegations and budding awareness among some companies, were insufficient to drive change in the form of a common anti-corruption code of conduct and reverse the rules of the game in the defence and arms industry.

The effort to push for anti-corruption in the global defence and arms trade can be seen as essentially a search for escaping a prisoner's dilemma, where the companies are the prisoners. An ethical unilateral (or near-unilateral) action to halt the customary method of paying bribes seems futile, though ethical, where corrupt activities remain the norm in practice in most parts of the world in the defence and arms trade. It is known that a remedy for such a situation emerges in seeking cooperative or collective action among the key actors, and this resolution is often delivered by involving an independent third party – a strategic broker for a win-win outcome (Romp 1997).

Specifically, there are two pertinent strategies with which a third party can aid this situation involving competitive actors, such as these large defence and arms companies. One is to begin a series of open dialogues among the majority of influential actors. This seemingly soft or ceremonial step nonetheless serves to foster trust, the most fundamental element, in order to encourage collaboration among rival parties. Common sense tells us that more than one friendly meeting is necessary for desirable outcomes. The relationships built through constructive exchanges of views and a deeper understanding of common concerns create a sense of mutual obligation and expectation that can moderate or counter motivations driven by self-preservation and self-interest (Hurst 2009). Successful cooperation to escape a prisoner's dilemma situation is unlikely among strange or distrusting parties. Productive dialogues do not usually simply occur but are often facilitated and moderated by a third party on various constructive platforms. This mediator provides the encouragement and focus vital to maintaining and enhancing a sense of trust among the prisoners.

Furthermore, the facilitator can resort to the second tactic for circumstances in which only a small number of key actors join the dialogue, when the participation in collaborative efforts to find or implement solutions is superficial, or when exchanges are preoccupied with differences rather than common ambitions and concerns. The third party can call in yet another independent but much more authoritative party - a whip - so that the dialogues become more meaningful and productive. Collegial relationships are gradually formed with the insistence of this imposing disciplinarian and focus and cooperation among the key actors are induced. The combined forces of these two parties can effectively broker considerable differences in the interests and approaches. In these ways, a logical course of action may be decided and taken in order collectively to escape the dilemma.

Transparency International (UK) was this third party which presented a way out of the industry's prisoner's dilemma. The quandary involved the pressing need to address corruption while paying bribes and other illegal practices still appeared to thrive in much of the trade. One of the first critical steps TI(UK) took was to organize the series of conferences which brought together leading companies from the US, UK and Continental Europe along with other relevant and supportive parties. These helped increasingly to develop the anti-corruption norm in the industry but these had yet to produce a palpable outcome in the form of an industry code or a consortium. Its second step was thus to involve a towering figure, Lord George Robertson. He enabled focused discussions among all of the key parties on cultivating common ground rather than dwelling on differing views. These led to an agreement and collaborative actions for what became the Common Industry Standards. It is reasonable to approximate that neither of these critical junctions would have taken place had TI(UK) not been deeply engaged and actively playing the role of a committed facilitator to mobilize the anti-corruption movement in the defence and arms industry since 1999. That is, this NGO outlined and supported the long exit process from the prisoner's dilemma where the world's top defence and arms companies were. After all, TI is known for their expertise

in driving anti-corruption which fundamentally is about strategically marshalling the key actors to act in a concerted manner to escape the conundrum (Eigen and Eigen-Zucchi 2003).

An anti-corruption pledge or a code of conduct might have been produced by the global or European industry independent of TI(UK), but such outcomes would have been weaker, less effective and less respected by fewer companies in fewer areas. CIS is more than a promise or a simple document presented by an association because it has a long and rich history - it is the outcome of multiple meetings of strategic actors from the US, UK and Continental Europe and the complex and lengthy processes which confronted and overcame varying rationales, interests and concerns. It was also presented knowingly as an incomplete product that awaits amendment based on further collaboration. TI(UK) was consequential for CIS in ensuring this weight, a broad sense of ownership and mutual support, and future potential.

Finally, it may be worth pointing out that the critical value added by TI(UK) has been unique. It is unlikely that another NGO could fulfil the intricate and delicate role in the global defence and arms industry as effectively as TI(UK). It is not obvious which NGOs have the three essential elements of the character that is the strength of Transparency International. First, the NGO cannot have or be seen to have a pronounced political or moral position concerning conventional weapons and the arms trade. An anti-arms organization would not be accepted by the arms industry as a trusted partner. Second, the organization should also not have or be seen to have a position or programme that can be perceived as fundamentally antagonistic to business, especially multinational corporations. Collaborations with a third party which has prejudicial views regarding for-profit organizations, for example, an anti-capitalism NGO, are likely to be unproductive. Third, and perhaps most importantly, the NGO must not only have the required expertise but also specialize in anti-corruption. A narrow focus enhances the legitimacy perceived by the industry for it indicates that the NGO would not unnecessarily expand its authority and encroach on other issue areas of the trade. TI(UK) fulfils all of these prerequisites and moreover enjoys broad and solid credibility. It has a prestigious international reputation for its long-standing professionalism and performance based on constructive methods in business, government, intergovernmental institutions and civil society.

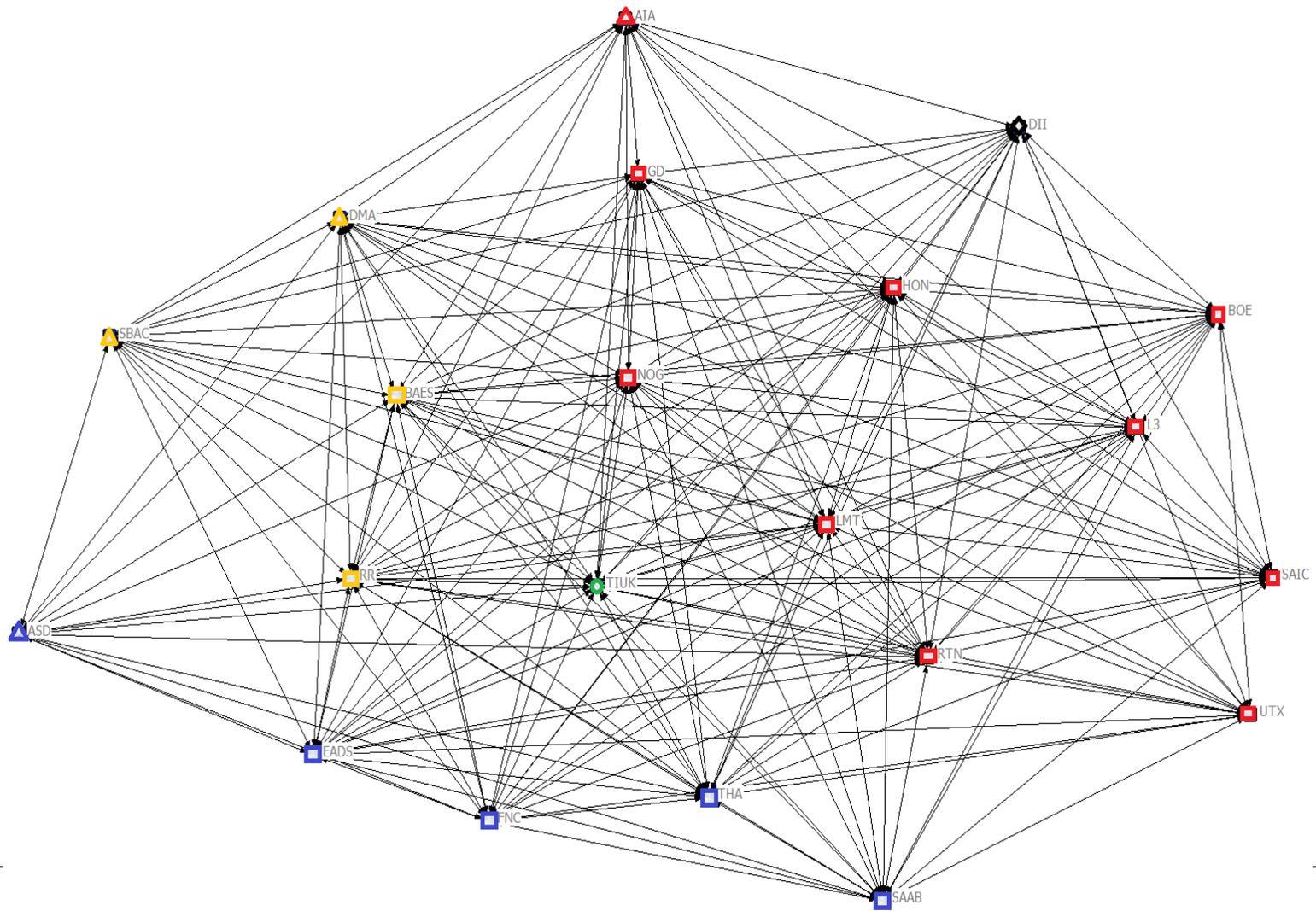
7.2 Social Network Theory and Map

Social network theory proposes that the structure of the industry described in terms of the quantity and quality of the links between actors can affect the flow of information and influence, thereby impacting on the beliefs and behaviours prevalent among those in the network (De Nooy, Mrvar et al. 2005). The idea is that dense or tightly connected networks can aid in changing the norms and standards more rapidly, widely or strongly than sparse or loose networks. The defence and arms industry is perceived as having become one of the most heavily networked industries since the end of the Cold War and due to the forces of contemporary globalization. The ownership structures of companies in Europe and the US have become intricate; firms form different consortia with one another for each bid; they acquire each other's licenses for manufacturing and distributing products and technologies; and they switch from being the prime to sub-contractors and vice versa depending on the projects and the phases of projects. The theory therefore increases the logical expectation that, due to the proximity – the number of existing relationships - among these companies, inducing collaboration required for the development of CIS might not have been taxing.

This research revealed that the path to CIS was lengthy and complex, even involving an external broker, TI(UK), and furthermore the independent and highly powerful facilitator Lord Robertson. The networked structure of the defence and arms industry appeared to have had little impact in encouraging collective action among the firms. In other words, the established links among the major defence and arms companies did not significantly aid in coming to an agreement to produce a common anti-corruption code of conduct in a swift and cooperative manner. There are perhaps countless explanations for this discrepancy between a theory and its empirical outcome. Hence, it would be more fruitful here briefly to surmise how the network ultimately worked at the end, for CIS was nevertheless produced. This may shed some light on the probable conditions under which the defence and arms industry network operates to modify the existing norms.

The statistical data (Appendix 9.3) show that no significant differences can be found between the structures of the industry network with and without TI(UK). However, this research showed that TI(UK) was critical in the development of CIS. This suggests not only that TI(UK) was most probably critical in the process of producing CIS but that TI(UK) probably successfully utilized the network to bring about CIS. It positioned itself as the hub for the flow of information and influence and activated - or transformed - the existing links which were otherwise already active in the economic and legal sense into ones based on ethics and new norms of anti-corruption. This observation confirms the known weakness of the social network theory that it assumes away agency - the interest and will of those in the network remain essential in making networks work. The mere presence of linkages does not necessarily mean that new ideas of norms are accepted or that pressures for change are passed on. The anti-corruption norm did not simply flow and become institutionalized without deliberate efforts being made through the network by committed actors. In short, networks are not automatic, however dense they might be. They are only a vehicle for change, thus require at least one competent change-maker. TI(UK) was the consistent and tactful driver in this case.

Researchers today can utilize recently developed software tools that perform social network analysis based on calculations of connectedness among given actors and produce visual representations as well as statistical details of the network. For the purpose of this paper, suffice to say that 'connectedness' is defined as whether a company or its subsidiary has teamed up with another or others in the formal sense of a contract, bid or joint venture or programme approximately at year 2006 according to publicly available records. The main point of the network map is to illustrate a snapshot of the linkages within the business. It does not prove cause and effect but it gives a basis for a reasonable speculation of how information, ideas of norms and pressure are likely to flow through the world of the major global defence and arms companies. The following diagram is the result of such analysis and helps to clarify the relational positions of the firms as well as TI(UK). It should be noted that this is an approximate map. (See Appendix 9.3 for details including software and data sources.)





Firm based in Continental Europe



Industry Association based in Continental Europe



Firm based in the UK



Industry Association based in the UK



Firm based in the US



Industry Association based in the US



Industry Consortium (Defense Industry Initiative) based in the US



Transparency International (UK)

It can be immediately observed that Transparency International (UK) occupies a central place in the network, meaning that it is the most connected actor. Additionally, the actors are grouped in general proximity to one another according to their geography. TI(UK) is most closely linked with roughly an equal number of leading companies from the three geographical areas. While most of the firms have relationships with almost all others in the industry, TI(UK) can be perceived to act like a bridge, or reference point, for those who have a less comprehensive set of relationships. The industry associations and the DII consortium, on the other hand, can be found towards the edge of the map, indicating that they are less connected than TI(UK) or the companies. This design was produced as part of the analysis performed by the software, and the indicated positions have not been adjusted by the author.

8 Concluding Remarks

Today, the Common Industry Standards for European Aerospace and Defence occupy a key place in the corporate responsibility policies of most major defence and arms companies in Continental Europe and the UK. A transatlantic code of good business conduct, jointly created by the AIA of US and ASD of Europe, recently followed. The public commitment to anti-corruption in these manners marks a noticeable shift from just a few years ago when corruption in the global trade was rarely openly discussed by the industry.

In terms of the development of CIS it is especially remarkable that there appear to have been virtually no discernable pressure, direct involvement or distinct guidance from the government sector for inducing international dialogue among the companies in order to curtail corruption. This is not to say that states are not concerned about the effects of pervasive corrupt practices on the marketplace or good governance and human security in the developing countries. However, as the Swedish government experienced in 1999-2001, it was difficult for a small number of proactive states, in spite of the OECD Convention coming into force in 1999, to achieve a critical mass of equally willing key countries in order to address corruption in the trade at the international level; and even more complicated for them to marshal firms from differing geographical areas whose allegiances have been typically limited or foremost to their respective national governments. In essence, pioneering states fell short of mobilizing other governments who could in turn stimulate the major companies to act collectively and cooperatively to reverse the norm of corruption in the global defence and arms business.

With the absence of formal directives or specific support from the government sector, the companies lacked a definitive incentive openly to acknowledge the established rule of the game as a problem, much less actively engage with one another to correct it. At the same time, trends were rapidly changing outside the industry whereby anti-corruption was becoming established as a new international norm in both the legal and social sense. For transnational businesses, corporate social responsibility commitments and policies were fast becoming a de facto requirement and civil society organizations were increasingly expecting open exchanges as legitimate stakeholders in this regard. The security environment post-9/11 and the recent wars seemed to intensify public attention to the behaviours of the industry overall. The Stockholm Colloquium in 2000 and Cambridge Conference in 2001, which for the first time constructively brought together the pioneering actors from the industry, government and civil society, helped to clarify that the industry was caught in a complex prisoner's dilemma, unable to move collectively by agreeing on a common set of standards of behaviour primarily due to the varying levels of appreciation amongst the

companies for the need to change. The gathering in Arundel further highlighted a persistent division along geographical lines in terms of how to proceed and what to include in a prospective agreement or structure that tackles corruption as a global industry.

This paper found grounds to assert that the industry could not resolve the dilemma on its own and that Transparency International (UK) fulfilled the role of the independent and competent third party which tirelessly encouraged and supported the world's top defence and arms companies in the exit process. It acted as a broker of the diverging interests and concerns between the industry of the US and Europe as well as within Europe, namely between the UK and Continental Europe. It provided platforms for fostering dialogue and trust, and also introduced a definitive facilitator, Lord Robertson, as a final step in encouraging collective action. Together with this authoritative chair for the negotiations, this NGO elucidated for the firms that the costs and risks of status quo exceeded those of producing a formal code of conduct and joining forces to reduce corruption in their midst. It ought to be noted that probably no other civil society organization could have wielded influence in the global defence and arms industry to catalyze change in this way. Specifically, the combined fact that they are not against arms or multinational companies but engage with businesses and are prestigious specialists in anti-corruption programmes was the unique source of TI(UK)'s power.

The endeavour to challenge the defence and arms trade - the infamous 'last refuge' of corruption - by an internationally respected NGO, however, would probably have been less fruitful if it were untimely in terms of its political and social contexts. For example, the sufficient and long-term capital necessary for enhancing TI(UK)'s defence programme by bringing in the highly competent director was awarded by the UK Department for International Development, in part due to its involvement in the world anti-poverty and socio-economic justice movement. Most fundamentally, anti-corruption had to be an existing and compelling norm outside the industry. The prisoner's dilemma in which the companies found themselves could not have been resolved if bribery and other illegal acts were still being widely practised and tolerated everywhere else. It is illuminating to recall that TI had played a key part in mobilizing the original international anti-corruption campaign in the early 1990s. TI helped to create a condition essential for its own success. It should also be remembered that the genesis of the challenge in 1999 in Sweden lay with two individuals of TI with strong convictions, determination and strategic skills who recognized the approximate ripeness of context and timing in the history of anti-corruption.

The account of this paper does not supply evidence that acts of fraud and bribery have been measurably reduced in the global defence and arms trade, but it does make the case that an important step in the right direction has been taken by an unlikely group of transnational corporations. In this sense, whether TI(UK) has been able to make a real difference remains to be seen. CIS and the continuing collaborative efforts give credibility to the claim that the defence and arms companies no longer allow themselves to be perceived as the victims of an inherently corrupt system or consider themselves to be helplessly stuck as the unintentional perpetrators of improper acts, but are indeed proactive, voluntary and collective advocates of anti-corruption (Roeber 2005). The Common Industry Standards is an indicator that the industry has gone through significant changes in the last decade. The forces stem from both the contextual developments of the late 1990s and 2000s and the institutional aptness of TI(UK). Notwithstanding that the latter was partly dependent on the former conditions, CIS would not have emerged with the credibility it enjoys or the broad commitment it has obtained without the critical contributions of TI(UK).

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