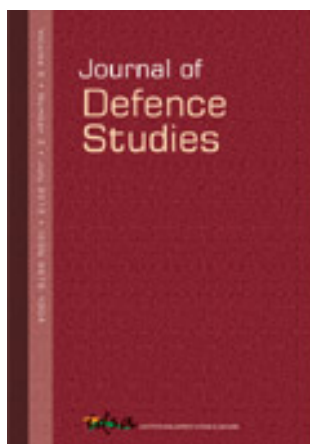


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The Long-term Effects of UK Defence Privatisation

Lessons for India?

*Jonathan S. Swift**

This article argues that privatisation of defence has failed to achieve the objectives of increased competition (between producers) leading to increased choice and reduced costs (to purchasers). Instead, costs have increased, choice has decreased and much of the equipment supplied to the United Kingdom (UK) Armed Forces is now sourced wholly or partially from foreign suppliers—leaving the nation dangerously exposed to potential interferences in the supply (and replacement) of weaponry and munitions for political reasons. In effect, privatisation has replaced a national monopoly (over which the government had control) with a foreign private monopoly (over which the government has very little control). It is felt that the lessons from the UK experience may be of benefit to India which is currently undergoing similar restructuring.

INTRODUCTION

For about two years now, India has been widening the scope and depth of privatisation of the defence sector, based generally around a mixture of public–private partnerships (PPPs). This strategy was given added impetus recently when the former Defence Minister Arun Jaitley (in combination with the Prime Minister’s Office) publicly pushed for ‘...setting up the private sector to play a major role in the production of weapons systems for the armed forces.’¹ Pubby, in an article, quoted a

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‘senior armed forces officer’ as claiming: ‘There is no doubt that involving the private sector in this way is the best way forward. Most of the issues have been resolved, and the initiative needs to be started on a “yesterday” basis—there is no time to be lost.’²

Two questions need to be addressed with regard to this claim. First, as ‘most’ of the issues have been addressed, it suggests that some remain outstanding. This may be highly significant as those issues that are yet to be resolved are likely to be the most contentious—issues such as the effects on employment, the danger that a privatised defence sector will eventually be swallowed up by foreign multinational defence contractors, and the danger of increased costs (that is, the extent to which privatised defence companies can force the government to continue to purchase defence systems at exorbitant prices). Second, it appears that there is growing pressure to settle the issue as quickly as possible and one is forced to ask, why? Such a momentous step should not be taken in haste, rather the contrary, as decisions made now will affect the Indian economy for decades to come. As with defence privatisation in other parts of the world, there are major questions that should be addressed before any decisions are made. Employment has, not unnaturally, been at the forefront of the anti-privatisation stance adopted by the All India Defence Employees Federation (AIDEF) and the Indian National Defence Workers Federation (INDWF). In December 2018, the General Secretary of the AIDEF complained that the:

...Modi government has taken a policy decision to privatise defence production, which is supposed to be with the government and the public sector. When they decided that we are going to do ‘Make in India’ in defence, at that time, we were importing 70 per cent of equipment from abroad. They said, all those 70 per cent items we will manufacture in the name of Make in India, by approaching foreign manufacturers, and developed countries, bringing in technologies...³

The major concern of the AIDEF is continued employment of its members: what would happen to them under increasing privatisation of the defence sector? In addition, there is the defence infrastructure (buildings, manufacturing plants, etc.), not to mention the ‘hundreds of acres of land’ on which such factories sit. In addition to these immediate considerations, there is also the question of whether, in view of the globalised interconnectivity of major defence contractors, placing the defence of the nation in foreign hands would be detrimental to the

security of the nation in the long run. The question that the Modi government should consider is whether the short-term benefits would be ultimately outweighed by long-term *dis*benefits.

It is undoubtedly true that the national defence contractors are key providers of employment and feature in government strategic planning scenarios; indeed, it is argued that major issues such as employment, costs and international control of private defence contractors should be at the forefront of decision planning as they are likely to become increasingly important for many years into the future, by which time it may be too late to address key concerns. To date, the Indian experiment in defence privatisation has been neither sufficiently widespread nor has it been in operation for long enough to provide an answer to these crucial considerations. By contrast, the United Kingdom (UK) began defence privatisation some 30 years ago and the consequences of this have gradually become obvious within the last decade or so. This article, therefore, details the UK experience of privatisation and will hopefully provide food for thought for those making similar decisions in India.

BACKGROUND TO PRIVATISATION

Champions of privatisation claim that it engenders competition and forces suppliers to increase the quality (and variety) of their offering, meet deadlines, achieve greater efficiencies, streamline working practices and reduce prices. As part of their national regeneration strategy, the three consecutive governments led by Margaret Thatcher (1979–90) instituted a programme of wide-reaching privatisations. Some studies showed that companies have broadly benefited from privatisation, especially in financial and operational performance and efficiency, in addition to improved customer service and competitiveness.⁴ However, with regard to airports, Parker found ‘...no noticeable impact on technical efficiency...’⁵ whilst Gerber concluded that a government-imposed regulatory framework was needed to ‘...protect the interests of the consumer’ and that the monopoly income of an airport ‘should be subject to a price cap mechanism’.⁶ In other words, privatisation still requires a significant level of government involvement—mostly in terms of devising, implementing and policing regulatory frameworks. Parker and Kirkpatrick suggest that ‘...if privatisation is to improve performance over the longer term, it needs to be complemented by policies that promote competition and effective state regulation.’⁷ In conclusion, as Post et al. suggest, ‘...the dynamics of privatisation policies can only be understood

within their particular societal context...’,⁸ so it is to the specific context that we now turn.

DEFENCE IS DIFFERENT

In the private sector, success generally depends on the ability of a company to provide what the end users (consumers) want and at the price they are prepared to pay. In the automotive sector, for example, whether a vehicle is built by a private or state-owned company is generally of little interest to consumers, whose purchase decision is based on factors such as price, performance characteristics, availability, safety and running costs. Furthermore, it is the person who makes the purchase decision who generally also pays for and uses the product purchased. There are millions of consumers all over the world who wish to purchase cars, so manufacturers have to present highly competitive offerings to capture demand, and also bring out new models on a regular basis to address the specific needs of consumer segments. By contrast, the defence sector operates under very different constraints and requirements and as such, it should never have been subjected to market conditions the way private companies are. In general terms, whilst a national defence industry produces a range of products/services designed to defend the nation, a private contractor is more concerned with the defence of the profit margin; thus, the business philosophy is different and this leads to different business aims and objectives. Market forces do not generally influence the defence industry where there is usually only one domestic customer, where the customer and consumer are generally not one and the same, where access to export markets is subject to government control and where the unit cost of an item may run to millions of pounds.

The prime duty of every government is the defence of the nation and to do this the armed forces must be equipped with the most effective military hardware that the defence budget can supply. So, defence procurement and strategic control—even if defence hardware is supplied by private contractors—is still a major concern of government. As previously observed, there is generally only one domestic customer—the government—who purchases on behalf of the nation. Furthermore, the decision-making process is usually subject to politico-economic (as much as military) considerations, and the numbers of units sold on any occasion are generally large. Purchase decisions in the defence sector are usually based on a mix of inputs from the consumer (army/navy/air force), the customer (Ministry of Defence [MoD]) and the decider (the

government). The consumer (the army, navy, air force) may influence but does not generally make the final decision. This arrangement presents few problems when purchasing what are basically ‘civilian products’ (shoe polish, stationery, etc.), but can become highly controversial when the purchase decision involves ‘lethal equipment’. It can be argued that the people best equipped to judge the merits of various options are the users of this equipment, rather than the MoD bureaucrats or the civil servants at the Treasury. This illustrates a major contradiction that differentiates the defence sector from other sectors: the divide between the customer and the consumer.

DEFENCE IS GLOBAL

Defence is a truly ‘globalised’ industry, meaning that for a defence manufacturer foreign markets represent major sales opportunities. However, when seeking to sell to foreign governments, sales are subject to government approval at two levels: first, for the UK, the destination country must not be on the list of ‘embargoed countries’, such as China, Russia, Syria, Lebanon, North Korea, Libya, Iran and Zimbabwe. The second level of approval depends on the parts that make up the final weapons system (‘Incorporation Factors’) and refers to the parts that will be incorporated into military equipment, and which may then be exported to a third country. This presents government with a serious problem of identifying the ultimate destination (‘end user’) of component parts. Bearing in mind the global reach and influence of the United States (US) defence companies, this means that before sales of certain hardware components can take place, additional approval is likely to be needed—frequently from the US Department of Defense. Page observes that even the European ‘Eurofighter’ is dependent for ‘...parts and technical support not only from the US but other nations too...’ and that it ‘...cannot be sold without American permission as it is full of US technology.’⁹ Hookham and Collingridge explain that the US Apache helicopters purchased by the UK would have to be maintained or upgraded by ‘...American nationals because of their sensitivity to the US military’.¹⁰ Government plays a significant role in the determination of sales destinations, that is, a privatised defence contractor can never be wholly free to choose its non-domestic markets or source component—and spare—parts from certain foreign suppliers; this has the potential to place the UK Armed Forces in a dangerous position as supply may be dependent on the whim of a foreign government.

Defence has always been expensive: the ‘unit price’ of each ‘lethal equipment’ item is usually very high. The Challenger 2 Main Battle Tank (MBT) (introduced in 1991) costs around £4.2 million per unit. The cost of army hardware, however, is dwarfed by that of the Royal Navy (RN) and the Royal Air Force (RAF): the nuclear submarine Trident replacement programme is estimated to cost £31 billion, ‘...with another £11 billion set aside should costs balloon...’¹¹ Coughlin¹² and Ma¹³ suggest that at latest estimates, the cost of the two new aircraft carriers (*HMS Queen Elizabeth* and *HMS Prince of Wales*) will be £6 billion—and that is without the aircraft they are designed to carry.

Entering into strategic alliances allows companies to share the costs of expensive research and development (R&D) of new weaponry—a key consideration as defence companies rely on a constant stream of new, increasingly sophisticated products in order to stay in business. As Butler et al. observe:

The combination of decreasing levels of expenditure and the growing importance of the microchip and information systems in weapons technology has increased the risk associated with the development process for the individual firm to unacceptable levels...a single uncompetitive product developed by a defence manufacturer could shut the firm down or at least force an immediate closure of one or more plants.¹⁴

Smith suggests that ‘Whether MODs take account of industrial repercussions or not, defence budgets are sufficiently large that they do have an impact on the wider economy.’¹⁵ Richards suggests that ‘Military demand is ultimately a political issue.’¹⁶ Hartley agrees, noting that in the UK the MoD is the defence industry’s largest customer and can use its ‘...buying power to determine the size, structure, conduct, ownership and performance of the defence industries reflected in pricing, profitability, technical progress and exports.’¹⁷ In 2015, it was estimated that the UK defence sector was worth £24 billion, had 142,000 (direct) employees and had export sales to the value of £77 billion.¹⁸ Thus, governments use their influence (including placing appropriate orders for hardware) to ensure that defence contractors do not go out of business. In the late 1980s, when the UK government was seeking to replace the Challenger MBT, the continued existence of the manufacturer (Vickers Defence Systems [VDS]) depended largely on whether it was chosen to build the new-generation vehicle. If a foreign competitor were chosen, the

Chairman of VDS predicted that 10,000 UK jobs and some £12 billion in export orders would be lost.¹⁹

DEMAND UNCERTAINTY

The defence industry is inextricably entwined with the political objectives of government as these drive defence policy, which in turn determines operational requirements. The difficulty faced by politicians is how to spend on defence of the nation, whilst at the same time acceding to demands on the public purse for infrastructure, health, education, etc. Furthermore, the cost of defence equipment has increased exponentially, especially for heavy weapons and the computerised guidance and control systems that enable them to function efficiently. At the same time, demand levels from the main customer (the MoD) have continued to fall as a consequence of the cuts in defence requirements and expenditure. This demand uncertainty is a major consideration that must be taken into account by every private sector supplier who bids for an MoD contract. There are three reasons for this instability:

1. *Defence Cuts*: The first major post-war budget cuts came in the 1957 Defence White Paper: in this, and subsequent defence reviews, the British Army lost much of its manpower through the merger of many army regiments, and a fall in demand for military vehicles, weapons and supplies. The number of regular troops fell from 163,000 in 1978 to 102,000 (2010) and is targeted to fall further to 82,000 by 2020.²⁰ The RAF was badly hit when the strategic nuclear deterrent was taken out of its hands and placed under the control of the RN, as submarine-based Polaris and later Trident nuclear missiles. Even this did not stop cuts in the RN—a process that was only halted (temporarily) in 1982 when the folly of reducing the surface fleet became apparent by the need to liberate the Falkland Islands following their military occupation by Argentina.
2. *The 'Peace Dividend'*: When Mikhail Gorbachev became leader of the Soviet Union in 1985, he introduced a programme of reforms referred to as *perestroika* (reconstruction), leading to a significant reduction in the Soviet Armed Forces,²¹ giving successive UK governments the excuse they needed to reduce the level of defence expenditure.²²

3. *Changes in Government Policy:* In line with their political philosophies, successive UK governments have refocused their defence objectives. Conservative governments have, for example, presided over the continuance of the UK's independent nuclear deterrent (upgrading from Polaris to Trident); and if he ever became Prime Minister of a Labour government, Jeremy Corbyn has promised to continue supporting the UK's fleet of nuclear submarines, but not to equip them with Trident missiles²³—a befuddled policy, designed to retain jobs for the heavily unionised defence workers, whilst at the same time bowing to the anti-nuclear stance of his political party.

Given the peculiarities of the sector, it should come as no surprise that in order to make a profit there are certain strategies that must be employed by private companies. The sector is subject to changing objectives and requirements on the part of its major customer (government) and it requires significant investment in the development of new products (weaponry). This is indeed a major cost as defence equipment has become increasingly sophisticated over the last 20 years and incorporates much state-of-the-art electronic components. It is highly price sensitive, especially when viewed against the ever-shrinking defence budget of most governments and in view of the restrictions and scrutiny associated with exports. Therefore, unless the profit level per unit is high, companies must question whether the return on investment is worth it. If companies are to maximise profits in this highly specialised sector, they must focus on economies of scale, premium pricing and the reduction of competition in order to stay in business. Despite the anticipated benefits of defence privatisation, it is argued that these have been more than outweighed by unanticipated outcomes. To understand the reasons for this, it is necessary to look at the pressures under which the private sector has to operate when supplying defence equipment:

1. *Economies of Scale:* Employing economies of scale means that weapons must be sold to as many customers (governments) as possible, with attendant security (and ethical) implications. This signifies expansion into other (product) markets through organic expansion and/or buying out competitor companies (acquisition or merger). Globalisation is a major strategy employed by the main defence contractors; as Harris points out: '...within the defence industry, a globalist strategy has emerged that is

concerned with greater co-operation with the European defence industry, more emphasis on international markets, the sharing of technology and the opening of national markets to cross-border competition and production.²⁴

2. *Premium Pricing*: Charging a premium price is generally only possible when a government has no alternative source of supply, and the level of amalgamation and takeovers in the sector has drastically reduced the number of available alternatives. For Trident or many of the highly sophisticated weapons platforms currently produced by private contractors, once the system has been purchased, a government is 'locked in' to continued purchase. When replacements, spare parts or upgrades are required, the manufacturers can virtually charge what they want as an initial investment in the weapons system has already been made and to change supplier would entail a whole new (expensive and time-consuming) procurement process.
3. *Reduction of Competition*: This involves the reduction of competition through buying out competitor companies: acquisition or merger is when two or more companies operate as one²⁵ and is a key strategy within the defence sector. As Markusen observes, through an elimination of competition, those companies that remain have a potential monopoly, which might lead to increased prices and a lack of choice in the future.²⁶

Globalisation is a key strategy in achieving economies of scale and when combined with premium pricing and reduced competition, results in reduced choice and increased costs for governments. From the point of view of government, the problem is that the greater the geographical (global) reach of companies and the greater the degree of amalgamation, the less choice they have and are increasingly obliged to accept the high prices for the weapons systems offered.

HAS PRIVATISATION ACHIEVED ITS OBJECTIVES?

Has the privatisation of defence achieved the desired objectives? Taking the various privatisation objectives and then comparing them with the actual outcomes, the failure to achieve these goals is apparent.

Logic suggested that if defence contractors were privatised, they would compete against each other for business (largely from the MoD) and this newly introduced competition would have the effect of reducing

prices, increasing the range of product offerings and increasing the efficiency of the producer organisations. Unfortunately, the opposite appears to have happened, as the trend has been one of consolidation and amalgamation—giving *fewer* rather than more manufacturers. For example, in the immediate post-war period, there were some 20 aircraft manufacturers in the UK, including Avro, Supermarine, de Havilland, Gloster, Bristol, Hawker, Short and Fairey. By the turn of the century, this had been reduced to BAE Systems, Airbus (European consortium), Westland (owned by an Italian company), ADS and three that are part of European consortiums: Jaguar, Panavia and the Eurofighter.

Markusen had suggested that rather than encouraging competition, privatisation would lead to ‘...private public sector monopolies...’, which might then lead to increased prices and a lack of choice in the future.²⁷ In this she has been proven correct: rather than reducing prices, encouraging competition and variety of offering, UK defence is now largely in the hands of one company, British Aerospace, with Schofield estimating that ‘...over 50 per cent of major UK defence contracts are now placed with BAE.’²⁸ Guay and Callum said: ‘...two defence firms (BAE Systems and EADS) now dominate Europe, and Thales [France] is almost equal on the measure of defence revenues.’²⁹ Blain noted that rather than ‘...the proliferation of competition, we have instead seen power and authority over UK defence shift to a small group of powerful and largely unaccountable interests. BAE Systems...has been one of the chief beneficiaries of outsourcing and privatisation.’³⁰ This typifies what has happened in the defence sector, which is now dominated by a few mega-corporations that set the agenda for both domestic and foreign sales of weaponry.³¹ Tovey feels that privatisation ‘...has basically eliminated competition, and left the MOD at the mercy of the price/quality/variety offered by BAE Systems and similar companies such as GDUK [General Dynamics UK].’³²

As stated earlier, the anticipated benefits of defence privatisation can often be more than outweighed by unanticipated outcomes. Looking at the pressures under which the private sector has to operate when supplying defence equipment can help shed light on why this occurs. It was hoped that privatisation would lead to reduced costs, but rather than a *reduction* in prices, most governments have been forced to pay more for weapons systems purchased. This is a consequence of two major factors: (i) defence manufacturing is more expensive in terms of investment in R&D—and these costs are passed on to government purchasers; and

(ii) the general reduction in demand levels by governments has meant that companies must make as much profit as and when they can. Page claims that the UK arms industry is ‘...lamentably inefficient...’ and its ‘...products are often horrifyingly expensive...’, both of which he directly attributes to the domination of the sector by BAE Systems.³³

Furthermore, the choice of weapons systems is increasingly limited as companies are globalised. The level of mergers and acquisitions is probably greater in the defence sector than in any other sector: thus, privatisation has *reduced* rather than increased the range of product offerings. Commentators such as Moravcsik had warned against the potential monopolisation of the armaments sector by the US companies, saying that ‘...even if trade barriers were eliminated and R&D spending were equalized, American producers might dominate world markets simply because of their current market position—the legacy of four decades of assured access to generous R&D spending and a large domestic market.’³⁴ This was prophetic, for US General Dynamics (USGD) now has a significant level of control over the supply of heavy weapons to the British Armed Forces; and more widely, the US corporations in general have a dominant position in the global arms trade.³⁵ This is even more apparent with regard to the UK nuclear deterrent (US-made Trident missiles) and the RAF: of the 16 fixed-wing aircraft operated by the RAF, only four are British made.

Nor has privatisation improved levels of efficiency in manufacturing organisations: the increased sophistication of weapons systems and the fact that supply chains for component parts are highly globalised and subject to increasing government scrutiny means that both delivery dates and final costs are generally greater than initially stated. Markusen predicted that privatisation would be ‘...unlikely to assure greater efficiency and/or better performance...’³⁶ She suggested that rather than privatisation, governments should be focused on competition, which ‘...can induce better-quality services at a more reasonable cost, but only under certain conditions. These include the presence of more than three competitors, the persistence of competition over time, clarity of task and performance requirements.’³⁷ Fredland and Kendry stated that ‘Privatisation is not...a panacea for resource misallocation and not necessarily an organisational structure that provides appropriate incentives to firms, consumers and the state.’³⁸ Hartley too noted that the private sector is subject to ‘...efficiency incentives and penalties in the form of the profit motive, competition and rivalry and the capital market with its threat of take-

over and bankruptcy.³⁹ Whilst such considerations have long been part of the private sector, and planning has been adapted accordingly, when these restraints are applied to privatised defence contractors, this makes for an unstable defence sector—and the defence of the nation cannot be allowed to rest on such uncertain foundations.

A business editorial in *The Guardian* questioned BAE System's ability to produce weaponry acceptable to international markets: the Eurofighter Typhoon all-weather interceptor fighter aircraft was rejected by the Indian government in 2012 in favour of the French Rafael fighter.⁴⁰ The Chilcot report on the British involvement in the Iraq War found that British forces were supplied with wholly inadequate kit and some vehicles, body armour, boots and general combat clothing had been found not to work well in hot and dusty conditions some two years before the Iraq War. More recent is the case of the Type 45 destroyers supplied to the RN by BAE Systems. Despite being delivered nearly three years late and costing around 30 per cent (£1.5 billion) more than originally specified,⁴¹ the vessels were deemed not fit for purpose as they suffered '...total electrical failure...' and are currently scheduled for an engine upgrade in 2019, a process that will involve cutting a hole in the side of the warship to allow the addition of at least one new generator per vessel.⁴²

In privatising the defence sector, one outcome has been that the sector now operates along traditional commercial lines: this, in turn, means that companies use globalised supply chains and outsource production to the cheapest producer. Private arms manufacturers are global in their linkages and most contractors are now subsidiaries of, or in partnership with, non-UK defence contractors. This allows foreign companies (many of which are state controlled) varying degrees of influence over the type, quality and quantity of military hardware supplied to the British military. In 2009, the British Army was given new camouflage uniforms, based on a design that had been developed by Crye Precision, a US manufacturer. The MoD '...paid the US company an undisclosed sum for use of the new design and has secured intellectual property rights over the...camouflage to prevent others from using it without permission...'.⁴³ Despite concerns over confidentiality, in 2013 it was revealed that Chinese companies had been given £12 million to manufacture these camouflage uniforms.⁴⁴ In fact, Cooper claimed that 'Just 6% of British army uniforms are made in the UK while £75million of manufacturing is outsourced abroad.'⁴⁵ More specifically, he claimed that '...the Ministry of Defence spent £80.6million on kit last year [2012]. £42.5million of this was spent

across the European Union, £5 million on the Indian sub-continent, £1.5 million in north Africa and £27 million in the Far East—with most of that money going to China.⁷⁴⁶ Doubtless Chinese companies can supply military kit cheaper than a domestic UK manufacturer, and the reality of privatisation is that businesses will generally seek to cut costs by outsourcing production to a lower-cost manufacturer. Whilst this may be prudent business practice, it is debatable whether the army should be provided with military clothing from China, which has the economic and military potential to pose a threat in the future.

Outsourcing military production abroad leaves the British military vulnerable to the whim of foreign governments and supplier organisations. This foreign outsourcing has now reached epidemic proportions and appears to be prevalent throughout all areas of defence provision. For example, in 2015 it was reported that Mauro Moretti, the Managing Director of Italian defence conglomerate Finmeccanica—which owns Westland helicopters—had instituted a programme of major cuts and divestitures throughout the organisation; as Collingridge explained: ‘What Moretti decides in Rome matters in Britain. Finmeccanica is the UK’s biggest defence manufacturer after BAE Systems.’⁷⁴⁷ Thus, the supply of all types of equipment to the UK military is, more than ever before, subject to potential interference by a foreign power. MacDonald suggested that the defence industry is so internationally integrated that in reality, ‘...the MoD is rarely faced with a stark choice between buying British or buying from overseas. Increasingly, UK companies are linking up with foreign firms to collaborate in the development of new weapons systems or are entering into contractual relationships.’⁷⁴⁸ Whilst this may be true, it misses three important points: (i) loss of national prestige; (ii) the loss of a skilled UK workforce; and (iii) placing the defence of the nation under the influence of foreign concerns.

National prestige, first, is reflective of an international reputation for specific products/services. It is important as an international reputation for a product (or product category) is a powerful basis on which to develop export markets. Second, every finished product and/or component part made abroad potentially adds to the long-term loss of skills, and third, places a dangerous reliance on foreign suppliers. Taylor observes that ‘Reliance on external sources of armaments meant that a government had to trust to the goodwill of the supplier’s government for future deliveries.’⁷⁴⁹ This point was illustrated when it became known that ‘Challenger 2’ (the British Army’s latest MBT) was to have a redesigned gun. Neil Thorne,

Member of Parliament (MP), asked for confirmation that it would be supplied with 'British ammunition', pointing out that during the Gulf conflict, '...when we looked for extra supplies of ammunition which were to come from another country in the Common Market, our soldiers were deprived of the ammunition due to some political decision taken by the Belgians...'.⁵⁰ Similar concerns were aired by Lindsay Hoyle, MP, who '...noted with concern the recent report highlighting the faults with the German shells used for the Challenger II Battle tank, resulting in serious damage to the barrel, with a tendency to jam and impair the tank's ability to fire straight.' His statement also expressed '...deep concern over the consequences this has for the effective use of the Challenger II tank in combat...', in addition to noting that '...shells for the tank can no longer be produced in the UK by Royal Ordnance, forcing the armed forces to rely on German suppliers.' Finally, he called on the government '...to ensure that the UK does not completely lose the ability to supply military weapons to the armed forces.'⁵¹ This is significant as a country that loses the ability to produce appropriate equipment for its own armed forces becomes dangerously beholden to foreign suppliers. Edmonds summed up this dilemma when he questioned how far privatisation of defence could go '...before the very foundation of the state is undermined'.⁵²

For example, at the start of the 1982 Falklands War, the US support for British military action was by no means assured. Documents released from the Reagan Library show that the Secretary of State Alexander Haig was actively pushing for the US to publicly side with Argentina⁵³ and that it was only the personal intervention of President Reagan that stopped this from happening.⁵⁴ Argentina was considered by many US politicians to be a bulwark of anti-communism in South America and, as such, had to be supported despite any 'unpleasant' aspects of the military junta's rule. There was also an undercurrent of opinion that viewed the Falklands as an anachronistic relic of Britain's imperial past. Thus, it may be speculated that had not Thatcher and Reagan previously established a close working relationship based on a degree of mutual admiration and respect, and underpinned by similar political philosophies, then the US involvement might have been very different. It will be interesting to see what happens to the relationship with European Union (EU) producers once the UK has left the EU. As Jones points out, since the turn of the century, the major European powers have '...collaborated to build an increasingly integrated and technologically advanced defense industry.... In some areas, such as missiles, research and development occur almost

exclusively at the European level.⁵⁵ The problem is that such levels of cooperation inevitably lead to a loss of national identity and independence. There are indeed an increasing number of European defence companies that operate without national boundaries, such as the Franco-German-Spanish company, EADS. In a post-Brexit world, should the remaining EU member states wish to withhold sales of military equipment to the UK, this could be done with comparative ease; and unless the UK has the facilities to replace these with domestically produced equivalents, it might be forced to purchase even more from the US at increasingly greater costs and independence of action, or produce domestically. To do this, there must be at least a vestige of a national defence industry left. Ironically, dependence on foreign powers for defence hardware was discussed in a European White Paper, in which the reliance on technology from the US for the global positioning satellite (GPS) was criticised. The report noted that the US had cut the GPS signal during the Kosovo War and concluded that 'Europe cannot afford to be totally dependent on third countries in such strategic areas...'.⁵⁶

Another consequence of privatisation is the use of UK military personnel to help sell hardware produced by private contractors. British forces are frequently required to act as (unpaid) sales promoters for private defence contractors targeting overseas buyers. Quinn refers to UK Trade and Investment documentation showing that

...armed forces personnel have hosted delegations from Qatar and Egypt, among others, over the past year. British troops have been put to work demonstrating the wares of arms companies ranging from drone manufacturers to cyber-warfare specialists for a range of foreign buyers over the past two years.⁵⁷

Specifically, it is claimed that the UK forces have been involved in

...a demonstration of Eskan Electronics' equipment hosted by the army for the Egyptian military, which took place in November at Larkhill...armed forces personnel hosted delegations from Qatar on two occasions last year to demonstrate products being sold by a range of companies, including two leading manufacturers of drones—Thales and Rockwell Collins UK.⁵⁸

Caroline Lucas, MP, commented:

Our soldiers should be spending their time training, not acting as cheerleaders for private companies. I'm sure most of the public will be as alarmed as I am at the idea of our soldiers becoming salesmen

attempting to flog weaponry to dictatorships like Saudi Arabia. The Conservative government are at pains to say they want free market competition, so why are privately owned armaments companies allowed to use our soldiers as part of their sales force?⁵⁹

Her comments are even more relevant in view of the link between the armed forces and private sector weapons suppliers at events such as Defence and Security Equipment International (DSEI), which takes place at the ExCel Centre in London. The event is described as ‘...the world leading event that brings together the global defence and security sector to innovate and share knowledge. DSEI represents the entire supply chain on an unrivalled scale.’⁶⁰ The September 2017 event was sponsored by many defence contractors, including BAE Systems, General Dynamics and Babcock, and was officially supported by the MoD and the Department for International Trade (Defence Security Organisation). Exhibiting companies included Babcock, BAE Systems, General Dynamics, HESCO, MBDA Missile Systems, Rheinmetall, Rolls-Royce, SAAB and Thales, and British forces personnel were in attendance to answer questions about the hardware and/or give demonstrations where appropriate.

CONCLUSION

There are a number of issues that emerge from this analysis of defence privatisation. Two in particular, however, stand out as being crucial to the continued defence of the nation: cost and provision.

Cost was always a key tenet of the initial drive for privatisation, but as we have seen, through a combination of globalisation and amalgamation, the defence sector has been able to reduce competition and choice, with the result that the UK government is forced to pay more than anticipated. Thus, judged in terms of cost reduction, privatisation has been a failure.

Of greater concern, however, is that as a consequence of privatisation, the UK has largely given up control of its national defence provision; all that has been achieved is to replace a public monopoly (over which government *had* control) with a private monopoly (over which government has *little* or *no* control), and one which is wholly or partially foreign-owned. This is important as access to effective weaponry has assumed increasing importance over the last five years with the growing belligerence of Russia—the occupation of the Crimea in 2014, followed by Russian military involvement in instigating a civil war in Eastern

Ukraine and the threat of Russian occupation of the Baltic states. The Kremlin is overseeing major increases in Russian military power, with one source claiming that there are plans to increase the number of active duty personnel in the Russian Armed forces to 1 million by 2020 and that in addition to new 'state-of-the-art' tanks, Russian forces will '...have at their disposal 1,200 new helicopters and planes, plus 50 new surface ships and 28 extra submarines.'⁶¹ In addition to the build-up of conventional forces, Vladimir Putin has threatened to start building new short and medium-range nuclear missiles.⁶² There is also the continued threat posed in the South China Sea, where the Chinese are building new islands on which major airfields have been constructed and stocking them with a variety of missiles.⁶³ To this we must add the heightened threat posed by North Korea and more recently, the accusations of Russian cyber-interference in Western elections;⁶⁴ all of which make the retention of a wholly domestic weapons producer more essential than at any period since 1990, as relying on foreign suppliers may prove difficult.

Since October 2016, the North Atlantic Treaty Organization (NATO) forces have begun a steady build-up in the Baltic states; and in March 2017, the first UK troops arrived in Estonia. However, General Sir Richard Barrons (former Chief of the Joint Forces Command) warned that the UK had lost much of its ability to fight conventional wars as the MoD is focused on '...skinning budgets and delivering costly but increasingly redundant big ticket military projects'.⁶⁵ This is made worse by '...a string of bungled defence procurement deals and embarrassing equipment failures...'.⁶⁶ The International Institute for Strategic Studies agreed, commenting that the British Army '...had not practised armoured warfare properly since 2003. It was out-gunned in comparison with Russia's forces, in some areas significantly so.' It was also noted that the British focus on fast, lighter vehicles makes it vulnerable to the latest Russian tank, the T-14 Armata, described by the British Military Intelligence as '...the most revolutionary step change in tank design in the last half century'.⁶⁷

Thus, for those responsible for developing an effective, efficient, and relatively inexpensive arms procurement policy for India, there are a number of considerations. As stated by the Indian MoD in a policy document, the 'Defence Procurement Procedure (DPP) is not merely a procurement procedure—it is also an opportunity to improve efficiency of the procurement process, usher change in the mind-sets of the stake holders and promote growth of the domestic defence industry.'⁶⁸ Similar

sentiments were expressed in the UK some 40 years ago, yet the *desired* outcomes have not matched the *actual* outcomes, as this article has demonstrated.

The overall objective of achieving what the DPP describes as a ‘... growth stimulus to the domestic defence industry...’⁶⁹ is laudable; however, the devil is in the detail—specifically on the direction this ‘growth stimulus’ takes. If, as claimed, it will enable the armed forces to ‘...procure the most advanced weapons systems available in the market...’⁷⁰ it should be remembered that this may come at a long-term cost: as the UK has begun to realise, the most advanced weapons systems are usually those developed by private US industry, and are generally incredibly costly. Indian defence contractors must be certain of the business environment in which they may operate in the future, and should ensure that it is indeed Indian companies that remain in charge of production, rather than being subsumed within the ever-expanding global reach of the US armaments sector, which would ultimately be counter-productive to the government’s strategic plan.

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