

Position Paper - Military exposed companies

1. Summary

- 1.1.** Recent Methodist Church teaching and statements on defence matters are reviewed (see Appendix A). These indicate that the Methodist Church:
- Is committed to peace and peacemaking as a Christian vocation and opposes war.
 - Has not adopted a pacifist position and recognises that armed force may be necessary on occasion. However, there is a long standing and honourable tradition of pacifism within the Methodist Church.
 - Opposes the use of nuclear weapons and cluster bombs.
 - Has opposed the prevailing nature of the global arms trade, particularly in small arms. However, its position on defence implies that some arms trading is necessary.
- 1.2.** The ways in which the CFB has attempted to minimise exposure to the defence industry are examined. These involve:
- In depth research of companies where military exposure has been identified;
 - Taking into account the proportion of revenue and, where possible, earnings derived from military sales;
 - Considering the nature of the products and services being offered. Historically there has been a greater tolerance for less 'offensive' products and services.
 - Refining views on new cases in the light of previous discussions and research (see Appendix B).
- 1.3.** The ethical investment policies of other church organisations have been examined (Appendix C).
- 1.4.** Earlier discussions by CFB/JACEI on this subject have been used to identify the key issues in order to draft a formal policy. It is suggested that when assessing companies:
- Earlier conclusions were broadly appropriate, but in addition;
 - Closer attention should be paid to the arms trade;
 - Environmental impact should be taken into account.
- ### 2. John Wesley's 'The Use of Money'
- 2.1.** John Wesley's famous sermon, often used by the CFB as a building block for ethical investment policy, does not address the issue of armaments. However, some of the principles may be considered to be relevant.
- 2.2.** In encouraging his readers to 'gain all you can', Wesley states that 'we ought not to gain money at the expense of life, nor (which is in effect the same thing) at the expense of our health'. Wesley appears to be referring to the lives of his audience rather than those of others affected by their activities. However, it is clear that life is to be valued when considering financial transactions.

- 2.3.** Later in the sermon, Wesley states that ‘Neither may we hurt our neighbour in his body. Therefore we may not sell anything which tends to impair health’. Although, Wesley has ‘spirituous liquor’ primarily in mind, the sentiments expressed could be translated to the production of weapons.

3. Recent Methodist teaching – Peacemaking: A Christian Vocation

- 3.1.** Methodist Conference 2006 considered a report produced by a joint working group of the United Reformed Church and the Methodist Church entitled ‘Peacemaking: A Christian Vocation’. The report arose from a desire of both churches to re-examine the ethics of war in the current geopolitical context.

The report is designed to stimulate reflection on the issue within and outside the church and ‘provide an ethical analysis to help support the judgment of the church and church leaders in complex and uncertain situations where British military intervention is proposed’. A summary is attached in Appendix A.

- 3.2.** Conference 2006 commended the report ‘to the Methodist people for reflection, study and guidance on action’ and as a resource to be used when considering the ethics of modern warfare.

3.3. Biblical and church teaching

The report surveys Biblical passages in both the Old and New Testaments that relate to the subject. Old Testament passages that advocate total war should be understood in context and not taken as justifying such acts in the present day. New Testament teaching raises some difficult questions but the authors conclude that God’s will for peace is unequivocal.

‘From the beginnings of salvation history in the Garden of Eden, to its end in the New Jerusalem, the Bible witnesses to the profound value of life and peace.’

Since Biblical times there has been a variety of Christian attitudes towards warfare, including pacifism, the Just War Tradition, justification for total war and means to combat terrorism.

The medieval church, to the profound regret of Christians today, endorsed wars for the cause of religion in the Crusades.

Jesus calls everyone to be peacemakers but this call is not easy to discern or follow and applies to all settings, from the personal to the global. The (universal) Church has a major responsibility to assist Christians in following this calling as Christ’s witnesses but it too often ‘retreats within comfort zones of familiar debates and mild protests, or confines its engagement to the most obvious “headline hitting” issues’. In addition, ‘only the witness of Scripture, the peace and social justice of Christ himself, enable us to see the evil of war and violence for what it truly is’. However, ‘Christian political judgement can be naïve – and not in the Christ-like sense...Too often we react too late, jump onto the nearest bandwagon, or satisfy ourselves with less than fully-informed comment’.

3.4. The use of force

Peacemakers: A Christian Vocation addresses the use of force, having first examined non violent strategies to assist peacemaking.

The report states that ‘God’s will is for peace... [and there is an implication that]...war, violence, and coercion will always be alien to God’s reign’. Moreover, ‘All human exercise of violence and coercive force is ontologically abnormal in the sense that it does not characterise the being of the world as God created it and wants it to be; it falls short of his purposes for it. Yet, sin and corruption are so much part of our existence, and have so many expressions, that we must reckon with their effects’.

The report notes that earthly governance is part of divine providence, functioning as an authority under God. It considers circumstances where the interpretation of the role of this authority has been in error (churches under Hitler; the response to the Rwanda genocide). The power to pursue war should only be held by the appropriate authority and in consideration of the Just War Tradition. The report argues that this authority has some wider judicial function. Governments ‘...provide judgement on wrongdoing and punish the offender’. Paul in Romans 13:4 describes them as ‘God’s agents working for your good’ in this capacity. The report argues that the United Nations Security Council has ‘...unparalleled capacity to exercise judicial authority’, but does not maintain that it is the only source of such authority.

The relevant judicial authority also has a requirement to protect citizens. In most cases, this will be by the avoidance of military conflict but military action may be required in some circumstances. The report notes a UN Secretary General panel report that states that ‘...action taken unilaterally without the consent of the wider international community remains morally and politically hazardous’.

Peacemaking: A Christian Vocation argues that ‘...efforts by the United Nations Security Council to authorise military force against threats that are not imminent should also be opposed...’ since at present the national interests of powerful nations have not been isolated in its current form. While calling for Christians (both pacifist and otherwise) to prevent any watering down of the Just War Tradition, the report accepts that Christians will disagree for various reasons over specific conflicts.

It also states that there are times when Christians should ask for troops to be deployed to prevent a humanitarian disaster or to ask for ‘...military force to restore law and order to situations of extreme lawlessness, such as in the situation of Sierra Leone in 2000...’. In that conflict of course, the intervention of well-equipped and professional British troops – including Special Forces – that used armed force beyond a policing role, was required to bring stability to the country. Those troops required a helicopter carrier and other naval assistance.

It is clear that the report accepts that it may be right to use military force in some circumstances, though it should be restricted by rigorous and demanding ethical considerations.

3.5. Nuclear, biological, and chemical weapons

Peacemaking: A Christian Vocation considers nuclear weapons and the Nuclear Non-Proliferation treaty. It notes that the treaty permitted those nations that had already developed nuclear weapons to keep them. However this asymmetry ‘...is only sustainable if the nuclear weapons states make good on their commitment to pursue efforts towards disarmament; their failure to do so is one reason for the increasing desire of other nations not to be comparatively disadvantaged’. The report maintains that ‘A crucial contribution that the UK could make to this process in the next few years would be to decide not to renew its nuclear deterrent, which is currently under review’.

No assessment is made of the likely success of unilateral UK nuclear disarmament in promoting worldwide disarmament. There is no analysis of the workings of global diplomacy and the roles played by fear and sin within and between nations.

The report notes concerns about the potential for proliferation of biological and chemical weapons.

3.6. Conventional weapons

The report considers the use of conventional weapons. It notes that most people who die in conflicts are killed by use of small arms such as revolvers, pistols, rifles, and light machine guns. It quotes the Small Arms Survey project, which finds that small arms kill 300,000 people annually. Sales of larger conventional weapons were worth around \$40 billion in 2003. The major arms exporters are listed as: US (\$14 billion in 2003); the UK (\$6.9 billion); Russia (\$5.5 billion); France (\$4.9 billion), and Israel (\$2.4 billion).

The report notes that international arms embargoes are rare (the ban on anti-personnel landmines is one example, though not ratified by some major exporters) and that the efficacy of multilateral agreements is limited. It recognises that 'Some states have restrictive controls on the export of weapons, but in the absence of an international treaty restricting the arms trade such as many have called for, nations are forced to balance the potential profits from selling weapons against the desire to adopt an ethical policy concerning what should be sold to whom'.

The report also notes the environmental damage weapons can cause and the possibility that depleted uranium can have long term health effects.

3.7. Some implications

The reflections in Peacemaking: A Christian Vocation can assist the development of an investment policy relating to military equipment and services. Some logical conclusions can be drawn from its arguments, which are not explicitly stated in the report:

1. Despite accepting there may be circumstances in which military force will be required, the report does not address the question of how such military force will be acquired and maintained. If it is accepted that military force will be required in certain circumstances, the implication is that military forces will need to be well-equipped and trained. This goes beyond supplying soldiers with small arms. It means that a nation has to acquire a variety of materiel including aeroplanes, ships, helicopters, tanks, armoured vehicles, missiles, counter-measures, radar and sonar equipment, satellites, and logistical and intelligence assets.
2. The requirement to obtain such equipment means that nations are faced with the choice of producing all the equipment at home and/or buying (and collaborating in the production of) equipment from other nations.
3. Production costs at home can be offset by trading versions of military equipment abroad. If this were not permitted, nations would have to increase defence spending, funded by reducing other public spending (eg on education and health) or by increasing taxes. To date, no mainstream church organisation has called for higher taxes for increased defence spending. Lack of competition however may lead to lower quality products or services.
4. If the UK, for example, is to purchase equipment from other nations it requires by definition a trade in arms. To be able to purchase the most effective equipment, the UK has to cooperate with other nations and overseas companies in developing appropriate products. In effect, the UK has to sell and buy.
5. The issue is to decide with which nations or companies the UK should be able to trade military equipment. Present regulations do not seem to be sufficiently restrictive. This makes the process of assessing companies that produce weapons more difficult.
6. It should also be noted that while there are close relationships between defence companies and governments, those companies are often public and therefore owned by a variety of shareholders from around the world.
7. The large sums of money involved in the arms trade and its clandestine nature make this activity particularly susceptible to bribery and corruption.

8. The church should work hard at peacemaking to help create the conditions that enable all nations to reduce defence spending. However, while we live in a sinful world some such expenditure will occur.

4. Recent Methodist statements on defence matters

4.1. Trident

There have been a number of statements by the Methodist Church over the past couple of years opposing the replacement of the Trident nuclear weapons system in the UK, when its life ends in 2025. Methodist spokespeople have stated that if the UK did not replace Trident, ‘...the cause of non- proliferation would be advanced’, due in part to the example such policy would provide. There has been reference to the enormous destructive power of nuclear weapons and the fact that deterrent is based on fear of use. In addition, the Methodist Church has judged that threats facing the UK ‘...are not deterred by our nuclear weapons because they come from groups, individuals or ideologies, rather than nations’.

Conference 2006 passed the following resolution:

‘The Conference opposes replacement of the Trident nuclear weapons system and urges the UK Government to take leadership in disarmament negotiations in order to bring about the intention of the Non-Proliferation Treaty for the elimination of all nuclear weapons.’

4.2. Cluster bombs

Conference 2003 called on the UK to support an international ban on the use of cluster bombs. A resolution stated:

‘During the recent conflicts in Iraq and Afghanistan, USA and UK forces resorted to the use of cluster bombs. These lethal weapons weigh about 950lbs and, when dropped to the ground, separate into 200 bomblets. They look like brightly coloured drinks cans; many do not detonate on impact. In consequence children in Iraq and Afghanistan continue to be killed or maimed when they pick up these “toys”. Conference calls on HM Government to institute a unilateral ban on their use by UK forces and to initiate an international campaign to ban their future use.’

The Methodist Church repeated the call in 2006 to coincide with a meeting by the UN Review Conference on Conventional Weapons.

4.3. Small arms

The Methodist Church website highlights a statement from Conference 1997 that the Church has

‘...been active in calling on HM Government to stop producing arms sales and to make investment available for the conversion of arms-producing industries to other, non-lethal forms of production’.

4.4. Arms trade

The Methodist Church website states that the Church is ‘strongly critical of the arms trade’. Church leaders, including the President of Methodist Conference, called in autumn 2006 for the closure of the Defence Export Services Organisation (DESO), a unit of the UK Ministry of Defence helping UK companies to sell military equipment and services overseas.

5. Relevant past CFB and JACEI discussions

5.1. Ethics and defence electronics

1. The CFB produced a draft discussion paper with this title in 1988. It examined the challenges of assessing electronics companies that sold electronic components or services to the defence industry. In doing so, it set the terms for assessing defence-related companies that have been used to this day.

The paper was approved by the CFB Investment Committee in November 1988 and submitted to the Ethics of Investment Advisory Committee the following month. There followed some discussion over several meetings although a final statement of advice does not appear to have been given.

2. The paper notes that 'In days gone by, our approach to companies supplying defence forces was clear-cut. Companies supplying weapons were not acceptable whilst little or no problem was seen in the many other suppliers of items such as food or clothing'. Electronic warfare has complicated the matter.

The paper notes that '...at the very least, the mainstream of the Christian Church considers it is appropriate to be associated with the use of force of arms in certain circumstances. Following on from this, it is considered appropriate to maintain land, sea, and air forces; to keep them properly equipped and to have the facilities to provide that equipment'.

In addition, 'defence as opposed to offence, would seem to be ethically acceptable in some circumstances though it is impossible in many cases to differentiate between equipment used for defence or offence. The lessons of history have shown that to ignore a country's defences has made it more difficult to maintain basic freedoms and has also made armed conflict more likely. A defence industry would not, therefore, seem to be at odds with the mainstream of the Christian Church'.

3. The paper notes however that '...it is the existence of a defence industry which leads to the arms trade which helps support corrupt and evil governments who withhold basic freedoms from their own people and impose their will on other countries'. Companies which supplied arms for such purposes would be 'ethically unacceptable'.
4. The paper recognises that development of defence equipment has promoted technological progress, which has had significant positive effects on society.
5. The paper proposes some guidelines for investment in electronics companies, based on principles established when considering exposure to activities in South Africa. It suggests there may be some products which are considered totally unacceptable, though these are not named.

Two important guidelines are proposed, consistent with CFB policy in other sectors:

We should not exclude any electronics company for producing products which may be used in the defence industry (e.g. microchips, screens, printed circuit boards). Suppliers of electronic components to the defence industry should be excluded from portfolios only when the defence proportion of their business becomes too high.

We should not include any electronics companies [in portfolios] if the end products they sell exclusively to the defence industry are too high a proportion of their total business (eg electronic counter measures). These products may be harmless in isolation but would not be made at all if the...defence industries did not exist.

The proportion of defence business that should be considered as too high is not suggested as judgements would have to be made about individual products.

6. The nature of the end products of the defence electronics industry are considered as being divisible into three categories:

Defence systems (e.g. radar; communications and electronic counter measures);

Fighting systems (e.g. air, land, and sea transport; guidance systems; and target identification);

weapons (e.g. guns; bullets; bombs; and missiles)

The paper notes that a product may appear in more than one category, depending upon circumstances of use.

7. The paper states that the point at which a company is excluded from investment is dependent upon the type of defence-related product. For example 'it would be reasonable to tolerate a lower proportion of weapons business than defence systems business'.

Given that electronics companies produce many products which have far wider uses, the paper suggests that 'it would not be unreasonable to consider the manufacture and sale of certain beneficial products as off-setting defence sales'.

8. The paper suggests 'account should be taken of the non-defence business and how it affects the community'.

9. Noting that a theological reappraisal is required, the paper concludes with proposed guidelines:

To exclude suppliers of electronic components to the defence industry, on ethical grounds, only when the defence proportion of their business becomes too high.

To exclude suppliers of electronics end-products and services sold exclusively to the defence industry, if this proportion of their business becomes too high.

To exclude defence-related electronics companies, on ethical grounds, only after examination of the type of product being sold. A lower proportion of weapons business than defence systems would be tolerated.

To take account of the non-defence business and how it affects the community.

10. Certain relevant companies were reviewed alongside the paper:

GEC (a CFB holding in 1988) Sales of a military nature formed 33% of total sales. Of those sales, 10-15% were classified as weapons, 40-45% were classified as fighting systems, and 40-50% were regarded as defence systems. This posed a dilemma, though a proposed purchase of Plessey with Siemens would, it was acknowledged, simplify the matter since defence exposure would increase.

Plessey It was excluded from investment since its defence exposure was high, despite being classified as mainly defence systems. It had also announced further acquisitions which would raise defence exposure up to 60% of sales and 50% of profits. Had the involvement in South Africa ceased to be a problem, the defence exposure would still prevented investment.

Racal Racal had not been considered as appropriate for investment but it was expanding its telecommunications business and did not regard defence as part of its long term strategy. Approximately 75% of the defence products were classified as defence systems and the total exposure was 22% of group sales. No weapons were produced.

Ferranti Ferranti was excluded from investment since it was dependent upon defence spending.

1. Committee members stressed the difficulty of applying subjective judgements such as 'too high a proportion'.

2. Two further criteria were suggested:

The proportion of manufacturing output of arms sold to 'South' countries; and

Whether technology was being offered to repressive regimes.

3. A CFB visit to GEC/Marconi during which the company's product list was discussed in detail.

4. The Committee noted what it termed the 'volatile and untidy' nature of the arms manufacturing industry.

5. The right to self defence under Article 51 of the UN Charter was acknowledged but it was believed this was not always easy to interpret in relation to weapons systems.

6. The arms trade can lead to many changes of use and user.

7. Several committee members believed that to invest in companies that were 'knowingly selling arms to known gross violators of human rights' would be 'highly disturbing to many in our constituency'.

8. It was held that the dilemma facing the CFB was that being restricted from investing in all or most of the electronics sector could lead to a weak portfolio and that this would have implications for Methodist clients since trustees may seek other fund managers as a result.

9. A paper was submitted in 1989 by the Revd Clifford Warren (subsequently amended). It made the following points:

- A theological reappraisal had been partly achieved through publication of 'Peacemaking in a Nuclear Age' by the Church of England's Board of Social Responsibility (from a working group chaired by the Rt Revd Richard Harries). It held the arms trade as significantly responsible for conflict in 'Third World' countries and suggested 'There is an argument for opposing all commercial sales of arms on the grounds that these tend to be motivated by economic considerations'. A General Synod Notice of Motion had been passed in 1988 calling for moral criteria to be applied to the sale and transfer of arms.

- Recent Methodist Conference resolutions had called for a reduction in conventional arms sales to non-NATO countries and the end of UK 'promotion and sales of armaments to Third World countries at...Government-sponsored Arms Fairs'.

- Problems of interpretation arose when applying ethical criteria, especially since accurate information was difficult to obtain and since arms manufacturing was often deeply integrated into company operations. Clear and precise guidelines were required. The phrase 'too high a proportion' was not sufficiently specific.

- Investment in a defence electronics company should not be attempted if it either sells or promotes the sale to:

repressive/military regimes known to violate human rights (e.g. Chile, South Africa, Indonesia, Turkey); and/or

countries directly involved in areas of Third World conflict (e.g. Lebanon); and/or

any Third World country (e.g. India);

of arms/weapons; fighting systems; or communications/surveillance/counter-insurgency systems.

10. The Committee concluded that information about defence exposure was difficult to obtain and that it was difficult to apply a policy consistently. Members agreed that there could be cases where defence involvement was so high that disinvestment was necessary.
11. The Committee concluded that GEC and Plessey appeared to be ‘marginal cases’ at the time.
12. A presentation was received from EIRIS on how it assessed the exposure of companies to defence.
13. The paper Ethics and defence electronics remained in its draft form with no changes, though it was applied in the light of the subsequent discussions.

5.3. Should the Methodist Church invest in arms manufacture and trade?

This short paper was presented to JACEI by the Revd John Kennedy in March 1999. It aimed to stimulate debate on the question. It stated that ‘...the Methodist tradition clearly recognises the profession of arms as an honourable one’. However, ‘...it is clear that the indiscriminate search either for profits or for military alliances can be extremely destructive’. Just War tradition was summarised and criticised for being highly dependent upon the situation at hand. The move to Total War was reviewed, along with war and democracy and the role of human rights. The paper summarised the European code of conduct on the arms trade and suggested Methodist investment in arms manufacture, safeguarded by the code, ‘might lead to a constructive debate on the issue’.

There was some discussion but no conclusions were recorded.

- 5.4. JACEI and the CFB have considered a number of companies since discussing Ethics and defence electronics in 1988. A summary of the companies and issues considered is contained in Appendix B.
- 5.5. JACEI and the CFB have also been aware of the relevant investment policies of other church organisations. A summary is contained in Appendix C.

6. Considerations for future policy framework

6.1. Current framework

Despite never being formally adopted, Ethics and defence electronics provided a framework for assessing companies with military exposure that has been applied with some variance over the past nineteen years. During that period, Western defence spending growth fell with the end of the Cold War but has since risen in response to localised conflicts and the global terror threat.

6.2. Extent of military exposure

JACEI and CFB discussions about companies with military exposure have intrinsically recognised that weapons are not simply morally neutral tools. Weapons and related systems are designed to harm or destroy life and therefore there should be restrictions on their production and sale.

While the measure of a company’s military exposure has never been prescribed, it has usually been the proportion of total revenue and, where the information is available, the proportion of total profits.

Concern has tended to be expressed when military exposure reaches or exceeds approximately 20% of a company’s revenue. LucasVarity may be considered an exception. Since the decisions on GEC and Plessey, the CFB has not had to consider companies with significant exposure to what has been regarded as offensive weapons. It is likely that if such a company had been considered, it would have caused concern with military-related revenue much less than 20% of total revenue. CFB and JACEI tolerance of military exposure appears to have declined since 1988.

6.3. Type of military exposure

The requirement to identify the type of military exposure has been useful and important, though it has not always been easy to identify into exactly what category military products and services fall.

Facilities management services (e.g. a company managing a defence base) has led to consideration of exclusion on ethical grounds, but no definitive approach has been agreed so far.

JACEI has been spared the practical test of evolving an approach to Reed Elsevier's defence exhibitions business. However, as it represented a small proportion of the business, the CFB was following an engagement policy at the time the company announced its withdrawal from the business. The company's earlier growing commitment to an area so connected with the promotion of the arms trade raised serious ethical concerns.

To date, no company has been considered which offered specific products or services for paramilitary or oppressive policing.

While it has been acknowledged that offensive weapons are necessary, this has not been reflected in CFB/JACEI deliberations, which have tended to regard production of such weapons negatively.

CFB policy should distinguish between different categories of military exposure, as outlined in Ethics and defence electronics. It should nevertheless reflect the acceptance by the Methodist Church that in this fallen world offensive weapons are required, often for peacemaking purposes.

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6.4. Arms trade

To date, all trade in arms has been regarded negatively with little attention paid to the destination of weapons sales.

Methodists have campaigned for effective limits on the arms trade and investment policy should reflect the position that it is unacceptable for military products to be sold:

where that might increase the probability of unjustifiable conflict

to oppressive regimes;

to countries with poor human rights records; or

that would contribute to nuclear proliferation.

However, the implication of Methodist statements is that countries such as the UK should have well- equipped armed forces (including for peacekeeping) and that some form of arms trade is therefore required.

Investment policy should therefore pay attention to the destination of any military sales. A company with a high proportion of revenue from offensive weaponry might be tolerated if the products were only sold to acceptable countries.

Where the destination of sales cannot be clearly identified, the CFB should adopt a conservative approach and assume some sales may be to countries where the Methodist Church would not wish military sales to be made. In these cases, attention would be paid to the type of military product or service offered with offensive weaponry causing particular concern.

It should be acknowledged that some may feel uncomfortable about the possibility of CFB portfolios gaining from the profits of companies with significant exposures to offensive weapons sales, although the proposed change of approach would ensure CFB policy is consistent with Methodist Church statements.

6.5. Environmental impacts of weapons

These are referred to in Peacemaking: A Christian Vocation and it is appropriate to include them in CFB policy.

6.6. Offsetting

There has been no discussion since Ethics and defence electronics of the offsetting nature of non- defence business within a company.

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7. Appendix