

DON'T BANK ON THE BOMB

A Global Report on the Financing of Nuclear Weapons Producers



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IKV Pax Christi has strived to achieve the highest level of accuracy in reporting. However, at this point, there is still a marked lack of official information available in the public domain about the use, production, transfer and stockpiling of nuclear weapons, as well as about investments in companies that produce nuclear weapons. The information in this report therefore reflects official information available in the public domain known to IKV Pax Christi. We welcome comments, clarifications, and corrections from governments, companies, financial institutions and others, in the spirit of dialogue, and in the common search for accurate and reliable information on this important subject. If you believe you have found an inaccuracy in our report, or if you can provide additional information, please contact us: nukes@ikvpaxchristi.nl

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About IKV Pax Christi

IKV Pax Christi is the joint peace organization of the Dutch Interchurch Peace Council (IKV) and Pax Christi Netherlands. IKV Pax Christi works for peace, reconciliation and justice in the world. We join with people in conflict areas to work on a peaceful and democratic society. We enlist the aid of people who, like IKV Pax Christi, want to work for political solutions to crises and armed conflicts. IKV Pax Christi combines knowledge, energy and people to attain its objectives. More information about IKV Pax Christi can be found at www.IKVPaxChristi.nl

About ICAN

ICAN is a global campaign coalition working to mobilize people in all countries to inspire, persuade and pressure their governments to initiate and support negotiations for a treaty banning nuclear weapons. ICAN is comprised of more than 300 partner organisations in over 80 countries. More information about ICAN can be found at: www.ICANw.org

About Profundo

Profundo is an economic research consultancy analysing commodity chains, financial institutions and corporate social responsibility issues. It works predominantly for environmental, human rights and development organisations in the Netherlands and abroad. www.profundo.nl

www.DontBankonthebomb.com

www.IKVPaxChristi.nl

www.NoNukes.nl

Introduction

Almost seventy years after the first use of nuclear weapons, about 17,000 still remain today. The few countries that keep these weapons of mass destruction are planning to spend more than USD 1,000,000,000,000 over the next decade to maintain, and modernize them.

More than one trillion dollars over ten years, or USD 100,000,000,000 per year. While the majority of that comes from taxpayers in the nuclear armed countries, this report shows that the private sector is investing over USD 314,349,920,000 in the private companies that produce, maintain, and modernise the nuclear arsenals in France, India, the UK and the US.

The recent use of chemical weapons in Syria reminds us that as long as weapons of mass destruction are part of national arsenals, their use cannot be ruled out. The Syrian chemical weapons case also reminds us why weapons of mass destruction must be universally outlawed and verifiably eliminated: regardless of the scenario, their use always violates basic humanitarian and ethical principles. There is no justification for any arsenal to contain any weapons of mass destruction.

There is an international consensus about the catastrophic humanitarian harm that any use of nuclear weapons would cause. Even without a global prohibition on the weapons themselves, there is no country in the world that fails to acknowledge the indiscriminate nature of nuclear weapons. And all countries have committed to taking steps to create a nuclear weapons free world. From a moral perspective, financial institutions should not need a treaty banning nuclear weapons to terminate their investment in companies that produce these bombs.

A wide range of financial institutions operate in our globalised world. These include privately owned companies and state-owned institutions, banks, insurance companies, investment funds, investment banks, pension funds, export credit agencies and many others. As a large majority of companies rely on the financial markets and financial institutions to provide them with operating capital, these financial institutions play a key role in every segment of human activity. In choosing which companies and projects they will finance and invest in, these institutions play a significant role in our increasingly globalised world. These financiers can have a significant impact in creating a better world for all by making ethical investment decisions- supported by their customers and the public at large.

The active support of financial institutions will be crucial to the success of worldwide efforts to eliminate nuclear weapons. Divestment from nuclear weapon producing companies is an important way for banks, insurers, pension funds and asset managers to contribute to the delegitimization of nuclear weapons, challenge programmes to modernize existing nuclear arsenals, and prevent the further proliferation of nuclear weapons. Furthermore, it would reflect the fact that most clients do not want their money to be invested in weapons of mass destruction.

Many financial institutions developed ethical policies over the years that exclude investment in anti personnel mines or cluster munition producers. Some financial institutions have also excluded producers of nuclear weapons or put some restrictions on investing in these companies. By publishing this report, we encourage other financial institutions to evaluate their policies and the implementation thereof.

Ultimately, the prohibition of nuclear weapons needs to be done by states. A binding treaty that universally outlaws nuclear weapons and provides for their verified elimination is a necessary, achievable and pragmatic goal. Divestment from nuclear arms producers contributes to that goal by further delegitimizing nuclear weapons.

Catastrophic humanitarian harm

The world is painfully familiar with the images of destruction from Hiroshima and Nagasaki, but today's nuclear weapons have an even increased capacity to cause destruction and devastation. Even a limited exchange would have far reaching unacceptable humanitarian consequences.

In recent years the discussion has focused on the catastrophic impact of the use of nuclear weapons and states are increasingly discussing ways to prevent this humanitarian harm.

Many financial institutions do not want to wait for what seems to be a slow political process to outlaw nuclear weapons. Instead of waiting for a multilateral treaty process to begin, some financial institutions have enacted policies prohibiting or limiting their investment in nuclear weapons producers. These financial institutions have acted on their ethical responsibility to prevent gross humanitarian harm.

Next to the growing emphasis on the ethical responsibilities of financiers there is a growing emphasis on the on individual responsibilities of citizens to send a clear signal to their financial institutions as well as to their governments that the continued possession or development of these weapons is unacceptable.

By publishing the facts and figures and by initiating a debate with all actors involved, IKV Pax Christi would like to contribute to this trend.

Methodology

Research

The research on financial institutions and financial transactions for this report was commissioned by IKV Pax Christi to the Dutch economic research consultancy Profundo. Profundo specialises in researching financial and trade relations, documenting corporate irresponsible behaviour and identifying opportunities to promote sustainable development. All research was done between June and September 2013. Profundo provided all factual data such as profiles of nuclear weapon producers and financial institutions and all raw data on transactions and investments. IKV Pax Christi is responsible for all interpretations of these data.

Nuclear weapon producers

This report focuses on the involvement of financial institutions in the financing of nuclear weapons producing companies since 1 January 2010. The nuclear weapon producers in this report are involved directly in the development, testing, production, maintenance or trade of nuclear weapons related technology, parts, products or services. The company's involvement is related to warheads, or to specifically designed nuclear capable delivery systems such as missiles, launch silos, bombers or submarines. This includes technology that is designed for 'dual use' (military and civilian) but excludes technology that is not specifically designed for, but can be used in nuclear warfare. The list of nuclear weapons producing companies in this report is not exhaustive. The companies identified in this report are based in the United States, the United Kingdom, France, India, the Netherlands and Germany. These companies are involved in the nuclear weapons programmes of France, India, the UK and the US.

Financial Institutions

The research done for this report identified a total of 298 financial institutions that were found to be significantly involved in financing the 27 selected nuclear weapons producing companies.

The financial institutions can be banks, pension funds, asset managers, insurance companies and other financial institutions. Substantive involvement is formulated for this report as: providing corporate loans, project finance or working capital facilities; underwriting share or bond issuances; and (managing) investments in shares and bonds of the 27 selected producing companies. For 'substantive' holdings of bonds and shares, a threshold was set of 0.5% of all outstanding holdings. As a result, all financial institutions with only bonds or share holdings below 0.5% involvement are excluded from this report. It is important to take note of the fact that this threshold excludes many institutions. And while it allows us to focus on the 298 most substantively involved institutions, it also means that the aggregate holdings of all financial institutions worldwide are much larger than what this report examines. This threshold decision was solely a pragmatic matter, as the report would otherwise have included thousands of financial institutions. Bond or shareholdings of nuclear weapon producing companies below the threshold can still represent a significant amount of money.

The table in the executive summary lists all financial institutions which are found to have financing relationships with nuclear weapon producers. 175 are based in North America, 65 are based in Europe and 47 are based in Asia Pacific, ten are based in the Middle East, one is based in Africa and none are based in Latin America or the Caribbean. Among the banks and other financial institutions most heavily involved are: Bank of America, BlackRock and JP Morgan Chase in the United States; Royal Bank of Scotland in the UK; BNP Paribas in France; Deutsche Bank in Germany; and Mitsubishi UFJ Financial in Japan.

Investment Policies

Financial institutions with a clear and comprehensive nuclear weapons exclusion policy are included in the “Hall of Fame”, while financial institutions whose nuclear weapons policy is less strict or clear are included in the “Runners-Up” category. Some financial institutions appear both in the “Runners-Up” and the “Hall of Shame” because although they have a specific policy on nuclear weapons, these policies have loopholes. A financial institution can be applauded in the runners-up category for its policy, while at the same time be listed in the Hall of Shame for its investment. Checking whether this involvement runs counter to their policies, or whether it results from a loophole, was beyond the scope of this report. An accurate report on implementation of policies published by runners-up would require more detailed information on the investments we found. Examples of the kind of information we would still need are whether a financial link constitutes own or third-party investments, which investment fund is involved, or whether the financial link is through a fund following an index; all issues beyond the scope of our research. Moreover, a financial institution may be listed for investments made before their policy came into effect, since we research investments since January 2010.

The Hall of Fame criteria are defined as follows:

- The financial institution has published its policy and/or a summary of it;
- The policy excludes investments in nuclear weapon companies (withdrawing past investments and avoiding future investments);
- The policy has an ‘all-in’ comprehensive scope:
 - **no exceptions for any types of nuclear weapon companies**
 - **no exceptions for any types of activities by nuclear weapon companies**
 - **no exceptions for any type of financing or investment by the financial institution**

The Hall of Fame criteria are strictly applied. The initial findings led to a list of 32 profiles of financial institutions with an exclusion policy. We attempted to contact all of them in August and September 2013 to confirm their policy and to clarify additional questions. Most financial institutions responded to our queries instantly. These conversations were important in making final decisions on the subdivision into the Hall of Fame and Runners-Up. No financial institution in the Hall of Fame has any financial involvement in any of the 27 producers.

The Runners-Up category is much more broadly formulated. In it, institutions are identified with very comprehensive and clearly defined policies that meet almost, but not all, of the criteria set for this report as well as institutions with policies whose scope and quality are substantively different from those in the Hall of Fame.

A reader guide

Chapter 1 makes the case for divestment and looks at how divestment can stop the development and modernisation of new nuclear weapons.

Chapter 2 profiles 27 nuclear weapon producing companies and details their involvement in the nuclear weapon industry.

Chapter 3 is the “Hall of Fame” in which 12 financial institutions are highlighted that have very strict policies preventing involvement in the financing of nuclear weapons.

Chapter 4 gives the profiles of 20 more financial institutions – the “Runners-Up”. Those institutions do have policies preventing involvement in nuclear weapons but their policies are not comprehensive.

Chapter 5 is the Hall of Shame and lists 298 financial institutions that invest in one or more of the 27 producing companies.

More information, updates and news on nuclear weapons, the producers and their financiers can be found on the www.DontBankonTheBomb.com website. A poster showing all the nuclear weapons and delivery vehicles can be downloaded as well.

Parliamentary Possibilities

Ireland is very engaged in international debates on nuclear disarmament. With a national position so strong in favour of a world free of nuclear weapons, it only makes sense that MPs prepare a Bill that aims to prevent investments of taxpayer money in the nuclear weapon industry. Member of Irish Parliament Eoghan Murphy is the driving force behind the Bill. He explains:

Mr. Murphy, thanks for talking to us. First of all, what inspired you to draft legislation on investing in nuclear weapons?

It's an issue that's very close to me. I worked in the disarmament area before entering politics. My previous job was with the PrepCom to the Comprehensive Test Ban Treaty Organisation in Vienna. I'm interested professionally, but it's personal too. When I was elected to parliament I saw it as an opportunity to continue my involvement in nuclear disarmament efforts, from a new perspective. I saw it as a chance to help steer my country in a certain direction and through that influence the international debate.

Why do you feel this is important?

It's difficult to get across the importance of this issue in today's climate. Economic problems, global warming challenges – all these things are more immediate to people. Memories of the threat posed by the existence of nuclear weapons are quick to fade. You see this whenever you attend an event or a rally. There are hardly any young people there. So I think it's important to continue to push this issue, because the real and present danger that these weapons pose to all of us on a daily basis hasn't gone away. I worry that when the last Cold Warrior has died, people's perceptions on this weapon will change and the threat of use will become more likely. We cannot let that happen.

What do you hope this bill will achieve?

We hope to achieve a proper break in the link between Irish people's hard-earned taxes and the production and maintenance of this terrible weapon. Most people here don't realise that the state is invested directly in companies that are producing these things. Using their money. We have to stop financing these companies so that Ireland is no longer involved in the production of nuclear weapons. If enough countries take a similar position, it will make it harder to finance this industry, making the weapons more costly and so less and less appealing for countries to purchase.

How have your constituents reacted to this proposal?

When I raise the idea of the bill with people from my constituency, I find that they often very much support the idea of ethical investment policies. Often, people already support similar calls for ethical investment rules in other areas, so they understand the idea.

What support did you seek for this legislation?

I received a lot of help from the Irish Campaign for Nuclear Disarmament, in particular David Hutchinson Edgar, who had already done a lot of work and research in this area. I also examined cluster munitions legislation that we already have here.



Do you believe that this legislation will impact the national position on nuclear weapons?

If the Bill will be enacted, which is not yet certain, it will bolster our position as a leader in this area. In fact, without the legislation in force I feel it weakens our position and risks making us look like hypocrites. How can you be so staunchly against something and invest in it at the same time?

Any advice for MPs elsewhere who may be thinking about doing the same?

First of all, you have to be patient. You have to understand that this is a slow burner. You have to be creative in turning people on to the idea – both your constituents and the media. If you can get your constituents to at least understand why you are working on this issue then it gives you a bit of space and time to work on it. If you can get the media interested, then it gives you a bit more influence when dealing with the 'permanent' government, who may naturally resist such ideas. It is not an argument you win in one speech or with one letter, you have to keep on raising it and use opportune times to raise it – the Hiroshima commemoration, for example, or international peace day. You need a good local organisation behind you (like Campaign for Nuclear Disarmament), to support where possible. But you also have to bear in mind that you have to manage their expectations as well.

Also, it can help to tie it in to the wider debate on ethical investment policies. Not just in relation to weapons, but all sorts of areas where the government may be investing and which people wouldn't necessarily be aware of or approve. This can draw colleagues into a proper debate. You might find that this is also more resonant with voters.

Finally, this is a debate about government transparency and accountability too. Understanding how taxpayers money is being spent, and pushing for more responsible spending (and general economic stewardship and financial management) is a topic that people relate to especially, because of the current financial crisis.