PAX Statement to the 2018 NPT Preparatory Committee Meeting

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CHECK AGAINST DELIVERY

Good morning delegates,

PAX produces several studies investigating the role between the financial sector and weapons prohibited by international treaties. We do this as part of our contribution to global campaigns, like the International Campaign to Ban Landmines, the Cluster Munitions Coalition, and the International Campaign to Abolish Nuclear Weapons. Our reports and efforts are part of the growing movement in the public and private sector towards fair financing, socially responsible investing and corporate social responsibility. These projects provide an entry point for a wide range of stakeholders to support efforts to eliminate weapons that are indiscriminate, inhumane, and in many cases, illegal.

Our nuclear weapons reports are called Don’t Bank on the Bomb.

States that have signed and ratified the nuclear Non Proliferation Treaty (NPT) have shown a moral and ethical commitment to bringing an end for all time to the harm and risks associated with the existence of nuclear weapons. And all states that have ratified the NPT declared their “intention to achieve at the earliest possible date the cessation of the nuclear arms race and to undertake effective measures in the direction of nuclear disarmament.”

It may come as a surprise to some that some states outsource the production of nuclear weapons to private companies, and that many of these companies are traded on the open market. BAE Systems, for example, is currently contracted to produce key nuclear weapons components for the French, British and US arsenals. Dozens of other contractors are engaged in this work, and the details about their production efforts, and their long-term contracts, are available on our website.

What this means is there are other avenues, and other stakeholder to engage with in achieving the cessation of the nuclear arms race as an effective measure towards nuclear disarmament.

Even though investment in nuclear weapons producers is not explicitly named as a core prohibition under the NPT, governments are responsible for activities carried out in their jurisdiction. This includes the prohibition on assistance with the manufacture of nuclear weapons in Non Nuclear Weapon states contained in the NPT’s article 2. However, some Non Nuclear Weapon states do host nuclear weapon producing companies, and many Non Nuclear Weapon states host financial institutions that financially support those nuclear weapon producers.
Governments must make every effort to ensure that any activities carried out under their jurisdiction do not go against the aim and purpose of the treaty, and do not facilitate the production of nuclear weapons.

Where governments are slow to act, financial institutions themselves are filling the gap.

For example, the director Blackrock, the world’s largest asset management fund, Larry Fink said in a letter to clients earlier this year:

We also see many governments failing to prepare for the future, on issues ranging from retirement and infrastructure to automation and worker retraining. As a result, society increasingly is turning to the private sector and asking that companies respond to broader societal challenges. Indeed, the public expectations of your company have never been greater. Society is demanding that companies, both public and private, serve a social purpose. To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society. Companies must benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate.

It is up to us, collectively, to put an end to nuclear weapons before they put an end to us. In cases where governments partially own financial institutions they have an even greater responsibility to ensure that these financial institutions are not undermining the goal of a nuclear weapons free world.

The financial sector is recognising, as the fifth largest pension fund in the world, ABP did, that due to “[c]hanges in society, also at the international level... nuclear weapons no longer fit in with our sustainable and responsible investment policy”. APB is not the only institution recognising that the world has changed, nuclear weapons are now illegal through the Treaty on the Prohibition of Nuclear Weapons, and as with other weapons prohibited through international treaty, the financial sector is taking this responsibility seriously.

One way to demonstrate commitment to the global nuclear disarmament and non-proliferation regime is to adopt legislation prohibiting investment in nuclear weapons. Legislation like this can be modelled on similar legislation adopted in over a dozen countries prohibiting investment in cluster munitions- or that existing legislation could be expanded to include all weapons that cause indiscriminate effect. This is a way to ensure that any financial institutions based in that country does not invest in companies associated with nuclear weapons.

Financial institutions need and benefit from clear guidelines laid down by their government.

Legislation should comprehensively prohibit all investments in all nuclear weapon producers:

- Explicitly prohibit the investments in the producers of nuclear weapons and/or key components for nuclear weapons and delivery systems.
• Explicitly ban investments in all activities of companies that produce nuclear weapons, as companies can reallocate general corporate funds to any projects they choose.

• Cover investment by any financial institution within that country’s jurisdiction including both public and private funding;

• Include sanctions for those financial institutions that do not abide by this legislation;

• Have a comprehensive definition of the term ‘investment’ that encompasses all of the bank’s activities including commercial banking, investment banking and asset management, for both their own accounts and for third parties;

• Effectively cover all investments without any exception or other loophole;

• Include provisions on monitoring and implementation.

Financial institutions need and benefit from clear guidelines laid down by their government. By drawing up national legislation governments are supporting the financial institutions that have already implemented a comprehensive policy and create the conditions for other financial institutions to live up to the same standard.

Those that want create the conditions for a nuclear weapon free world can do so, and they can start by putting their money where their mouths are.

Bank on the future, not on the bomb.