Submission from the Campaign Against Arms Trade to the Foreign Affairs Committee on the UK's relations with Saudi Arabia and Bahrain

1. The Campaign Against Arms Trade (CAAT) in the UK, which was established in 1974, works to end the international arms trade. The arms business has a devastating impact on human rights and security, and damages economic development. CAAT believes that large scale military procurement and arms exports only reinforce a militaristic approach to international problems.

2. The Coalition government has been explicit in giving its foreign policy a commercial focus. However, in one area at least, this is nothing new. Successive UK governments have made supporting arms companies and their sales efforts a top foreign policy priority. There was a brief hope of change in 1997 when Foreign Secretary Robin Cook announced a foreign policy with human rights at its heart. However, in order not to jeopardise arms deals, in that case with Indonesia, Prime Minister Tony Blair overruled him three months later. The foreign policy priority was again arms sales.

3. Saudi Arabia is the largest customer for UK arms and military links have also been built with Bahrain and other Gulf Cooperation Council neighbours. Arms sales can be seen as an attempt to trade with and influence an oil rich region. However, the power is entirely in the hands of the arms purchasers and, as will be shown through examples in this submission, UK governments will act against wider UK interests to appease them.

4. In its October 2012 response to the Committees on Arms Export Controls, the Coalition government said that it did not accept the Committees' conclusion in its July 2012 Report that there is an "inherent conflict between strongly promoting arms exports to authoritarian regimes whilst strongly criticising their lack of human rights at the same time." This refusal even to accept that there might be a contradiction appears wilful, a clear sign that, even after the Arab Spring, the priority is arms sales and, where these are at stake, any mention of human rights is mere rhetoric designed to appease critics.

5. Prioritising arms sales and side-lining human rights is a dangerous strategy. The situation can change swiftly and a regime which currently appears stable can be overthrown, as was so powerfully illustrated by Gadaffi’s fall in Libya. Once the military equipment has left the UK there is no control over how it will be used or who it will be used by.

6. Selling arms to Saudi Arabia and other authoritarian regimes has undermined the credibility of the UK’s advocacy of democracy and work to end corruption. It has compromised the UK’s justice system, and left UK taxpayers vulnerable to loss if there were a default. The UK may yet come to rue putting arms sales at the heart of its foreign policy. However, it is not too late to switch from helping despotic regimes remain in power to supporting those struggling for democracy and human rights.
Saudi Arabia

7. At 161 out of 167 on the Economist Intelligence Unit’s Democracy Index 2011, Saudi Arabia is ranked equal to Burma and even lower than Iran. Its appalling human rights record makes it a “country of concern” for the Foreign and Commonwealth Office (FCO). However, while some authoritarian regimes face international opprobrium and arms embargoes, Saudi Arabia has been courted by successive UK governments anxious to secure a constant oil supply and arms sales.

8. Implicit along with the desire to sell arms has been backing for the current Saudi regime and a message to those in Saudi Arabia and the wider region that any aspirations for human rights and democracy are of less importance to the UK.

9. The degree of control it wields over its citizens might explain why, with the exception of some protests in the east of the country, Saudi Arabia has, so far, been largely unaffected by the Arab Spring. However, it was instrumental in suppressing protest in Bahrain. A convoy of Saudi Arabia National Guard Tactica armoured vehicles, made in Newcastle-upon-Tyne, entered Bahrain in March 2011 to guard its infrastructure, which freed up Bahrain’s military and security forces for the repression of protesters. That the Tacticas were not being directly used against the demonstrators was misused by the UK government to justify business as usual with Saudi Arabia - not a single export licence to that country was revoked.

10. Saudi Arabia has been a major buyer of UK weapons since the 1960's. The UK government is heavily involved as the main deals are operated through government-to-government contracts. The UK government's contracts with Saudi Arabia are complemented by those between the UK government and the main contractor, BAE Systems and its predecessor companies. The deals have enjoyed the backing of successive UK governments and benefited from institutional support, facilitating much three-way co-operation between the UK government, Saudi Arabia and BAE.

11. BAE has 5,000 BAE employees in Saudi Arabia, many of them UK expatriates. At the 2012 BAE AGM the company's chair failed to answer a question as to whether there were any circumstances under which BAE would cease taking orders from the Saudi army or cease collaborating with them. It is not clear whether the government-to-government agreements cover such a situation, or what, in practice, the UK government and BAE would do. Also, would the UK taxpayer be left meeting the cost of the repatriation of the UK employees?

12. The big money contracts have been the Al Yamamah for Tornado jets in the mid-1980's and that for Eurofighter Typhoons signed in stages from 2005 onwards. Much other military equipment has been sold too, sometimes as part of these contracts and sometimes independently of them. There have also been training packages. The equipment supplied has included small arms and riot gear, as well as the Tacticas.

13. BAE is a commercial entity which seeks to make profits for its international shareholders. Yet top-level backing has always been made available to support its arms deals with Saudi Arabia. Prime Minister David Cameron's November 2012 trip to help cement the Eurofighter Typhoon deal is only the most recent manifestation of this. However, the organisational links which underpin the deals are probably just as vital for their furtherance and integration into the UK establishment.
14. **MODSAP** The UK government's arms export agency is now the UK Trade and Investment Defence and Security Organisation; additional assistance for all military exports is provided by the new Defence Export Support Group within the Ministry of Defence (MoD). However, sales to Saudi Arabia are also supported by the Ministry of Defence Saudi Armed Forces Project (MODSAP). Located within the Head Office and Corporate Services management area within the MoD, its cost, £39.59million in 2011/12, is reimbursed by the Saudi government.

15. On 1st April 2012, MODSAP employed 69 civilians and 44 military personnel in the UK, and 34 civilians and 48 military personnel in Saudi Arabia. These are UK civil servants and members of the UK armed forces, usually headed up by an Air Vice Marshall (AVM) as Director. The post is currently vacant, though, according to "DefenseNews" (4.11.12), soon to be filled by AVM Ian Morrison. The vacancy occurred as the previous incumbent, AVM Sean Bell, had lasted just seven months following "personality clashes" with the Saudis - a clear sign that those paying make the decisions.

16. MODSAP and BAE have a joint initiative called British Offset, the purpose of which is to bring economic benefit to the people of Saudi Arabia. British Offset manages a £1billion investment agreement called Saudi British Economic Offset Programme.

17. **UK taxpayers vulnerable** The UK Treasury has had concerns about the arms deals, worried, presumably, that the current Saudi regime would be overthrown and their successors would not wish to pay. Al Yamamah was designed as a barter agreement with Saudi Arabia paying in oil. However, an oil price crash in the mid-1980's meant that the UK government had to use its Export Credits Guarantee Department (ECGD), now UK Export Finance, to underwrite the deal for £1billion. If Saudi Arabia did not pay, the UK taxpayer would ensure that BAE was not out of pocket. Documents from the time show the Bank of England and the Treasury, in particular, had doubts. John MacGregor, Chief Secretary to the Treasury, warned “the Exchequer is being drawn inexorably into financial commitments on this deal which would be difficult to control”, pointing out Saudi default would seriously constrain future Budget options.

18. Concern about the risk to UK taxpayers from the Saudi arms deals continued through the decades. Chief Secretary to the Treasury Paul Boateng wrote on 29th May 2002: “I remain concerned about ECGD taking on liabilities for £1billion for a single transaction which ... if called would lead to ECGD having to pay a claim for the full £1billion in one fell swoop.”

19. BAE stopped the cover on its arms deals with Saudi Arabia in September 2008 just before a highly critical report from the Organisation for Economic Cooperation and Development regarding the Saudi Arabia corruption allegations. However, there is nothing to stop arms companies gaining export credit cover for future deals to Saudi Arabia and leaving the UK taxpayer once again exposed.

20. **Undermining anti-corruption efforts** Making arms sales to Saudi Arabia a cornerstone of UK foreign policy led to the UK bowing to Saudi Arabia's demands and ending a criminal investigation.

21. Discussing the 1970's situation with regard to arms deals to Saudi Arabia, former Defence Minister Lord Gilmore said: “You either got the business and bribed, or you didn’t bribe and didn’t get the business. You either went along with how the Saudis behaved, or what they wanted, or you let the US and France have all the business” (Newsnight, 16.6.06). Media
reports about corruption with regards to the Saudi deals have featured frequently over the years.

22. As a result of these, in November 2004 the Serious Fraud Office (SFO) announced that it was investigating BAE deals, including those with Saudi Arabia. The investigation did not deter the then Prime Minister Tony Blair and Defence Secretary John Reid from visiting Saudi Arabia in July 2005 (Guardian, 27.9.05) promoting the sale of the Eurofighter Typhoon aircraft. The Saudis were said to be demanding three concessions. Firstly, the expulsion of two Saudi dissidents; secondly, the resumption of British Airways flights to Riyadh; and, finally, the ending of the SFO investigation. The "understanding" for the purchase of 72 Eurofighters was announced in December 2005.

23. Continuing its investigation, in November 2006 the SFO was about to obtain access to Swiss bank accounts to reveal the destination of commission payments allegedly made by BAE. Saudi Arabia was said to have retaliated by threatening not to proceed with the Eurofighter Typhoon deal, to suspend diplomatic ties with the UK, to cut intelligence cooperation and to terminate payments on the existing Al Yamamah deal unless the SFO inquiry was called off (Sunday Times, 19.11.06; Sunday Telegraph, 26.11.06). Prince Bandar, the son of Defence Minister Prince Sultan, was later reported to be one of the beneficiaries of the corrupt payments and the source of these threats - "BAE accused of secretly paying £1bn to Saudi prince" (Guardian, 7.6.07) and "Bandar Lobbyed No 10 to drop Saudi bribes inquiry" (Times, 10.6.07).

24. While the decision was ostensibly made on national security grounds, it is clear that the Saudi threats to end the Eurofighter deal prevailed, not least upon Prime Minister Tony Blair. The detailed contract for the Eurofighters was signed in September 2007.

25. Unlike the UK, the United States did not stop its inquiry into the BAE Saudi deals. In March 2010 BAE was fined $400million, one of the largest criminal fines in the history of the US Department of Justice's effort to "combat overseas corruption in international business and enforce US export control laws". The US court documents showed that BAE had provided "substantial benefits" to a Saudi official in a position of influence regarding fighter jet contracts.

26. In August 2012 the SFO announced it was investigating allegations of corruption regarding Saudi Arabia and EADS' subsidiary GPT which has a project known as SANGCOM, said to be worth £2billion a year. It is hoped this investigation will be allowed to continue without threats or interference.

27. **Pressure on UK parliamentarians** The National Audit Office (NAO) spent three years investigating the Al Yamamah deal, reporting in 1992. The then Labour Chair of the Public Accounts Committee, Robert Sheldon MP, read the report along with a Conservative member of the Committee. The NAO only investigated the MoD - Robert Sheldon said, “We were not able to follow money outside the department once it is paid to the contractors, so we do not know what was done with it” (Independent, 24.6.97). He made it quite clear that the reason the report was not published was the “highly sensitive situation regarding jobs in the defence industry” (Independent, 12.3.92), adding, a few years later: “The Saudis would have been upset” had the report been published (Independent, 24.6.97).

28. Despite considerable pressure over the years, this remains the only NAO report presented to Parliament that has not been published. No current MP has read it and CAAT
understands that it can only be made public in the future if a Parliamentary resolution to this effect is passed.

29. While to date Saudi wishes have prevaled with regard to the NAO report, CAAT is pleased that your Committee has not heeded the threats from Saudi officials, reported in mid-October 2012, that they were now "re-evaluating their country's historic relations with Britain" in the light of your inquiry. It does seem, however, that this may, at least in part, have prompted David Cameron's visit to Saudi Arabia to press the case for the Eurofighter Typhoon.

30. **Security** Corruption by ruling elites in the Middle East has also been cited as a factor motivating the leadership of terrorist organisations such as Al Qaeda. A tape released in 2004 by Osama Bin Laden criticised the Saudi Royal family as “a corrupt gang” and refers to arms purchases by Saudi Arabia as evidence of the regime’s lack of concern for the increasing economic and social insecurity of its citizens (Middle East Media Research Institute, Osama Bin Laden, 16.12.04). The policy of prioritising arms sales and links with authoritarian rulers over human rights could be fuelling resentment against the UK among peoples of Saudi Arabia and the wider region.

**Bahrain**

31. There is considerable evidence of human rights abuses in Bahrain, including against medical personnel. Birdshot has caused deaths and injuries and evidence that some of it may have emanated from the UK has been included in CAAT's recent submission to the Committees on Arms Export Controls. Despite this poor human rights record, Bahrain is not listed as a FCO "country of concern".

32. The repression in Bahrain does not prevent the UK from courting it as a customer for arms. Military delegations from the country were invited to be guests of the UK government at both the DSEi arms fair in 2011 and the Farnborough Airshow in 2012. A Defence Cooperation Agreement (DCA) between the UK and Bahrain was signed in October 2012. It "provides a framework for current and aspirational defence engagement activity including training and capacity building in order to enhance stability of the wider region, supporting Bahrain's ability to counter any external aggression" (Hansard, 31.10.12, Col 289W). Every indication is that the UK government will do what it can to facilitate arms deals there.

33. Despite being signed by Defence Secretary Philip Hammond at the MoD in London, there was no press announcement by the MoD of the DCA. With regards to export credit cover for six BAE Hawk trainers ordered in January 2003 total secrecy prevails. A parliamentary answer (Hansard, 29.10.12, col112/3W) pointed towards the ECGD's annual reports where such information is published subject to "commercial confidentially considerations". The Bahrain Hawk deal is not listed, though the 2003/4 edition says that guarantees for £158.2million were issued with respect to Bahrain. CAAT surmises that at least some of this is with respect to the Hawk deal.

34. Shortly after the signing of the DCA in October 2012, Bahrain banned all public protests. Either the UK had raised human rights concerns and been totally ineffectual in doing so, or the issue had not been raised at all.

**The jobs myth**

35. As well as being morally repugnant, Prime Minister David Cameron's argument, as used on 12th November 2012 in his speech at the Lord Mayor's Banquet, that he is promoting arms
sales to support 300,000 jobs does not stand up to scrutiny. This figure includes around 100,000 jobs from non-equipment expenditure by the Ministry of Defence and it is based on data from five years ago. Since that time, there have been widely-reported cuts to arms industry employment in the UK. The vast majority of the remaining jobs are supported by equipment purchased by the UK MoD, not exports. Under 0.2% of the total UK workforce of 29.5 million is employed making military equipment for export.

36. All arms industry jobs are heavily subsidised by the taxpayer, and military exports get Government support not given to other industries. Given that arms industry workers have the kind of skills that are badly needed elsewhere, David Cameron could transfer the support to develop other, growing sectors of the economy, such as building a renewable energy industry. This would assist the UK economy. It would also benefit national and international stability and security.

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