Submission from the Campaign Against Arms Trade to the Quadripartite Committee on Strategic Export Controls

1. The Campaign Against Arms Trade (CAAT) is working for the reduction and ultimate abolition of the international arms trade, together with progressive demilitarisation within arms-producing countries.

2. In advance of Quadripartite Committee’s evidence sessions with the Foreign Secretary and the Minister of State, Department of Trade and Industry, CAAT would like to make known its current concerns with regard to Saudi Arabia; corruption; end-use monitoring; Timor-Leste; and the Government’s proposed Arms Trade Treaty.

**Saudi Arabia**

3. Saudi Arabia is run by a barbaric and undemocratic regime yet, along with the United States, it tops the UK government’s priority list for arms sales. This desire for sales has led the UK to a policy of appeasement with Saudi Arabia, rather than to the strong criticism its human rights record deserves.

4. The mid-1980's Al Yamamah 1 and 2 arms deals with Saudi Arabia were by far and away the UK's largest. On 23rd December 2005 the “Understanding Document” for “Al Yamamah 3” was signed between the UK and Saudi governments. The details are confidential, but it commits the UK government to help modernise the Saudi armed forces and, as part of this, to supply Eurofighter Typhoons, assembled by BAE Systems.

5. This “Understanding” undoubtedly breaks the spirit, if not the word, of the Consolidated EU National Arms Export Licensing Criteria which are supposed to prohibit arms sales which might threaten regional peace and stability, and restrict arms deals involving countries which disrespect human rights and fundamental freedoms.

6. Its human rights record also renders the Saudi regime less than secure, and the “Understanding” is likely to anger its opponents and further alienate them from the “west”. It might not be possible to control where the equipment the UK has supplied would end up.
7. The £1 billion insurance given by the Export Credits Guarantee Department with respect to the Al Yamamah 1 and 2 sales (Guardian, 14.12.04) is official confirmation that there are worries about the stability of the Saudi regime. It also leaves the UK taxpayer exposed to the possibility of picking up the bill for these particularly ill-advised deals. At the time of writing it is not known what, if any, export credit cover will be given with respect to Al Yamamah 3.

8. Whilst BAE Systems’ shareholders will benefit from the deal, it is unlikely that the UK as a whole will. Despite assertions by government to the contrary, there is no evidence that the Al Yamamah deals bring any benefit to the UK economy. Freedom of Information requests by CAAT to the MoD and the Department of Trade and Industry have revealed that neither have conducted any studies into the economic impact of Al Yamamah 1 or 2.

9. Indeed, most studies of the economic impact of arms exports as a whole show they are subsidised by the taxpayer. Even a report by Ministry of Defence and independent economists, The Economic Costs and Benefits of UK Defence Exports (2001), concluded, firstly, that the economic costs of reducing military exports are relatively small and largely one-off, and secondly, as a consequence, that the balance of argument about military exports should depend mainly on non-economic considerations. This conclusion is reiterated in the MoD’s Defence Industrial Strategy published in December 2005.

Corruption

10. Human rights and economic issues aside, there is a massive risk of corruption surrounding these deals. Documents in CAAT’s possession, which can be made available to your Committee, show that in the 1960’s and 1970’s the Government’s arms sales unit, then called the Defence Sales Organisation (DSO), now the Defence Export Services Organisation (DESO), advocated that a nationalised company be used to pay bribes, largely in connection with deals to Saudi Arabia, though not exclusively so.

11. This is of more than historic interest as the corruption around arms exports is generally acknowledged to be a problem and must be taken into account when considering export licences to, or export credit support for, sales to countries where the UK government knows there has been bribery in the past. In the case of Saudi Arabia, some of the key decision makers in the 1960’s and 1970’s are still in power. The two most important examples are Prince Sultan, the Saudi Minister of Defence then and now, and Prince Abdullah, at the time the Commander of the Saudi Arabian National Guard, and now the King of Saudi Arabia.

12. CAAT believes your Committee was seriously misled by the MoD in its memorandum to you of July 2003 (Strategic Export Controls: Annual Report for 2002, Licensing Policy and Parliamentary Scrutiny, 18th May 2004, HC390, Ev34). The memorandum was an attempt to rebut the Guardian article of 13th June 2003 which claimed “web of state corruption dates back 40 years”.

13. The Guardian’s central allegation was that: “The government's own arms sales department [DESO] is directly implicated in bribery abroad”, substantiated by
documents detailing that “special commissions … are even written by civil servants into the secret contracts on government-to-government arms deals”. It concluded “bribery has been at the heart of DESO’s mission from the day the unit was launched nearly 40 years ago”.

14. The MoD’s memorandum to your Committee argued: the article was “totally without foundation”; the Guardian’s assumption that “special commissions” are bribes was false; the Manual the Guardian referred to which apparently allowed “special commissions” had in fact been obsolete since 1991; guidelines were in place to ensure “public money should not be used for illegal or improper purposes”; and that “officials should not engage in, or encourage, illegal or improper actions”. In summary, the memorandum was designed to leave the reader with the impression that DESO had never condoned bribery in arms sales, and in fact had procedures in place designed to “ensure legality and propriety in the handling of Government-to-Government contracts”. This is far from being the case.

**Nationalised company used to pay bribes**

15. The DSO arranged for the use of a nationalised company, Millbank Technical Services (MTS), then a wholly owned subsidiary of the Crown Agents, to pay bribes on a proposed Government-to-Government arms deal. A senior DSO official Harold Hubert wrote in 1972 about a proposed sale to the Saudi Arabian National Guard: “MTS will have little hope of business unless we [UK Government] invite them to sell on our behalf….Since, when the Ambassador sees the King, he will indicate our willingness to do business on a G-to-G [Government-to-Government] basis there might be advantages to MTS co-ordinating any British equipment business to provide the quasi-government oversight as well as passing on the douceurs” (FCO 8/1914).

16. The Concise Oxford Dictionary defines ‘douceur’ as “n. gratuity; bribe”. In other documents it is clearly stated that MTS’s agent was Prince (now King) Abdullah’s brother-in-law, a gentleman by the name of Mr Fustuq. The Secretary of State for Defence, Lord Carrington, was made aware by Lester Suffield, the Head of DSO, that this was the case.

**MoD condoned bribes**

17. Hubert wrote to the Embassy in Caracas about DSO in 1967 saying that “day by day we carry out transactions knowing that at some point bribery is involved. Obviously I and my colleagues in this office do not engage in it, but we believe that various people who are somewhere along the lines of our transactions do. They do not tell us what they are doing and we do not enquire. We are interested in the end results”. Another Foreign and Commonwealth Office document (FCO 8/2343) refers to “[Ian] McDonald, the Director of Defence Sales 1, called on 28 February…[and said that] in his experience no arms purchase of this magnitude would be concluded with an Arab country by means of a simple exchange of letters; furthermore the ‘fiddle-factor’ was an element that could not be overlooked”.

18. The MoD received copies of high-level briefing papers which contained statements such as “most of the special commissions are paid into accounts in third countries – the implications of corruption are thus clear…the person receiving the commission is usually in a position to sway the purchasing decision”.
19. Far from not encouraging “improper actions”, in discussing the failure of MTS’s efforts to sell to the Saudi Arabian National Guard, Hubert states “if a deal has to be done with Khashoggi it has to be done. His own personal demands will probably be high, but that is the way business is done in Saudi Arabia, the King’s edicts about 25 percenters notwithstanding. Either Khashoggi is offered the cut he wants or we should pull out”. DSO knew that agents on arms deals paid bribes but continued to encourage their use; the Embassy in Jedda even referred in 1974 to DSO’s “pchant for dealing through ‘fixers’”.

**Members of client governments allowed to be agents**

20. From 1967 to 1976 DSO’s guidelines permitted DSO to hire as agents employees of client governments.

**No effective scrutiny of agents’ activities**

21. The guidelines of 1976 and 1977, to which the MoD referred in its memorandum, simply tried to ensure that DSO employees were not actively involved in unlawful activities; by implication, promoting sales they knew to be tainted by bribery was legitimate. MoD official E G Cass conceded the procedures could not prevent bribery on sales DSO was promoting: “if an isolated case came to public notice in which an agent had acted improperly, we could claim that we had done all that could be expected of us”.

**Evidence of bribery ignored by officials**

22. There is considerable evidence in The National Archives of official knowledge of bribes being paid on arms deals from the UK to Saudi Arabia. For example, in 1971 a letter from Ambassador Morris to the MoD says: “I conclude...that as long as this mood persists, we shall get no more large arms contracts from the Saudi Ministry of Defence, outside the Air Defence field. Sultan has of course a corrupt interest in all contracts, but this can be served by any nationality.” Prince Sultan was, and still is, the Saudi Minister of Defence.

23. In a heavily censored paper addressed to Lester Suffield, newly Head of DSO in 1970, Morris writes: “the question of corruption is obviously crucial and I have therefore dealt with it frankly and at some length”. He concludes that: “There is no single golden key (or golden fixer) to open the door to an orderly, if crooked, world of arms sales in Saudi Arabia. It is a jungle inhabited by beasts of prey in which one must move with caution and uncertainty”.

24. Denis Healey, who as Secretary of State for Defence set up the DSO in 1966, told Prime Minister Jim Callaghan in 1977: “There was no doubt that bribery had been going on for years on a large scale in the Middle East and Africa and that organisations responsible to government (including defence sales and nationalised industries) had been involved”. Healey recently told the Daily Mail (25.1.06) that “it would have done more harm than good to tell the truth.

25. The 1992 National Audit Office report into the Al Yamamah deals remains secret. It was read only by the then Chair of the Public Accounts Committee and his deputy; none of the current members of the Committee have read it. Other documents, which might throw light on to arms deals, especially with Saudi Arabia, are withheld from the public, in some cases even after the usual 30 years have elapsed. CAAT has appealed
to the Information Commissioner for the release of several of them and awaits his verdict.

26. In the light of this evidence, it is hard to see how the MoD can refute the Guardian when the latter says that “bribery has been at the heart of DESO's mission from the day the unit was launched”. The bigger question, however, is what is happening today. BAE Systems, Rolls Royce and Airbus all argued strongly that they should not have to disclose the names of agents when applying for cover to the Export Credits Guarantee Department.

27. CAAT would urge your Committee to recommend that the Government is more transparent about arms deals and releases the documents without delay. Furthermore, it is essential that the ECGD requires copies of all contracts when it is supporting projects or offering insurance cover and that such contracts, or supporting documentation, contain full details of agents used. The ECGD should scrutinise the contracts and other documents and make further inquiries about the agents if necessary.

End-use monitoring

The use of UK-supplied water cannon in West Papua

28. CAAT wishes to draw your Committee’s attention to the deployment of two UK-supplied Tactica armoured personnel carriers armed with water cannon to West Papua at the beginning of August 2005. The Tactica APCs were present during a large demonstration against special autonomy on 12th August 2005 and at a protest against the establishment of the Papuan People’s Assembly (MRP) on 31st October 2005. They were used in a clash between the police and protesters in Jayapura.

29. The FCO has stated that it considers that “the use by a Government within its own borders of proportionate force to maintain law and order, subject to appropriate controls, is legitimate and does not constitute repression or a human rights abuse”. (Hansard, 13.12.05, Col 1953W) This response is disturbing. The question of law and order in West Papua cannot be divorced from the context of a highly volatile political situation in which human rights are routinely abused by the security forces. Their record shows that the security forces cannot be trusted to always use "proportionate force" and exercise "appropriate controls". Often public disorder is caused by heavy-handed tactics by the security forces or is started or provoked by the security forces.

30. For several decades, there have been widespread violations of human rights in West Papua, as well as the violent suppression by the Indonesian security forces of the peaceful campaign for self-determination. In late January 2006, the UN Secretary-General’s special adviser on the prevention of genocide said that West Papua is an area of concern where the indigenous population is in danger of extinction.

31. This ongoing deployment took place during a period of heightened tension also involving the sending of large numbers of additional troops to West Papua in the latter half of 2005 and Indonesian Police instructions to prevent people peacefully demonstrating in favour of independence in November and December 2005. Two Papuan activists (Filep Karma and Yusuf Pakage) languish in jail for 15 and 10 years simply for the offence of raising the West Papuan flag, and have been adopted as
prisoners of conscience by Amnesty International. Just last month, Indonesian troops opened fire on a group of unarmed protesters in West Papua’s Paniai district, killing one thirteen-year-old and seriously wounding two others.

32. Irrespective of whether the water cannon are used in specific violations, the FCO’s refusal to object to their use provides a strong signal of political support for Indonesia’s repressive policies in West Papua. The very presence of the water cannons is a powerful deterrent to Pauans wishing to exercise their rights to freedom of expression and assembly, surely a violation of their human rights.

33. The UK government should demand the immediate withdrawal of the water cannon from West Papua; and publicly announce an embargo on the sale of armoured vehicles to Indonesia as well as spare parts for such vehicles already in their possession.

**Complaints on end-use assurances justified**

34. CAAT appreciated the attention your Committee gave in the last Parliament to the secret relaxation of conditions by the FCO in 2002 on the use of UK-supplied equipment in Aceh in your 2004 Report. The Government now accepts the argument of your Committee and CAAT that the assurances were worthless (*Hansard*, 22.11.05, Col 1903w), and that it no longer seeks them.

35. This, however, has serious implications. Given the assurances were one of the main justifications offered by successive governments to justify arms sales to Indonesia, the UK government is now admitting it offered Parliament empty promises about Indonesian conduct, and, therefore, misled Parliament as far as the risk of UK-supplied equipment being used for internal repression was concerned.

36. There are other concerns. FCO Minister Ian Pearson told Mike Hancock MP that the Government was not aware of any UK-supplied equipment currently deployed in West Papua (*Hansard*, 22.11.05, Col 1903w). The FCO has since admitted that the Tactica were in West Papua at the time it responded to Mr Hancock. It is only since CAAT, TAPOL - the Indonesia human rights campaign, and others have made complaints about the deployment of the UK equipment that the FCO has investigated the incident in West Papua. Had these complaints not been made, the UK government would have been in ignorance of the use of Tactica.

37. CAAT believes it is vital that the UK government institute a proactive system to check the end-use of UK-supplied military equipment.

**Timor-Leste**

38. The recent report by Timor-Leste's Commission for Reception, Truth and Reconciliation (CAVR), submitted to the UN Secretary-General, noted that the UK was a major supplier of arms to Indonesia during its occupation of Timor-Leste and that senior Indonesian military officials were given training in UK military establishments.

39. The report says that: "Whether or not British-made military equipment was used in specific violations in Timor-Leste, the provision of military assistance helped Indonesia upgrade its military capability and freed up the potential for the Indonesian armed
forces to use other equipment in Timor-Leste. More importantly, the provision of military aid to Indonesia by a major Western power and member of the Security Council was a signal of substantial political support to the aggressor in the conflict, and outraged and bewildered East Timorese who knew of Britain’s professed support for self-determination.

40. There are three recommendations in the report pertinent to your Committee and which CAAT would urge you to endorse. These are:
   * the UK as a state that had a military co-operation programme with the Indonesian government apologises to the people of Timor-Leste for failing to adequately uphold internationally agreed fundamental rights and freedoms;
   * the UK, as a state that gave military backing to Indonesia and a permanent member of the Security Council duty bound to uphold the highest principles of world order and peace and to protect the weak and vulnerable, assists the government of Timor-Leste in providing reparations to victims of human rights violations suffered during the Indonesian occupation;
   * business corporations which profited from the sale of weapons to Indonesia during the occupation contribute to the reparations programme.

**Arms Trade Treaty**

41. When an Arms Trade Treaty (ATT) was first mooted, CAAT supported the proposition believing it could help prevent sales to human rights abusers, conflict zones and impoverished countries. When Foreign Secretary Jack Straw announced the UK government’s support for an ATT in March 2005, CAAT sought to clarify how an effective ATT would be compatible with the Government’s promotion of, and subsidies for, military exports, as well as how it might affect them.

42. In his speech the Foreign Secretary said that the "tanks of repressive regimes, account for an enormous amount of avoidable human misery across the world". CAAT believes that had an effective ATT been in place it would have banned the export from the UK of spares for tanks Indonesia used in Aceh in 2002 and 2003 and prevented the supply of UK military equipment to Saudi Arabia.

43. Continuing, Jack Straw mentioned the "Democratic Republic of Congo - a country where six years of conflict have caused millions of deaths". To be worthwhile, an ATT would need to have prevented the sale of spares for Hawk jets to Zimbabwe, used in a war which "caused millions of deaths".

44. He talked of "developing countries who spend already over-stretched budgets on armaments for which they have no clear need are bound to have too little left for health, education and vital infrastructure". To have any impact on the world’s problems, an ATT would need to result in the cessation of UK arms sales to countries like Pakistan, impoverished, yet committing a quarter of government spending to arms, and to Nigeria, rated by the UN as one of the twenty least developed countries on earth.

45. Unfortunately, it does not seem as though the ATT envisaged by Jack Straw will do any of these things. The FCO has told CAAT that the ATT won't change UK sales. This was reinforced by the Defence Manufacturers Association’s DMA News, January 2006,
which says the DMA believes "the eventual Treaty would not bring new obligations for UK industry." An ATT which replicates current UK guidelines more widely will not provide adequate constraints and could well serve simply to legitimise arms sales.

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