HOUSE OF LORDS

Select Committee on International Relations

Corrected oral evidence: Transformation of power in the Middle East and the implications for UK foreign policy

Wednesday 9 November 2016

10.30 am

Listen to the meeting

Members present: Lord Howell of Guildford (The Chairman); Baroness Coussins; Lord Grocott; Lord Hannay of Chiswick; Baroness Helic; Baroness Hilton of Eggardon; Lord Inglewood; Lord Jopling; Baroness Smith of Newnham; Lord Wood of Anfield.

Evidence Session No. 4 Heard in Public Questions 30 - 35

Witnesses

I: Dr Christopher Davidson, Reader in Middle East Politics, Durham University; Mr Michael Stephens, Research Fellow for the Middle East, RUSI.

USE OF THE TRANSCRIPT

1. This is a uncorrected transcript of evidence taken in public and webcast on www.parliamentlive.tv.

Examination of witnesses

Dr Christopher Davidson and Mr Michael Stephens.

Q30 **The Chairman:** Good morning, gentlemen. Thank you both, Mr Stephens and Dr Davidson, for responding to our invitation and being here this morning. Before we start, I am obliged as a formality to remind you that this is an open public session with a webcast. There is a verbatim transcript, which will come to you in a few days if you want to change it in any particular way.

Perhaps I should give you a little context. This Committee is conducting a substantial inquiry into changing power patterns in the Middle East and the implications for British policy that follow from that. We are inclined not to go through the usual Baedeker tour country by country but to look at the whole scene and the way in which even countries are becoming blurred and their identities challenged. It is an entirely new world. I begin with a question, which I preface with a remark I heard only last night from a leading analyst who said that we have to roll up the map of the Middle East in 1914, 1918, 1927, and that the countries that were created then are all shaky and in question. The sources of power and influences on the region have changed radically and we are looking at a new scene.

Are we looking at a new scene in particular in the Gulf states? Has the talk of Prague springs and the rising up of liberty, democracy and the overthrow of tyrants in Egypt, Libya and Iraq—though not yet in Syria, although there are certainly challenges—changed Gulf attitudes or UK policy towards the Gulf? It is a big first question. Please both come in as you wish, but perhaps we can start with Dr Davidson, because I know this is an area that you know extremely well.

Dr Christopher Davidson: Good morning. There is certainly a lot to say about how UK policy has changed or otherwise over the past few years. I feel that it is a picture of both continuity and change, in many ways. We have certainly had Britain's trade continuing with the Arab Gulf states and Britain's arms exports continuing with many of the Gulf states, and we should not forgot, of course, the substantial presence of many British expatriates who continue to work in many of these states. We have in many ways also had continuity when it comes to Britain's alliance structure in the Arab Gulf.

We have seen how Britain has largely supported status quo powers in the wake of the Arab Spring over the past five years, which include key Gulf states. We saw Britain play a supportive role in the small kingdom of Bahrain, ensuring the longevity of that regime despite significant popular protests. We also saw Britain lend diplomatic support in both waves of counter-revolution in Egypt—the first sponsored by the Gulf state of Qatar supporting the political Islamists, namely the Muslim Brotherhood, and the second wave with Saudi Arabia and the United Arab Emirates supporting the coming into the open, as it were, of the military deep state. Britain has certainly lent its diplomatic support to the Sisi regime.

However, there has also been some significant change, with the Saudi intervention in Yemen and the Gulf states supporting of the opposition in Syria. These Gulf states have perhaps not seen the level of support that they would have expected from Britain and other western powers. It is certainly true that the British Government has lent support to the Saudi intervention in Yemen but that has not really gone much beyond words, a few advisers and the supply of weapons. They have not really helped Saudi Arabia to win this intervention quickly.

With regard to change, we have also had two very significant wild cards in the region over the past few years. Both involve Britain and the Gulf states. These wild cards were, I believe, always on the table, but we could never be sure that they would come to pass in this short-term timeframe. First, of course, is the US nuclear deal, which, as far as I can see, has provided major diplomatic cover for the restarting of western business relations with the Islamic Republic of Iran. Britain is heavily involved in that, and we now have a gravy train of businessmen turning up in the Islamic Republic. We have also had an interesting dynamic in the sultanate of Oman, a long-standing British ally. Oman has played a key role as an intermediary in brokering this détente with Iran and facilitating that flow of western business. Meanwhile, we have seen Saudi Arabia, Qatar et cetera, become bogged down in accusations of funding Sunni extremist groups. This is certainly part of the dynamic too; we have essentially seen the mood in Britain and other western powers gravitate towards Iran rather than Arab Gulf states that have been seen to be linked to Sunni extremism.

There has also been a subtle shift in the United States—perhaps not that subtle any more, as of today—over its positioning on the Gulf states. In particular, as the US has become energy rich, we have seen clues that it is less tolerant of its historic relations with Saudi Arabia. This has major implications for UK policy as well, especially if a key ally such as Saudi Arabia starts to see evidence mounting against it and connecting it, for example, to 9/11, al-Qaeda, the Islamic State, and so on.

It is very much a picture of opportunities and threats for Britain in this fast-moving region.

The Chairman: Mr Stephens, would you like to make an opening comment on that same broad theme?

Michael Stephens: Yes. It is probably incorrect to look back to 1914 and the Sykes-Picot Agreement or Treaty of Sèvres order. We should actually look at the post-1945 order, in which Franklin Delano Roosevelt met with Ibn Saud on the USS "Quincy" and established what became the backbone of US power and strategic interest in the region. It was basically premised on three or four unshakeable pillars, most of which are shaking quite fiercely at the moment.

The first was that the creation of NATO involved bringing in the Republic of Turkey as an important bulwark against Soviet Union southern expansion and containment in northern areas of Iraq and Syria. The second was the creation of the state of Israel and the US support of that. It becoming a nuclear power in the 1950s and 1960s led it to becoming the regional security guarantor alongside Saudi Arabia, which, as we know, was part of an oil for security quid pro quo deal. This was then backed on to strong support for the Shah of Iran, who at the time was viewed as the regional policeman. Little by little, all these understandings have come apart. The first was in 1979, of course, with the rise to power of the Ayatollah Khomeini, which began a period that we are seeing the culmination of today of Gulf state fear, insecurity and more direct reliance on the United States for external security guarantors. The removal of Saddam Hussein has accelerated that sense of fear and insecurity and led to what we see today, where there is no effective middleman standing between the Gulf states and the Islamic Republic of Iran.

As we see day by day, the competition between the two sides is increasing, not decreasing, and is reflected in a number of proxy wars across the region, most of which we are unable to solve and the United States now appears unwilling to solve, although these calculations may change; let us wait and see what happens with the new President.

Chris touched on a very important point here, which is that the relative value of the Middle East and these pillars of security—and that includes the State of Israel—are of less importance to the United States than they were even 10 years ago. As a result, these individual actors have begun to form alliances between themselves so you have seen a growing communication between the Saudis and the Israelis, regardless of the Israeli-Palestinian conflict and the tensions there, and a growing reliance on cross-cutting relationships within the region as those actors look for someone other than the United States to guarantee their security.

The issue is this: in the absence of overwhelming US authority in the region or hegemonic control—which is what we saw in the 1990s and even in 2003, and which quickly became eroded as Iraq descended into civil war and then what we have today—there is no other player that can play that role. So a number of different actors are filling the space, one of which of course is the Islamic Republic of Iran. The US engagement with Iran and some of the conversations that happen in Washington DC about bringing Iran back in as a regional security guarantor cannot lead to the situation that we had in the 1970s. Ayatollah Khamenei is not the Shah of Iran. His power base is fundamentally linked to mobilising Shia interests across the region in a way that the Shah of Iran’s was not.

Additionally, of course, you have the intrusion of Russia once again, which the United States does not appear willing to check, and of course Saudi Arabia feels, probably accelerated by the activism of Qatar, that it needs to take control particularly of Sunni Arab interests in the region, for pride and because of a sense that Iran is interfering in the affairs of Arab states; and not only is that interference not being checked by the United

States or the West, it is being aided by the United States in the form of the nuclear deal. At the moment it is very difficult to see a region that is stabilising. The states that are caught in the middle—primarily Lebanon, Syria and Iraq—unfortunately will see instability for years to come. This is primarily because the primary identification of people in those countries—and I have spent a lot of time in all of them—is no longer really an attachment to the state but to more narrowly defined entities or identities, which can be mobilised by outside actors for their own goals.

In all that, we think about our national interest. We think about what we can do to stabilise the region, such as what we have been seeking to do with our Gulf strategy, which includes a return "East of Suez". I think that is a little overtrumped, but I can understand why people say it. But in terms of being able to stabilise Iraq and Syria, we are very limited indeed. We are stuck with working with some actors—for example, the Kurds—but that leads to other problems, such as the mobilisation of Turkish frustrations. We have a number of things that we can do, such as working to stabilise the internal security of the Gulf states and security across the Persian—Arabian—Gulf, but we have to be humble in looking more widely and further afield at what we can do outside narrow counterterrorism lenses.

The Chairman: Both of you have related a lot of your comments to American policy in the Middle East. Obviously, that may be changing. We will come to that later in our discussion. But are you not slightly underplaying the two colossal dilemmas for British policymakers, particularly in the Gulf region? First, at the time of the Arab Spring we said that we were backing democracies; we wanted to see new forces of liberty and freedom flourish in the Middle East. We did not go as far as the Americans, but that was our general trend. These Gulf states, whatever else they are, are not democracies, so there is a dilemma.

Secondly, we are in favour of better relations with Iran—we are riding through with the nuclear deal; we hope it works—but you only have to travel for a few days in the Gulf states, certainly Saudi Arabia, Qatar, UAE and so on, to see that their view of Iran is very different indeed, with hostility verging on paranoia. Certainly, if you go to Bahrain, that is their chief and only preoccupation. Does this not create some very tricky dilemmas for our policymakers, trickier than in the past?

Dr Christopher Davidson: Yes, I believe so. In January and February 2011 a lot of western officials were very much wrong-footed by the fast-moving events in Tunisia, Egypt, et cetera, including the Secretary of State herself. As to the United States' and Britain's supposed support of democracy in the region, that view would be strongly challenged by many people in many of these states. Britain and the United States seem to have done almost nothing to support the strong secular movements—the so-called Arab Spring protest movements—since they emerged on the streets. If anything, we have seen Britain and the United States repeatedly side with those forces that have either sought to mount counter-revolutions against the Arab Spring pro-democracy protests or, more subtly, back proxy powers that have been seeking to ensure that certain political parties and groups win in post-Arab Spring elections, notably in Egypt and Tunisia, particularly political Islam parties, including the Muslim Brotherhood, which could never have hoped to fully unite the population in the way a more secular movement would have been able to.

The Chairman: Mr Stephens, do you have an additional response?

Michael Stephens: You are absolutely right to point out the contradiction. It seems a long time ago, 2000, does it not? There was a wave of hope, but by 2012 people were already calling the Arab Spring an Arab winter. If it was a winter then, I am not sure what it is now—maybe a Martian winter or something. The point is this: ultimately, yes, our sentiments, and I think those of HMG, were very much that the will of the people needed to be supported. That very much upset long-standing allies. Saudi Arabia was shocked by how quickly the West abandoned Hosni Mubarak. This set into motion a couple of things, which I think are leading to the frustrations that Saudi Arabia has expressed. Saudi Arabia has no problem with the idea that people support the Muslim Brotherhood, and the collective will of the Arab people supports the Muslim Brotherhood. What it has a problem with is when it becomes a genuine political alternative and it threatens the House of Saud, which has its own Islamic fundamental base around which it builds its legitimacy to rule.

As the custodian of the two holy mosques, a challenge in Sunni political Islam, be it from al-Qaeda or the Muslim Brotherhood, is a threat. Again, Saudi Arabia does not necessarily have a problem with people in the region being Shia, it has a problem with a Government who are expressly Shia, who spread Shia political interests, and that is a threat for Saudi Arabia. In 2011, our strongest trade partner was Saudi Arabia—we had signed the al-Salam deal and all the weapons deals that we all know about—and it felt betrayed. Now, we can discuss the morals and the relative rights and wrongs of that sense of betrayal, because coming from this country we like to see democracy and the will of the people being expressed, but there is a fundamental tension here between stability and change.

If you talk to young Gulf Arabs—I have lived in the region; I grew up there—most of them, between 20 and 35, are not that pro the idea of democracy. There are a couple of reasons for that. First, if democracy means 2003 in Iraq, they want nothing to do with it. Secondly, they look at the example of Kuwait and are very disappointed by Kuwait's constant instability and inability to pass laws and get things done. They think that is a sign of instability. They look at Bahrain, and rightly or wrongly the paranoia about Iran is well taken, but they see this as giving too much power to the people and, again, leading to instability. There is this natural tension where, in their view, stability means having a strong man in charge who you understand, who can try to represent the will of the people as best he can—it is always a he—which, again, is something we probably have an issue with. But the point is that that fundamentally clashes with our notion that the will of the people must be heard. Policy-wise it has been a tension, and unfortunately, to be honest, we are moving away from those hopeful sentiments of 2011 towards a more historic viewpoint.

The Chairman: That is very interesting. Does anyone round the table want to pursue the democracy point? If not, we will move to the economics.

Q31 **Baroness Smith of Newnham:** I was going to pick up the democracy and human rights point alongside the economic concerns. There is a slight danger that my questions will spread into the areas that my colleagues want to raise as well. I shall try not to do that too much. Dr Davidson, you started by mentioning the trading relations with the Gulf states since the Arab Spring. There is clearly an opportunity for the UK to trade with the Gulf states. How has that changed since the Arab Spring, and what opportunities are there post-Brexit for the UK to be engaging in more free trade?

Linked to that, how far should attitudes to human rights and abuses in some of the states that we might be trading with feed into British approaches to trade? You have talked a lot about Iran and the position of Bahrain but according to today's *Times* a Type 45 destroyer has been sent to the coast of Yemen. Some of that is because of the UK's energy concerns, but we also sell arms to Saudi, which is then engaged in activities in Yemen, possibly using armaments that we have sold it. Are those some of the things that should feed into our thinking, and should Dr Fox, when he is thinking about free trade deals, actually take a step back and think about human rights and the uses of some of the things that we might want to sell?

Dr Christopher Davidson: Thank you for your questions. First, with regard to the UK's trade relations since the Arab Spring, of course the UK has enjoyed long historical trade relations with all these states. Because the Arab Spring did not catch out any of the Gulf states fully, because they were all more or less able to respond in 2011 and 2012 with a mixture of ramping up public spending to keep their people off the streets—Oman promised tens of thousands of new public sector jobs, minimum wages, et cetera; Saudi Arabia announced historic new subsidies and record-breaking public sector employment promises—people were largely kept off the streets. Of course, rather sadly, there was also a ramping up of repression, in some cases very obviously, such as in Bahrain, where we know there was intervention, led by Saudi and the United Arab Emirates—with British and American knowledge. We know that foreign mercenary troops were brought in from Pakistan and that a considerable number of expatriates still make up the security forces in Bahrain and other Gulf states. But largely the picture was one of continuity within our allies, which has meant that trade flows have more or less been maintained.

Sovereign wealth investments from the Gulf between 2011 and 2014 remained very high. Of course, it is a key plank of Britain's outward-looking economy to attract such foreign direct investment and sovereign investment. Of course, we should not forget that even now these Arab Gulf states are home to some of the biggest sovereign wealth funds in the world: Abu Dhabi's, Kuwait's and Saudi Arabia's. However, the picture since about 2014 may be changing somewhat. In places such as Bahrain and Saudi Arabia, it is becoming increasingly clear that these regimes have managed simply to buy time. One could argue that they have dug their holes even deeper by increasing their public spending to a level that they just will not be able to rein in, given the sense of entitlement that has now been created among their populations. After all, how do you tell the new generation of high school, college and university graduates in Saudi Arabia or Bahrain that they will not be entitled to the same sorts of subsidies, price caps and public sector jobs that their parents' and even grandparents' generations were? That will certainly factor into the stability of our key trade partners in the region.

The other thing to mention is the changing oil industry dynamic as it becomes increasingly clear that this is no longer just a cyclical downturn, which these states have survived in the past. It is looking more and more like a technology-driven, structural shift in the international oil industry, led of course by the United States. But the new technology will not stop at the borders of North America. It will spread across the world. That is on top of the increased interest in renewable energies and everything else associated with that. Plus, of course, we have other key oil supplies coming on stream, including Iran's and elsewhere. We have seen the Gulf states' ability to keep positioning themselves as wealthy, stable oil monarchies very much coming under jeopardy.

Where does that leave Britain and its trade policy with the region? I think we can expect the good times to flow at least a little longer. There are certainly problems on the way. Britain can no longer rely on this massive stream of sovereign wealth investment from the Gulf states. Almost all of them now have to tap international debt markets simply to balance their budgets. Also, more worryingly, we have seen many of them, including Saudi Arabia and Oman, also tap into their overseas assets—their sovereign wealth funds—selling off properties in the West, selling off stakes in the US and British economies, and, most worryingly from the US perspective, starting to sell off US Department of the Treasury bonds over the course of 2016, which will have grave implications for the US-Saudi relationship. The UK certainly has to be careful. It has to be well aware that its gravy train may come to a stop in the near future. It cannot afford to be caught out, signing deals that its trade partners in the Gulf cannot honour in the very near future.

With regard to free trade agreements, the UK, certainly in the post-Brexit landscape, may be talking about some sort of GCC-UK FTA.[1] There are a few things to note there, which I am sure my colleague will also speak

[1] Gulf Cooperation Council-United Kingdom free trade agreement

about. The GCC does not have a very good track record of coming to major agreements. The EU-GCC FTA—where is that? The GCC is in China as we speak discussing its FTA. China, by the way, is in a very strong position with the Gulf states post-oil crash. It has them exactly where it wants them.

I advise the UK to go for the bilateral trade deal route if it wants that sort of thing, as the US has already done with Bahrain, Oman, et cetera, in the past. More importantly, the UK should bargain hard with these Gulf monarchies. They are no longer as central to UK international relations and even to UK security—political and economic—as they used to be. The UK can now be in a very strong bargaining position with the Gulf states when it comes to FTAs, which I would argue even 18 months ago it simply would not have been able to enjoy. We have to take a leaf out of the Chinese book and see how they are negotiating at the moment.

The Chairman: Mr Stephens—the end of the gravy train?

Michael Stephens: That was a very comprehensive answer. I agree that our strategy should be to prioritise bilateral trade agreements over a GCC-wide trade agreement, partly because the shape of the GCC economy is not certain to me and each country is going at its own pace with regard to economic reforms and structural changes—let us put it politely—in which some countries are much more likely than others to hit the wall financially in the next three to four years. The UAE and Qatar have plenty of time left—in fact, the Qataris doubled public sector salaries just yesterday or the day before—whereas Oman really does not, and Saudi Arabia has a completely different set of circumstances that we have to consider.

As a representative of RUSI, I will try to tackle your defence issue—

The Chairman: That is coming up in a minute.

Michael Stephens: It was part of the question. I can leave it or answer it, as you wish.

The Chairman: Let us hear from Lord Hannay, and then we can look at both.

Lord Hannay of Chiswick: I would like to look at the trade aspects, which both of you have touched on. Forgive my ignorance, but I would like to ask you two basic questions. I thought that all these Gulf states were pretty open in their economies already. I thought that they did not in fact protect themselves very much and they were very open economies—closer to, say, Hong Kong or Singapore than anyone else. What access for our exports are we looking for there? Do they export anything to us that we, as a member of the European Union, make it difficult for them to export? My impression is that they do not export anything very much except for oil, which is of course zero-rated. So I do not quite understand.

Many years ago, when I was involved in the EU GCC discussions, the real problem was that neither side had much to offer the other. They did not actually need a free trade area very much, so obviously nothing much happened. If my analysis is reasonably true, this is surely not a very high priority compared with somewhere such as India or south-east Asia, because the status quo will not be particularly improved by a free trade area agreement with a Gulf state.

Michael Stephens: That is interesting. You make a good point. I would disagree with the notion that their economies are not protected. If you look, for example, at the debates happening in Qatar about foreign ownership of Q companies on the stock market, there is a huge debate about whether to allow foreigners to have 23%, 24% or 25% of a company. Ultimately why they do not understand that 49.9% still allows you a controlling stake is beyond me.

Lord Hannay of Chiswick: That has nothing whatever to do with the free trade area. Free trade areas do not involve a negotiation about things like that.

Michael Stephens: No, but they are fiercely protective of the amount of foreign ownership of businesses in these countries, which is not really free trade at all.

If you are asking what they export to us, the answer is human beings, who spend a lot of money in our country and drive up real estate prices to £70 million for a house in Mayfair. One of my friends just bought a house for £20 million in Richmond and paid it all up front. That is the sort of investment that you get. Do you necessarily get, in the case of Qatar, exports outside LNG?[2] No, but again I stress that economies are all slightly different. With Dubai, where you have this difference between onshore and offshore companies, the offshore companies have a huge amount of British interest in them. There is a reason why you have 150,000 British expatriate workers in Dubai; it is simply because they are working in the DIFC, which is the financial offshoring sector. That is of great interest to us because it is part of the way in which capital is moved across the globe into Hong Kong and south-east Asia, and then moved back into London and the City.

So I agree with you in the sense that if you look at it physically it is difficult to quantify, but in terms of the movement of what we might even call remittances, at any given time we have a quarter of a million Brits in the Gulf, all earning money that is basically tax-free, although some now pay 5% tax, and they send it back. That has a huge impact on the economy and this country’s ability to have enough liquidity to keep consumer markets going. Additionally, the Gulfies are driving a consumer market in this country. Brexit was a lovely time for them, because the pound devalued almost immediately. I was in a Gulf embassy when the High Court ruling on Brexit was announced last week, and it was met with dismay by one particular Gulf state because the pound started to strengthen. They suddenly said, “Hang on. If things will not be as cheap

[2] Liquefied natural gas

again, what shall we do with our money?" These sorts of things matter and are watched very closely by the Gulf states, because they look to invest here.

With regard to a free trade agreement, given that we are relaxing our visa restrictions to the Gulf states and all those sorts of things, and we have freedom of movement, would a free trade agreement necessarily add to that? The answer is no. I completely take your point.

The Chairman: By the way, I apologise, but as Lord Chairman I should have declared my interest as adviser to the Kuwait Investment Office, but that is by the by.

On this security issue, the state of Qatar provides 40% of our LNG. Our electricity system depends in part on gas. So there is a pretty immediate link there, is there not?

Michael Stephens: Yes.

The Chairman: Lord Hannay, would you like to open up your remarks into the security area?

Q32 **Lord Hannay of Chiswick:** What role would you see Britain playing in the Gulf states'—I do not say "the Gulf" because that is not always the same—security calculations? No doubt the calculations for Oman are rather different from those for the Emirates, Kuwait and so on. What part can Britain play in that? As a subsidiary question, do you believe that there is any future at all in looking in the medium to longer term towards trying to bring some form of subregional organisation into being in that area in which the countries that belong to it, which would of course be Iran, the Gulf states and Saudi Arabia, guarantee not to interfere in each other's internal affairs, to tell each other when they are having military exercises and all the sorts of things provided for in the Paris charter of the OSCE[3] if not probably exactly the same? Is there any point in looking at that in the medium and long term, not the short term?

Dr Christopher Davidson: Thank you for your question. First, with regard to a renewed attempt to create a subregional security organisation, of course the GCC itself has had a rather troubled and dare I say lacklustre reputation in this regard over the past several years in being able to organise itself. In fact, one could argue that the only significant GCC-led military manoeuvre was the arrival of Saudi and UAE forces in Bahrain in 2011. Of course, many GCC members had nothing to do with that. We are also seeing the efforts of the Saudi and UAE-led intervention in Yemen at the moment, not really painting the GCC in a particularly organised light given that key GCC members, including Oman and Kuwait, have had nothing to do with that intervention either.

We should also bear in the mind the long history of failed attempts to create similar sub-regional organisations, including ones that attempted to bring other powers beyond Arab Gulf states into it, too. We need look

[3] Organization for Security and Co-operation in Europe

no further than the examples of the Baghdad Pact or CENTO[4] and so on, that aimed essentially to create off-shoots of NATO in the Middle East and central Asian region but that have largely failed to deliver on their promises.

With regard to UK policy and where that leaves us, we clearly have some legacy complications in the region in terms of our hard-power footprint, such as the bases we continue to operate and deploy to in many Gulf states, including the fairly recent one that we have been building in Bahrain. This needs to be managed very carefully if the region continues to become much more turbulent, especially if there is increasing domestic opposition to these sorts of western military footprints.

We also need to be very careful about having more open and even more public security relationships with certain Gulf states, especially as evidence continues to build of relations—whether political or even funding or weaponising ones—between certain Gulf states and Sunni extremist movements in the wake of the Arab Spring. We have seen the problems that the United States Government faced in Benghazi where, as far as I can see, back in 2012 the militias that attacked the compound certainly had some connection to a particular Gulf state sponsor.

These sorts of things could very easily catch out the UK Government if they became increasingly intertwined with the security apparatus of Gulf states, as this evidence continues to grow over the years that they have operated a very different public foreign policy in the Arab world from their private policy, which has been to ensure that various proxies and clients in these war-torn states actually defeat the regimes that they want removed. As far as we can see, they have been willing to back almost anyone in this quest, including groups and organisations that we designate as terror organisations.

Lord Hannay of Chiswick: Thank you. Just to clarify, the sort of sub-regional organisation I was talking about was not a Cold War construct such as the Baghdad Pact with external members. It was much more like the Paris Charter, which is not like that.

The Chairman: Mr Stephens, do you have anything to add on this aspect of security?

Michael Stephens: Let me start with a basic premise. Until we understand what Iraq looks like, we will not get a six plus one plus one agreement, or a six plus two agreement, inside the Gulf. What is important to understand about Mosul is not just that it is the heartland of ISIS; it is the way in which the operation is conducted and the signals that sends about the future security of the countries that are operating around the Gulf.

If the Al-Jazeera narrative, which is that these are Shia militias trying to wipe out Sunnis and torturing, maiming and killing innocent Iraqi Sunni

[4] The Central Treaty Organization (which the Baghdad Pact became)

populations, is widely held in the Gulf, it is going to take some time. The ultimate problem that I find, having worked extensively with the Iraqi Government, is that the rhetoric between Baghdad and Riyadh is growing further apart by the day and that that is reflected in official statements. You have, for example, Iraqi security officials talking about the stench of oil money behind ISIS, directly insinuating that the Gulf states are involved—and I think incorrectly in the insurgency we have seen in Anbar Province in Iraq.

The point is this: the rhetoric is becoming much more black and white, which is disabling any ability to form some sort of collective security agreement. Ultimately, if you look at security in a broader fashion and what we can do to play a part in it, the fundamental strategic questions are not being answered as to why that security organisation should exist. If partners are working contrary to each other's goals, they will not co-operate.

HMG have been quite humble in their approach. They have looked at things such as getting the Gulf states, Iran and Iraq to co-ordinate on drug trafficking and anti-piracy operations—areas in which they can find collective interests between them all. That is not really political. I think we can all agree that those states are all against the free flow of drugs and illegal people. That has been a trust-building exercise that has broadly worked. Outside of that, I have to say that I am sceptical about the region itself being able to come up with a collective security organisation that includes Iran and Iraq.

The opposite option has been pushed forward by Deputy Crown Prince Mohammad Bin Salman, which is an Islamic coalition of 36 or 38 states, some of which were not informed at the time of its genesis. This may be poor PR work by the Saudis, but the point is well noted. The Saudis are trying to create their own indigenous security organisation that blocks Iran out from the wider sphere; we are talking about Sudan, Somalia, Egypt and then of course across into the Sahel. The idea here is that Saudi economic power can bring to birth some sort of collective understanding that Iran is a threat and that actually Iraq is also a threat.

The Arab League, I am afraid to say because we are on record but I will say it anyway, is a joke. The last meeting was postponed simply because the King of Morocco did not want to have his reputation tarnished by hosting a meeting that would produce nothing of real use. I am afraid that that looks to be the case because, although the Lebanese Government have now changed, they would also probably take the Syrian and the Iraqi line and generally represent a different view of Gulf Sunni interests in the region. So at this moment, my belief is that the United Kingdom could keep a traditional footing, which is to increase our co-operation with the Gulf states in terms of improving their internal security apparatuses and trying to get them to understand that repression is not to be preferred to reform. Yes, there are individuals to be tracked and monitored, and in that respect there has been Iranian activity in the Gulf which we have helped the Gulf states with and they have co-operated quite effectively among themselves. In that respect we have done a fairly good job, but I take the point that there is a political consideration which is that some people would feel that we may be aiding oppression, and that is to be noted.

I think that there has been a very robust conversation with the Saudis about the situation in Yemen and our reservations about it, which has spilled out into our former Foreign Secretary Philip Hammond making quite clear his reservations. That is unusual; it is not normally the way that British foreign policy with regard to the Gulf is constructed. There are reservations about what this Yemen operation can lead to and what role our weapons systems play in either bringing that war to a swift conclusion or promoting an endless conflict. That is already happening.

The problem, given that we still have so much instability, is that the Saudis will not stop until they feel that the threat from Iran is contained. How they define that is anyone's guess, and actually the strongest thing we can do is try to help them to define what it is so that they understand that the destabilisation of countries on their borders does not lead to their long-term security. There we have some influence. The fact that we can sit in a room with the King of Saudi Arabia puts us well above 99.9% of other countries, which simply cannot have that conversation. That is worth bearing in mind.

Q33 **Baroness Coussins:** What I want to ask about links in with trade and picks up on one of the elements of Lady Smith's question which Dr Davidson answered. It is to do with human rights and trade and I do not think that you came back on it. You talked about the UK now being in a strong bargaining position in relation to the Gulf. Can you also comment on what the UK could do to ensure that our trading interests, and indeed the political objective of stability in the region, can be vehicles for leveraging pressure on human rights abuses rather than being excuses for turning a blind eye? Could we be in a stronger bargaining position there, too?

Dr Christopher Davidson: There is no doubt that Britain is in a stronger bargaining position with the Gulf states, but the same is true for almost all hydrocarbon-importing states at the moment, regardless of where they are in the world. The special relationship, which my colleague rightly referred to, is based on our legacy and, let us say, our privileged access to members of the political elite in these countries, including the Saudi monarchy of course; this is really the nub of it. On the one hand an argument can be made that this special access gives Britain leverage. Particularly if we are going to be signing new trade agreements, we can ask more robustly and firmly for clauses to be added—but whether the Arab Gulf states respond well to that is another question. I believe that the Arab Gulf states' general level of trust in Britain, the United States and other western powers is at a historical low at the moment, for all kinds of reasons. Not only is there a sense of betrayal over the Iran deal and a sense of abandonment felt by many people in the region, especially given the noises that have come out of the United States—not only from the gentleman who is now the President but also from the previous

President. We should not forget that. That lack of trust will play into these negotiations.

The other general point it is important to make is that when we have these privileged meetings with members of the political elites and ruling families in the region, we should be mindful that while that may go down well in London and among the elites of the Gulf states, it probably does not go down well with the average citizens of these countries. They see Britain, the United States and others having a long history of meddling in the business of the Middle East—not only in the Gulf but in the whole region more broadly. I would argue that in the wake of the Arab Spring, even though we have not seen direct western interventions, apart from in Libya, we have seen what is essentially an escalation of shadow wars, with western special forces appearing here and there, various western clients and proxies, with Qatar and the United Arab Emirates also becoming involved in these conflicts which—we have to be blunt about it—are getting bloodier and bloodier.

So average people in the region, including in the Gulf states but especially the broader Arab world, see headlines with, say, a picture of the British Prime Minister meeting the King of Saudi Arabia not necessarily as a sign of leverage but of the old guard still in it together. They have not moved with the times, which in the Arab world could be a source of de-legitimisation for the UK Government.

Over the past few years we have seen some specific examples of where the UK Government have tried to lean on the Gulf states and that has not gone down very well. The notable example—I think Michael will talk about this, too—is the Kingdom of Bahrain, where there has been significant repression over the past five years and the British Government have been repeatedly and very publicly caught out over what has been going on there. The Bahraini regime has made various promises to improve human rights—to allow inspectors in, et cetera, and to liaise with British advisers—but time and again they have not delivered on their promises, and we now have the very embarrassing situation where we have senior British officials on the record, even in the past couple of years, praising Bahrain’s supposed progress on human rights, whereas in fact the exact reverse has happened. We have a situation at the moment where almost all key civil society actors who are not aligned with the monarchy are now pretty much in prison, the major opposition blocs have been disbanded, and even the spiritual leaders of the Shia population, which is the majority of the Bahraini population, are also harassed by the authorities, or placed in jail in some cases. Britain has attracted no shortage of bad headlines over its attempts to, let us say, advise the Bahraini regime on how to improve its human rights.

The Chairman: Are we not also building a naval base in Bahrain, or expanding it?

Dr Christopher Davidson: “Naval base” is a bit of a grand title for it; it is more of a sort of—

Michael Stephens: Jetty.

Dr Christopher Davidson: A support facility.

The Chairman: Housing facilities.

Dr Christopher Davidson: Yes.

The Chairman: It is part of the contradiction.

Lord Grocott: Is not your point about the gap between the leaders and the led very much at the heart of dilemmas that a British Government might face? Shall we generalise to the extent of saying that we have not always been spectacularly successful over the generations in spotting those kinds of chasms that can occur? My question is: we frequently refer to the Arab Spring. Is that an aberration or does it represent something fundamental that will play itself out in the years ahead? That is really my question: when we make judgments about states and the stability of states, at least in part that must involve some calculation about the extent to which the governors represent the governed. I would like some kind of notion of where you see these things happening. Are the characteristics of the Arab Spring in the most general terms features of the region, which somehow will play out at some stage in the future, or was it an aberration?

Michael Stephens: You mean specifically in the Gulf?

Lord Grocott: I mean more generally but let us stick to the Gulf.

Michael Stephens: Around 2012 there was a rather trite analysis of the region that suggested that monarchies were more stable than republics, and there was this notion that the GCC would then expand itself to Jordan and to Morocco. I do not want to be perceived as supporting that analysis, so bear that in mind when I give the following explanation. The Saudi monarchy, for example, is very popular among young Saudis. They believe in their monarchy and in the al-Sauds' position as the heads of state. The extent to which they have executive and legislative authorities is up for debate, and it is a lively debate in Saudi Arabia—much more lively than you might think. The good thing in the Saudi system is that there are many channels through which you can complain directly to royal family members.

The same is true in Qatar and in the UAE. We have specific concerns about human rights abuses and I second what Dr Davidson said: our engagement with the Kingdom of Bahrain was troublesome and has been deleterious to our ability to project power in the region. However, I stress that we should be very careful about telling Gulfies what is good for them and what royal family members they should have in control of their states. In Bahrain, a large section of the population has rejected the monarchy or at least its authority; actually, many Shia protesters do not reject the al-Khalifa, but its influence over the executive and legislative branches of government. But outside Bahrain that conversation has not yet developed into what you might call "the gap between the leaders and the led". For example, in a small country such as Qatar, which is 275,000 people, most of the major families are married into the royal family in some way. If the royal family goes down, it goes down with all the rest of them.

You are talking about fundamentally breaking the links that exist in that society. Saudi Arabia is different because it is a much bigger country and constituencies are much wider spread. You have a long-standing problem in the Eastern Province, where, frankly, the legitimacy of the Al Saud has been called into question since the 1970s and before. That will not go away any time soon, but to the Saudi mind it can be contained to that area. The oilfields in that area are the site of multiple security apparatuses that, since the al-Qaeda attacks in 2004 and 2005, stop anybody from touching them. Therefore, the Al Saud are pretty confident that their infrastructure will not be harmed by mass protests.

What was interesting a couple of years ago were the protests in Buraidah, where more conservative Sunni populations to the north of Riyadh called out the Interior Minister by name and said, "You are the problem", and "Why are you detaining our women?", which was seen as a cultural affront. That was quite successful in getting the Saudi monarchy to listen. It was this notion that, "We do not disagree with you politically, but culturally you did something we don't agree with, and you have to reflect those cultural values when you rule on our behalf". I make that caveat: these monarchies are there for a reason—because the populations for the most part have not tried to overthrow them. They might overthrow each other, which is what happened when I lived in Qatar in the 1990s, and it happened in Abu Dhabi in the last century. However, the point is, and it generally stays, that there is a fear of instability in the region which has permeated younger people. Again, Bahrain is probably a slightly separate case. The discussions there are not the same as those in the rest of the Gulf states, where fundamentally, except perhaps in Kuwait, the legitimacy of the ruling family has not been questioned.

Let us go forward 20 years, hypothetically. Let us say that oil prices remain low, they are not able to reform their economies, and the amount of largesse they give their citizens drops dramatically. Will you see some problems? Yes, you will. The biggest mistake the Gulf states made was that in the response to the Arab Spring they handed out tons of money. They increased salaries, gave huge grants, land ownership and all those sort of things, which fundamentally tied political stability to what you get from the Government economically—what sort of gifts the Government give you. The question then is: what happens when you get rid of those gifts? It is correct to say that there would be the first signs of instability in those countries, and you would start to see conversations about "Is the royal family good for us or not?", and the love for *watan*, or homeland, would suddenly start to dip. We can project that out, but in the short to medium term we are not there.

With regard to the wider Arab Spring—and it is something to note for the entire panel—we should keep talking about it. Why? Because the conditions that are prevalent in the region at the moment are worse than they were in 2010, both economically, demographically, politically, in terms of freedom of expression, and the violence meted out by governments on their citizens. So it is something that we need to be talking about not just in the Gulf but in a wider context, including what that might mean for stability.

The Chairman: Except that in Saudi Arabia and Kuwait they are already starting to cut the subsidies and the handouts.

Michael Stephens: They are.

The Chairman: So is your scenario already happening?

Michael Stephens: Yes, although the Kuwaitis have started to row back on those. Again, Saudi Arabia is a different kettle of fish—Chris can answer this as well; I do not want to take up all the time. You should watch the middle class in Saudi. The middle class there is starting to see—a bit like in the West—its ability to have a good quality of life, to educate their children, to have two cars that go to and from work every day, and to go on holiday twice a year, being curtailed. The fuel prices have gone up, subsidies have gone up, and they have to pay more for water and electricity. Not only that, if you are a civil servant, your salary has been cut. So that margin for saving money and hoping that your son will have a better life than you do is the same sort of dynamic which exists here in the West and is prevalent among a large proportion of middle-class Saudis. When people ask whether Mohammad bin Salman can be successful in this huge endeavour he has undertaken, my view is: wait 18 months. That is when the savings in the bank accounts of the middle class will start to get very narrow indeed, and let us see what happens then.

The Chairman: In the interests of time we must push on to the central influence of the Iran deal.

Q34 **Lord Jopling:** My basic question is: to what extent do you think the nuclear deal with Iran will change the UK's relationship with the Gulf states? It has been a pretty controversial deal in many ways, to many people in many parts of the world. I was in Riyadh earlier this year and everyone we met, with the exception of the King, could talk of little else other than how awful the Iran nuclear deal was. They felt that the release of the frozen funds would encourage them to spend more money on terrorism.

Again, the deal is very unpopular with Israel—we know about that. I was in Washington when Netanyahu addressed Congress on that hysterical day. On some of the implications of the nuclear deal, as far as Iran is concerned, American law is holding up the full implementation of open trading opportunities for Iran in the deal. We had evidence of that in this Committee. That is the basic question: what is the impact? Again, I can understand why everyone around the table, including our guests, seemed reluctant to talk about the events in Washington overnight. But given a

Trump presidency, with a Republican Congress in both Houses, do you see a possibly of their wanting to tear up the nuclear deal? If that is the way it goes, do you see the possibility of the Iranians reverting to their nuclear programme and getting the machinery working again to create nuclear weapons?

Dr Christopher Davidson: Thank you for the question. The first point to make is that from the perspective of the Arab Gulf monarchies and their relations with Iran and how they see the nuclear deal playing out, we have to look at them as individual cases. Some Gulf monarchies see the Iran deal very much as a threat—notably, Saudi Arabia, the United Arab Emirates and Qatar to some extent as well. There are a number of reasons for that; they feel very much betrayed by the United States and more broadly the western powers, especially as they see all these aircraft landing there—Boeing signing deals and oil concessions, which seem bigger and more lucrative even than the deals that the Shah signed in the late 1970s with the western oil majors. So certainly those states feel threatened by the perceived opening up of Iran—which, after all, we should point out, is a much bigger and better market for western exports than any of those Arab Gulf monarchies. That is a very blunt point to make.

Also, the monarchies that are very saddened and concerned by the nuclear deal look as well to how it has allowed Iran to flex its muscles a lot more in the region. There is no doubt that it is at least holding its ground and arguably even winning the new Middle Eastern proxy war, or cold war, or whatever you want to call it, especially in the Levant area. Then there are the recent developments in the Lebanon, with the Hariri clan essentially having to hold up a white flag—the Saudis' long-term allies there—and essentially agree on a Hezbollah-backed president. This is now gravitating towards Iran.

Given the new US presidency, which I am more than happy to talk about, we will see the Syrian Government with their Russian allies, which have of course intervened on behalf of Damascus, as invited by them, doing much better over the next several months in the civil war—again to the detriment of many Arab Gulf states, notably Saudi Arabia and Qatar, which have been backing all shades of grey of the Syrian opposition, including some organisations which even we designate as being terror entities.

However, that is not all the story. In other Gulf states there is very much a sense of opportunity as well as of threat in the Iran deal—notably Oman, of course. Without any exaggeration, the sultanate of Oman emerged as a key power broker in this deal. It was a place where US officials could meet their Iranian counterparts, and the Iranian Government seem to be on a very warm footing with the Omani Government at the moment. That helps us to understand why, despite the existence of the GCC and its security obligations, we have seen Oman do next to nothing to support the Saudi and UAE-led intervention in Yemen, despite Saudi Arabia and the UAE arguing that this is a potential existential threat on their southern borders and southern tip of the

Arabian Peninsula. In fact, we have even had rumours and reports of goods and weapons reaching the Houthi rebels in Yemen, coming across the Omani border.

I do not believe that is because Oman has struck a deal with Iran to facilitate that; it is more the case that Oman has a very long, mountainous, porous border with Yemen and Saudi Arabia, and it is simply very difficult to stop these goods going across. I am certain that they are using a land route, given the vast array of various navies populating the Arabian Sea and the Red Sea at the moment. In fact, it is the reason why, years ago, the United Arab Emirates decided to build a Trump-like wall separating the UAE from Oman, so concerned were they with not necessarily weapons but black market goods flooding into the UAE from Oman. When I lived in Abu Dhabi, I used to go camping at the weekend and would regularly just drive across the border into Oman. Then all of a sudden we drove along in our four-wheel drive and found the beginnings of this wall blocking our favourite camping route.

Further to the geopolitics of the Iran deal, certainly we can see this as yet another nail in the coffin of OPEC.[5] We have seen Saudi Arabia try to resuscitate OPEC repeatedly over the course of this year; every time it has talked about a production freeze or some other sort of agreement with OPEC members or even Russia, we have seen oil prices bounce up by a couple of dollars for a couple of days. The latest talk led to oil prices staying up about $4 or $5 above their natural price for close to a week—but, sure enough, it is back down as the reality dawns on the markets that Saudi Arabia has no control over OPEC and key oil-producing states such as Iran are going to produce as much oil as they can. After all, why should they not? They have been frozen out of the markets for so long. Iraq's point of view, as another OPEC member, would be that it is actually fighting extremist militants, in some cases funded by wealthy patrons in the Arab Gulf states, so why should they freeze their oil production when they need to balance their budget just as much as anyone else.

Finally, with regard to the new US presidency, here there has been a misunderstanding in Saudi Arabia and the Gulf states about this. They have seen the presidential debates and seen Trump talk about the Iran deal being a disaster, just like NAFTA[6] and everything else, and that has given them a false glimmer of hope. First of all, Trump is a businessman, and he will see the Iran deal as a massive market for American businesses—there is no doubt about that. What has been happening in the Gulf states, in government circles at least, is a misinterpretation of Trump's stance on Iran. He does not like the deal and he needed to criticise it repeatedly in presidential debates because it was perceived as a legacy of the former Democrat Government in the United States. This, of course, is the foreign policy adventure that is supposed to be Barack Obama's legacy, so of course Donald Trump is going to do his utmost to

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[5] Organization of the Petroleum Exporting Countries

[6] North American Free Trade Agreement

defame it publicly in debate. The reality is that Iran is a massive market for US businesses.

The Chairman: Perhaps you could just give a short comment on Trump and whether this deal will last.

Michael Stephens: I do not claim to be an expert on Donald Trump, and I do not claim to know exactly where he will take US regional policy. One can surmise that it will become more isolationist and that the importance of relative stability in the Middle East will become less important, simply because Trump's every second word is "China". But that was a larger recalibration of US power anyway, which I do not think will be stopped or halted simply because Donald Trump becomes President. This was a collective decision, regardless of whether you are a Republican or a Democrat. Had Mrs Clinton got into power, you might have said that the conditions for the deal would be more heavily scrutinised and more attention would be given to Israel and the Gulf's concerns. I am not so sure that that will be a priority for President Trump.

You posited the idea that the Iranians might start cheating on the deal. That would not be a good idea because it would bring in snapback sanctions at a UN and EU level almost immediately, dual-use technology would be curtailed pretty much overnight, oil trading would stop overnight and assets would be frozen. That would certainly scare away any investment banks that were looking at doing business.

For the most part, UK and European banks are still tentatively looking at Iran. They are expanding operations in Dubai with half an eye on Tehran for the future. Right now, there are only a couple of very small to medium-sized banks in Italy and Germany that have opened lines of credit to Iran, precisely because of that risk of snapback sanctions.

I would argue that the gifts that Iran has received as a result of behaving well would behove good behaviour, but I have been wrong before, and with President Trump anything is possible. I cannot give you a definitive answer as to what might happen but as far as I understand it, the Republicans have the House and the Senate now, which is I think a problem for the deal. However, even with Obama or Hillary as president, the problem was always going to be that the US would be very hesitant to take off the locks on the Iran deal from its end.

From where we sit—whether we are involved in two or three years in EU sanctions processes or whether we have our own policy—we need to be very conscientious about Iran's potential for bad behaviour and how that might affect our businesses and be seen in the Gulf. I am afraid that there are a lot of question marks here. I am still absorbing the news too. We will see.

The Chairman: The final question is from Baroness Coussins on what we can do outside all this.

Baroness Coussins: Lord Inglewood will ask the question.

Q35 **Lord Inglewood:** We have touched briefly on the high-level connections between certain people in this country and a number of these countries. In one sense, that gave us an advantage, but in another sense it might not. In a wider sense, do we have the capacity to influence and buttress our other economic and political activities by virtue of the soft power that we can exercise from this country, or are we slightly kidding ourselves? In a way, listening to you all, the question that comes to me is: what is the point of this country to them?

Michael Stephens: Chairman, you want a relatively short answer, I assume.

The Chairman: Yes please.

Michael Stephens: Do not underestimate the emotional links that exist between Gulf Arabs and the United Kingdom. It is one of the only places where the British have messed around historically that we actually have some good will. I am serious about this; it is certainly not there in Iraq. We do have long-standing relationships. The Emir of Qatar went to Sherbourne and then Sandhurst; the King of Bahrain was at Sandhurst; and then we have the Emirati royals, too; not to mention Sultan Qaboos, who often gives graduation speeches at Sandhurst. These are not just events that happen; they are signals of connections that are far deeper and more emotional and that cannot be quantified necessarily.

Chris and I differ on what our relationship with the Gulf states should be—that is a practical part of dealing with a very troubled situation and very different culture. It is a part of the world with which we are not always so familiar. We have been given a very privileged position over the last four decades thanks to our historical relationships in the Gulf. We have at times messed around in Oman, during the Dhofar rebellion and all those sort of things. We have a cadre of officers who were in their 30s at the time and are now in their 60s who have brilliant relationships with the Sultanate of Oman. Whether they will survive Sultan Qaboos's health problems is to be seen.

You ask what we mean to them. Friendship matters. Again, I do not want to use trite clichés in a forum such as this but long-term friendship matters. Governments come and go but friends stay. That is what is valued in these relationships. Ultimately, as I said, in smaller countries where business interests are tied up with the stability of the ruling family, those come together and are the same thing.

We have talked about the differences in the different countries but I am trying to make the point that investing in those relationships allows for access and for influence. Is that influence as great as we might like? No, it is not. Can we tell another country what to do all the time? No, we cannot. Should we be expected to? Would a country that is involved heavily in our own domestic politics be able to tell us what to do? We have to think about this both ways. There is a pride issue on their part. They resent being told what to do by white men. That comes up frequently in my conversations. However, do not underestimate the relationships. The reason that people buy houses in London and spend money here and then welcome us when we go over there is because of the long-standing belief that we are a trusted friend. At a time when you have someone like Donald Trump, and when the Obama Administration pulling back, there will be a search for allies, and Britain is probably the first port of call. In my view we are in competition with the French for that, but I think we have the advantage.

The Chairman: Dr Davidson, do you have a final view on this? Are we a trusted friend? Is that where we are?

Dr Christopher Davidson: Further to this, I accept all the points about our long, rich history of relations with the political elites of many of these Gulf monarchies through schooling, universities and officer training schools, and the properties owned by many powerful Gulf nationals in Britain. All that certainly matters. However, we need to be very careful going forward. Our intertwining of political relations with economic relations could catch us out in the future. If we look at how China deals with the Gulf, Africa and other parts of the developing world, that is a good pattern for us to follow too. They are able to successfully separate politics from businesses. As the economies of the Arab Gulf states become less significant to us in the very near future—arguably already, given their rapidly declining ability to invest in our economy and our declining interest in Gulf hydrocarbon imports; and given the ability of Britain, like other major industrialised nations, to simply shop around for cheap oil and gas—this is all something that we need to factor in. As we begin to explore other markets—India, China, Latin America and elsewhere—we do not want to be seen as a neo-imperial power that simply turns up and shakes hands with the Saudi king or the King of Bahrain. We do not want to be portrayed in that light as we attempt to explore new developing markets and frontier markets.

One final little point is that we need to be very careful about a rapid change in the US stance on this region. The United States may decide that these are no longer allies of theirs. They may even start to drop the use of the word “friends” in their discussions. That is not to say that Saudi Arabia or other Gulf states will be painted overnight as rogue states, as Saddam’s Iraq was or the Ayatollah’s Iran was. None the less, we will get, I feel, a steady drip of evidence turning up in this Justice Against Sponsors of Terrorism Act case. I do not think it will lead to an overnight law suit against the Government of Saudi Arabia; it could take years for this to come to fruition. But we will see piece after piece of subpoenaed and declassified evidence turning up in that court and being digested by the US media and foreign policy community. That will make it harder and harder to portray these sort of states as legitimate allies. That will weaken the US’s position with other countries if it does not take a harder stance on perceived sponsors of terrorism. Britain itself has to be very careful not to be caught out in this regard too.

The Chairman: Dr Davidson and Mr Stephens, you have given us quite brilliant contributions. There are all sorts of areas that we have not touched on, such as Israel, and we mentioned Lebanon only *en passant*. We could spend hours discussing the many other facets. Your comments have been very well informed and illuminating and we are extremely grateful. Thank you very much and I am sorry that we have other demands outside the Committee this morning. We may be at the beginning of a big change. You have very skilfully analysed how that change might evolve. Thank you.