

# International Trade Committee

## Oral evidence: Defence sector exports, HC 740

Wednesday 2 September 2020

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Members present: Angus Brendan MacNeil (Chair); Robert Courts; Mark Garnier; Sir Mark Hendrick; Mark Menzies; Taiwo Owatemi; Martin Vickers; Craig Williams.

Questions 42 - 59

### Witnesses

**I:** Prabhat Vaze, Director of Economics, Belmana; and Professor Trevor Taylor, Professorial Research Fellow in Defence Management, Royal United Services Institute.

**II:** Oliver Waghorn, Head of Government Relations, BAE Systems; Paul Everitt, CEO, ADS; and Rhys McCarthy, National Officer for Aerospace and Shipbuilding, Unite.

**III:** Dr Sam Perlo-Freeman, Research Co-ordinator at Campaign Against the Arms Trade; and Roy Isbister, Small Arms and Transfer Controls Leader, SaferWorld.



## Examination of Witnesses

Witnesses: Dr Samuel Perlo-Freeman and Roy Isbister.

Q42 **Chair:** The next panel will be Dr Sam Perlo-Freeman and Roy Isbister. I ask you both to introduce yourselves, again on your own terms—name, rank and serial number.

**Dr Perlo-Freeman:** I am Sam Perlo-Freeman. I am a research co-ordinator at Campaign Against Arms Trade. Before that I worked at the World Peace Foundation in Boston, Massachusetts, on global arms trade and corruption, and before that for nine years at the Stockholm International Peace Research Institute as head of their military expenditure project.

**Chair:** Thank you very much for coming today.

**Roy Isbister:** Hi, I am Roy Isbister, and I head the arms unit at SaferWorld, which is an independent international organisation that is working to prevent violent conflict and build safer lives.

**Chair:** Thank you very much. Mark Menzies is going to start us very shortly.

**Mark Menzies:** I am just checking if that is right. I am down for question 15.

**Chair:** Yes.

Q43 **Mark Menzies:** Sorry, forgive me. This is for Dr Perlo-Freeman. First of all, welcome. Which countries do you believe have better systems for controlling the export of their defence equipment?

**Dr Perlo-Freeman:** I am not, to be honest, greatly impressed with the export control systems in any of the major arms exporters at the moment. I think there are certain things that the UK has to learn from certain other countries. The United States, for example, has far stronger end-user controls and monitoring, although various people have exposed gaps in that. Roy can probably talk more about the end-use side of things later. The US also has stronger, but again imperfect, anticorruption controls. Section 130 of the International Traffic in Arms Regulations, ITAR, requires companies applying for export licences to declare all commissions, fees and political contributions. That means if there is a suspicious payment, which usually will not be declared, it creates an immediate tripwire, so that once an undeclared payment is found the company is already in violation of ITAR, even if you cannot immediately prove that there is corruption associated with it.

Sweden has recently introduced a democracy criterion in its arms export controls, which treats the fact that a country severely violates democratic principles or the human rights of its citizens as a major obstacle in principle to arms exports, on top of the case-by-case analysis of specific equipment that is required by the common position. I think this is a very



positive direction to go in. It helps us see the forest for the trees, whereas at the moment we can see a country that is engaging in the most egregious human rights violations, which may be an absolute dictatorship with no channels for popular input into governance, and yet if a specific piece of equipment cannot be shown to be directly connected to those abuses then there is no problem. That is another country that we have something to learn from.

**Chair:** Thank you. I should apologise, indeed, Mark Menzies. You are quite right, it was not you to start this panel; it was, indeed, Martin Vickers. Now I have to apologise to Martin Vickers for overlooking him. I hope my apology will be accepted, Mr Vickers.

**Martin Vickers:** Well, I am not so sure, but on this occasion, I guess.

**Chair:** You are too kind.

Q44 **Martin Vickers:** How could the arms export licensing system in the UK be improved?

**Roy Isbister:** It is very much related to the previous question, I think. I will pick up on that question to start with. If we are looking at the way that the licensing system is applied, there is the formal system and then there is the way it is applied. If you look at the way it is applied, the big problem for the UK at the moment is licences to Saudi Arabia. If you look at other countries and their attitudes towards that, there are some countries that have similar attitudes towards supplying Saudi Arabia, but there are plenty that have applied a much more robust approach, a number of states from around Western Europe: Austria, Denmark, Finland, Sweden, Germany, the Netherlands and Ireland. Clearly, some states are applying much more stringent standards than what is being done here, and that is in terms of the application.

If you look at the way that the system is applied, to come directly to your question, we can turn to the court case that is still potentially ongoing. The conclusions of the Court of Appeal said that the UK was applying its system in an irrational and, therefore, unlawful way. Clearly, there were problems of implementation. There are also problems of the level of transparency and opaqueness. It is very hard to get to the root to understand properly what the basis was for decision making. That remains a problem, because the review that the Government entered into as a consequence of the Court of Appeal decision, the whole review, was done behind closed doors. There was no external opportunity for involvement, be it from us or from industry or whoever, and the outcome of that review, again, is opaque. The conclusion is that licensing can proceed again, new licences can be issued. It is very hard to understand the justification for that.

The message was, "Now we have gone through all the cases that were raised as possible violations", and there was over 500 under the MoD trackers. "We have gone through any that we identified to be possible violations, that we have regarded as actual violations for the purpose of



the licensing process, but we have concluded that those were just isolated incidents without pattern and, therefore, licences can be issued again. We can start the process, and we have no reason to revoke or suspend any existing licences." But we do not know how many of those cases are actual, possible violations. The Government will not tell us. We have asked, and so far we have received no answer. We do not have an understanding of what "a pattern" looks like or what "isolated incidents" are like. It is very difficult to get to the heart of the system to understand the way that it has been implemented. When we look at the results, and we look at other countries' attitudes in this case, we see that others are applying much more stringent standards.

**Dr Perlo-Freeman:** Again, following on from this and my comment of seeing the forest for the trees, we have a situation in Yemen that the UN has described as the world's worst humanitarian catastrophe, caused by the war and, in particular, by the Saudi coalition bombing campaign and blockade. We have seen repeated incidents of hospitals, schools, market places, residential areas, agricultural land and production facilities being bombed, very often the same facilities being bombed repeated times. Against this forest of such a huge humanitarian catastrophe, the Government have chosen to see a few isolated trees and concluded that either there is no clear risk of further isolated incidents, even though there was another isolated incident of children being killed by coalition-led bombing a few days afterwards, or so long as these incidents are isolated, apparently they do not matter. We have an export-control system that in process is very detailed, very meticulous, what the Government like to call vigorous and robust, but in terms of outcome seems to be designed to allow exports to proceed in almost any circumstances if the Government, for political or economic reasons, wish it to do so.

Q45 **Taiwo Owatemi:** My question is regarding the current arms export licensing system. How sufficient is it in ensuring that arms only reach the users they are intended for?

**Dr Perlo-Freeman:** As I was saying, and I think Roy can talk a lot more to this, I think that other countries, like the United States, have far more rigorous end-use monitoring. As I understand it, we simply do not have the capacity. The Government have even admitted this in some cases, for example, in the question of whether UK components were used in arms use by Israel in the Gaza wars in some cases. They do not have the capacity to monitor where they end up, and there are a number of cases where I think this is potentially of particular concern. We know that some major UK customers, UAE and Turkey, are both actively involved in the civil war in Libya and are supplying opposite sides. I do not think we have a good capacity to be able to assess whether any of this equipment is UK-made or includes UK components, and so forth.

**Roy Isbister:** Maybe I could come in on the back of that a little bit. To be fair, UK equipment is not often turning up as problematic in terms of



## HOUSE OF COMMONS

being diverted or having been found in use by actors who were not the named end user. It does not happen a lot, and I think that is part of the process that the UK goes through in the licensing process. It does not happen a lot, but there are a couple of other reasons for that, probably. One is that the UK is not now a major exporter of small arms and light weapons ammunition. That is the type of equipment that is most easily found when you are looking for diverted equipment. Sam pointed out the possibility that UK equipment could be re-exported without permission, et cetera, but it may well be buried inside other equipment, and it is very hard to identify and to find. But for the most part, I think the UK does a reasonable job in that sense.

There are other areas where we have taken issue with the UK. As an example, in 2015 in a case that was covered by the Committees on Arms Export Controls in the previous Parliament, 30 million Bosnian-made bullets were shipped from Bosnia to Saudi Arabia. There were two UK brokers who applied for licences to do this. It took 14 months for those licence applications to be processed, and at the end of that time the decision was taken to refuse the licence, which I think was a good decision.

Meanwhile those bullets had been shipped from Bosnia to Saudi Arabia. The UK never informed Bosnia that it had received this licence and that it had concerns, so that allowed this equipment to go on to Saudi Arabia. As it was acknowledged by the Minister in front of the CAEC, those bullets were for onward sale to Saudi proxies for use in Yemen and Syria. Indeed, this is part of a well-known arms pipeline from central Europe, including some EU member states, and this was when the UK was a member of the EU. This was through Saudi, as the named end user, but this was Warsaw pact equipment that Saudi does not use, and basically everybody knew that this was for onward shipment. There were end-use certificates saying Saudi was the end user, so those were waved around to explain why this was okay.

The UK never said anything about this and never raised this with any of these other countries. It is allowing diversion to take place when it could play a role in preventing that, even if it is not UK equipment. To be fair, the UK was not alone in keeping quiet on this. Many countries knew and said nothing. That is one issue.

The other is post-export controls, and things like post-delivery inspections, to check that equipment is where it is supposed to be. This refers back to what Sam was talking about before in Israel. He was talking about having the capacity to do this. An argument that we have heard from the UK in the past is it would be impossible to check all equipment sent from the UK in situ to make sure nothing is going wrong. This is an unfortunate straw man argument, in that nobody has ever suggested that they should check everything. It is just in specific cases where there are causes for concern and worry that something might have gone wrong. This is done in the US, as Sam said, but it is also starting to



## HOUSE OF COMMONS

be done in other countries as well. Germany has started to do it. Sweden, Switzerland and even Spain are starting to do it. They are not doing it a lot; it is just in these special cases. If the UK could go in that direction as well, that helps to develop the norm and helps to reinforce the idea that it is not okay to breach your end-use undertakings.

**Q46 Taiwo Owatemi:** Just to confirm, you think that the UK is capable of monitoring the eventual end user if they wanted to?

**Roy Isbister:** As long as that is kept within reasonable bounds. There are not many cases where you would find it necessary to inspect, but where you do—Germany has either done less than 10 a year or less than 10 since it started a few years ago—it is not a regular event. It is just where you get word that there might be a problem, and that is when you would start to follow up. That is how other countries are introducing those systems.

**Q47 Chair:** To pick up on that point before I move on to another question, you said the end-user monitoring is better by the United States than it is for the UK. I think I picked that up correctly from one of you. There is a lot of international co-operation in the manufacture of arms and equipment at times. Do you think there should be more international co-operation in the end-use monitoring, that one country could alert another country? Is that happening?

**Roy Isbister:** It should happen. That is something that we have been arguing for in an EU context because there is a theoretical single regulatory framework within which you can operate and the shared external border. When the UK was in the EU, we were advocating for the UK to be promoting that within the EU. That would be where it is simplest, but absolutely, there should be as much international co-operation in this area as you can possibly manage. It is not exactly the same case as you are talking about, but that was the Bosnia case I was talking about. The UK had information and it should have shared it with Bosnia. It was relevant to a decision that Bosnia had to make and it did not do so. That needs to happen, and the more that happens, the more effective these international systems of control would be.

**Q48 Chair:** Thank you. We will move on a bit. How could the publication of arms export licensing data be improved to give a bigger picture, a more comprehensive picture, on the scale of arms exports? Is there missing data and missing information? Are there opaque areas here that could be cleared up, in your opinion?

**Roy Isbister:** I would go to Sam, because CAAT has done some very good work in terms of taking the UK's official data and playing with it and seeing what it reveals and what it does not. Maybe Sam can kick off and I can pop back in, if that is okay.

**Dr Perlo-Freeman:** Yes, I think there are a lot of gaps. The export licence data that is published by the UK Government is very detailed. There is a lot of good detail about the categories of equipment, the



## HOUSE OF COMMONS

customers, these types of item that are being exported. But when it comes to the value of exports, figures are only attached for single individual export licences, which allow for a fixed amount of equipment for a fixed value to be exported.

Over the period 2009 to 2018, the value of these licences added up to about £40 billion, but there are also open licences, open individual export licences, which allow for repeat deliveries, unlimited over five years, and open general export licences, prepublished licences, for very wide categories of equipment and customers under certain conditions. These have no values attached to them. There is no reporting on the use of the licences of any sort.

We know from the DSO and UK Defence and Security Exports figures that over that same 10-year period, 2009 to 2018, the value of contracts was £82 billion, so although the timings do not match up, basically at least half of UK arms exports are not covered by these single licences with the detailed data on values. As I say, on top of this, in the DSO figures, while they are much more comprehensive for the total, there is no detail. There is no breakdown by destination country, there is no breakdown by category of equipment or industrial category, which is one of the reasons that your previous speakers were not able to give any breakdown of jobs between MoD procurement and exports, because we just do not have the data.

On top of this lack of detail, lack of values attached to the licences, there is no information provided on actual deliveries, on the use of licences. The United States and almost all EU countries provide at least some information on deliveries by country and by type of equipment, on the use of licences, but the UK does not. This means there are very serious gaps in our knowledge about the actual scale of UK arms exports, as well as on who these arms are going to. As I say, the DSO figures, with their much more comprehensive total, do not break it down by customer or category of equipment.

Q49 **Chair:** Is there a tension here? There is an obvious trade opportunity, you could say, but then there is another side to it. You are saying it will end up in the wrong hands and might do hideous damage to life and limb to people in areas it is not intended. Is there a tension in this for Government, do you feel, in the whole area?

**Dr Perlo-Freeman:** In the publication of the data you mean?

**Chair:** I am looking for the reasons that this might be less clear than it possibly could be.

**Dr Perlo-Freeman:** I think they have generally said that it would be too difficult to collect this data, but companies are required to keep records on their use of open licences, it is just that the Government never bother to collect and compile and publish this data. As I say, a lot of other major arms exporters, the United States, France, Spain, Italy and so forth—



## HOUSE OF COMMONS

most of the EU, basically—manage to find a way of doing this, probably imperfect, probably not completely accurate, but you would have to ask the Government as to why they do not see it as worthwhile to collect and publish this information.

**Roy Isbister:** The Government were very close to collecting and publishing information of this nature in about 2013. It was under the coalition Government. There was a consultation on whether it would be reasonable, acceptable, feasible to gather this data and to publish it. At the end of the consultation it was decided it would be, but at the very last minute—and I think basically the Export Control Organisation was ready to press the button to start this process—it was stopped. I would love to see this be reintroduced because it could make a huge difference. As Sam says, the open licensing is very opaque. Trying to find your way to meaning through the open licences is like snorkelling through dirt. The one bit of information that did come from 2013 was that the Government agreed to collect information on the number of times that deliveries were made against open licences and to publish that at a country level on an annual basis. This information is very limited, but it is a little bit revealing.

If I may, I would like to possibly give you a couple of examples. Deliveries to Saudi Arabia, for example, from the beginning of 2015 to the end of 2019, so five years, that is the years we have data for so far, basically covering the period in which they were active in Yemen, during those five years—sorry, I am reading figures here—22,559 deliveries were made against open licences. We do not know what each delivery is. It could be a single widget; it could be container loads. We do not know, but we know that.

Also, perhaps interestingly, I want to come back to the Court of Appeal decision in 2019 in which the Government agreed they would no longer issue new licences to Saudi but they would allow for deliveries against extant licences. I have seen reports since the Government have completed their review process. I keep seeing reports about the Government renewing exports to Saudi Arabia, which is not what has happened, because in 2019—and this was after the Government decision following the Court of Appeal—there were 5,152 deliveries against open licences to Saudi Arabia, which is an 18% increase on the average of the previous four years. It would be great to have more information here.

It is also revealing. I think the blind spot for the UK is that it is not just Saudi Arabia when it comes to export licensing. It is centred on Saudi, but it is the Middle East. There are a lot of countries in the Middle East where there are, to me, some pretty questionable decisions being made. Again, once you start looking at the licensing data and open licensing data, there are large-scale supplies to the likes of Turkey, UAE and Egypt, which are problematic. I would certainly be happy to provide more information to the Committee if that would be useful.



## HOUSE OF COMMONS

Q50 **Chair:** Yes, thank you. That would be useful. Can I ask you a devil's advocate question before I move on, as I have done to the industry on the other side? It could perhaps be argued that, as a pair of witnesses, you might be against the arms trade, full stop. To clarify the position, would you be against arms sales to some countries, all countries or particular countries? Are you in favour of a controlled arms trade, just to be clear on that one?

**Roy Isbister:** I will lead off. When I introduced myself, I meant to state the philosophical position of my organisation and myself. We are not opposed to the arms trade. What we are looking to do is "responsibilise" the arms trade, if I am allowed to invent a word. There is no philosophical opposition to that and there are certainly plenty of arms transfers that are fundamentally unproblematic, in my eyes.

**Dr Perlo-Freeman:** Our organisation is called Campaign Against Arms Trade, so we do pretty much what it says on the label. Ultimately, we believe in the eventual abolition of the global arms trade, not just from the UK, but we are, at the same time, realists. We realise that is not something that is going to happen overnight. We believe in eventual progressive demilitarisation by arms-producing countries, whether that is the US and UK or Russia and China as well. We prioritise those UK arms exports where there is the most serious concern in terms of human rights, conflict, development and corruption and so forth. If those sales were to stop, we would be delighted. We look forward to a world in which nation states being heavily armed, whether from their own industries or from imports, is no longer necessary, but that is a much longer-term vision.

Q51 **Chair:** Thank you both for that. It was for my general understanding. Before I move on I am going to ask another question. We are going to move to Mark Garnier, and Mark, of course, is the Chairman of the Committees on Arms Export Controls in the House of Commons.

What would the effect be on UK exporters, UK arms exporters, by ending the export of UK-manufactured defence equipment to Saudi Arabia? It seems that Saudi Arabia is a bottomless pit for importing this stuff and, therefore, it has knock-on effects to people who maybe become dependent; there are clients and dependencies, perhaps. If one of you or both of you would expand on that a little bit.

**Dr Perlo-Freeman:** Although we do not know the exact level of arms sales to Saudi Arabia or any other country, as I say, due to the lack of data, we do have one other data source, which is BAE Systems' annual reports. Over the last five years, 2015 to 2019, its revenue from the Saudi Ministry of Defence and Aviation has been an average of £3 billion a year. Obviously, if arms exports to Saudi Arabia were to stop, then that would be £3 billion a year revenue that it would no longer receive and, of course, with knock-on effects on supply chain, Rolls-Royce and GKN and so forth.



I would add, on the other side, that the scale of UK arms exports is often talked about—and some of the previous witnesses talked about it—as if it is an absolute cornerstone of the UK economy. The average over the past 10 years from 2009 to 2018 has been about 0.5% of GDP and 1.7% of UK exports. It is obviously not trivial to the companies involved, it is very significant, but one can put far too great an emphasis on it in economic terms.

I also think there is a huge opportunity for the UK, a huge necessity, for investment in renewable energy and in other technologies and advancing, innovative industries, which is absolutely essential to tackling the climate crisis. They have a desperate need, especially if they are to grow in the way we need them to, for skilled engineers in the same sorts of skilled, high-paid, innovative jobs as we see in the arms industry. Although there is obviously an immediate economic cost for these companies, for the UK as an economy and as a global citizen in seeking to tackle the climate crisis there is a huge opportunity for investment in these growing industries, which have a desperate need for these workers.

**Q52 Chair:** Before I move to Roy, maybe on renewable energy you could argue that Denmark has cornered the market in wind. Where will they go from swords to ploughshares? There is an obvious £3 billion hit there, taking on board the caveats of GDP and what have you.

**Roy Isbister:** Yes, building on what Sam said, I suppose any existing contracts or relationships with buyers that get put under threat has implications for the individual workers as well. We should not discount that and pretend that that is not significant. Again, this is a consequence of living in a modern, global, capitalist society and this happens all the time. Right at the beginning, I think the first panel mentioned a study undertaken by MoD economists 15, 20 years ago, and it talked about the dislocation from the loss of exports and how you would have negative economic and job implications at first and that would reverse over time. In fact, their argument was that, because of the very high capital expenditure per job in the defence sector, there would be more employment in the country after five years than there had been before that was lost.

From my perspective, it is also worth remembering that we are not talking about ending arms exports or ending arms production. It is about making sure that things are responsible. Then we also come to the fact that for 30 years now, long before I started—I have been doing this for 20 years—people have been arguing that the dependency on Saudi Arabia and the relationship with Saudi Arabia is unhealthy and needs to change. What might have been the situation now if people had listened to that criticism at the time? To turn around and say it is too late to do this, I would disagree. It is never too late. There will be future technologies and it is a way that the UK wants to embrace those.

There are a number of ways in which the relationship with Saudi Arabia has damaged the UK in its international reputation and in other ways. I



## HOUSE OF COMMONS

possibly do not need to go into that now. I think this reliance on Saudi is unhealthy. It needs to be broken and it is overdue. That is a big part of the problem. It is not just due, it is overdue.

**Chair:** Thank you. I may have paved a little bit of the road that Mark Garnier wants to travel along but, as Chairman of the Committees on Arms Export Controls, you have about five minutes before the end of this panel, Mark, if you want to take it on as you see fit.

Q53 **Mark Garnier:** Thank you, Chairman. In the interests of very full disclosure, it is probably worth referring to my entry in the register of Members' interests in the previous Parliament, where I went on a trip to Saudi Arabia in 2018. It is also worth mentioning that I was the Minister at DIT with responsibility for signing off on the ECJU. In any practical terms, the vast majority of arms-related sign-offs were done by the Secretary of State, although I did get involved in one or two of them, as CAAT knows.

I have a number of questions. I am genuinely very, very fascinated by the answers to this and I do hope, both Dr Sam and Roy, that the Committees on Arms Export Controls will hear a lot from you, because I think you have a lot to contribute to this.

When looking at the interpretation of the rules and consolidated criteria, you referred to some western European countries that are doing better in terms of upholding the consolidated criteria and making sure it works better. I have a number of issues about this. Can you expand on that? The reason that is important is because, of course, we are currently using the same set of EU guidelines and rules, yet clearly we are getting this wrong.

One of the things I am curious about is that France was not mentioned a lot in those references, whereas Germany was, but if you look at the volume of exports, obviously the UK is the second-biggest exporter of arms in the world. France is the fourth and not that much smaller, but by the time you get to these other countries, there are far smaller amounts of arms exports. Is better adherence to the rules a product of just less work to do in terms of trying to follow what is going on with this stuff?

**Roy Isbister:** If you look around the EU, it is not just France that we would regard as having a problematic policy, there is Italy as well. Spain is an interesting case. When Spain announced that it was refusing to allow a relatively small deal to go through on grounds of concerns about the conduct of the war in Yemen, Saudi Arabia said, "If that is your attitude, we are going to take our much larger order for naval equipment off you and put that somewhere else," and Spain backed down straightaway, very quickly.

That points to one of the problems, and it perhaps touches on what you were talking about. The system in the UK seems to work okay when the stakes are not very high. If you look at the smaller deals and countries where the consequences of exports would be problematic, if those



countries are not large markets, the UK tends to do pretty well. It is where suddenly the stakes get raised that we see the wheels starting to come off. Saudi is the perfect example of that, as the biggest customer. With this sense of the implications for foreign policy, for security policy, if we do not play nice with the Saudis, I think that is where you see this problem. It forgets that there are rules, the law and the criteria, there is a legal obligation to follow those.

It may well be that if you look at some of the other countries that do not have such a large relationship with Saudi, you can see why it is perhaps easier for them to follow the rules, but the fact is they are following the rules and they are doing what they should. They range from very small to medium size, I would also say. Germany is an interesting case in that Germany is very uncomfortable with exporting to Saudi Arabia, but because of pressure that has been applied by France and the UK to continue to supply components that are then put into systems by systems integrators in other countries and then exported on to Saudi Arabia, they have set up some special rules, especially with France, that allow this to happen. There are lots of tensions there, and there is a range of behaviours, but unfortunately the UK is at the wrong end of that range of behaviours.

Q54 **Mark Garnier:** Essentially, are you saying that money talks on this?

**Roy Isbister:** Yes, that seems to be the way it is but, under the law, money is not allowed to talk. The law is quite specific: money does not talk. If there is a clear risk that there might be serious violations of international humanitarian law, international human rights law, you must not export. That is regardless of the economic consequences of that decision.

**Dr Perlo-Freeman:** I think you are right. The nature of the rules, of the criteria, is that, by design, they leave a lot of room for interpretation in these words like “clear risk” and “might” and so forth. Therefore, they leave a lot of room for political choice, for political judgment. As you say, the countries where the stakes on Saudi Arabia are not very high—Germany is medium high, but not nearly the scale of the UK or France—have interpreted things in a way to say that they should not export, whereas in the UK and France we have much larger stakes, France especially, to the UAE, Saudi’s partner in the bombing campaign. They have found ways of interpreting the rules that allow these exports to go ahead, despite the fact that whatever the minutia of the individual equipment, the individual decision that is being made, the consequences of the war as a whole, which would not be possible without these supplies, are just very, very plain to see.

Again, as I say, the problem is seeing the forest for the trees, so it does allow this huge room for interpretation. Sometimes the courts can step in, as they did here, and say, “No, the way that you are applying these rules is inadequate, irrational and, therefore, unlawful.” The Belgian courts have also stepped in to stop certain arms exports from Wallonia to



Saudi Arabia, but that of course is very hard to do. It is a very hard, potentially costly and very lengthy process to challenge the Government on something like that. The Government want to make it even harder. Even if you do win, as we find out, the Government can find a way of slipping and sliding around their interpretations to still find a way of allowing exports. It is this very wide margin for interpretation, which I think is deliberate in the way the rules were constructed, that we see as the problem.

**Q55 Mark Garnier:** I have a few more points that I want to get on to, but on this data, the other thing that I picked up on is the difference between the SIELs and the OELs, so the open-end licences and the single licences, because, of course, we do not know the extent of the problem if we do not know how many open licences or the value of it. This sounds to me like it is a very important point for you guys.

**Dr Perlo-Freeman:** Absolutely. We know the number of open licences to each country, but not the value. I was interested to find out about this number of deliveries but, again, very small, very large deliveries. We sometimes see with these open licences that there can be a list of several dozen customers, destination countries, and several dozen types of equipment. We somehow doubt that every item on the list is being exported to every country, especially when you have France and Mauritius or something like that as completely different scales of customer on the same list of destinations on the same licence.

Yes, it means there is just this huge gap in knowledge. When you get to the OGELs, the open general export licences, the gap is even more profound. We suspect that with the very large numbers of deliveries that Roy was talking about, at 5,000 to Saudi Arabia since the court's judgment, a very large number may have been on the OGEL for UK-Saudi defence co-operation agreements or the Al-Salam agreement, but we have no way of knowing.

**Q56 Mark Garnier:** One of the interesting challenges we have as we come out of the European Union is that, obviously, we no longer have to subscribe to the EU criteria. One or two people have mentioned this vaguely to me, that we now have a choice of do we maintain the EU consolidated criteria, do we go to somebody else's, do we go to the US criteria or do we write our own ones. It was interesting, Roy, you mentioned a bit earlier that the US is much tougher in terms of its interpretation of some of these or the way it does this. If you were going to be enthusiastic about us changing our rules, what would you like to see us doing if we do that? Obviously, we don't know that we are going to do that?

**Roy Isbister:** There are a couple of things, but it is also worth recognising that the UK is a state party to the Arms Trade Treaty, and so that creates a framework that exists regardless of whether the UK is in the EU. But to look at the current system and what you might add or change, personally I would like to see an anti-corruption criterion in



## HOUSE OF COMMONS

there. Basically, if you identify a clear risk of a significant level of corruption involved in a potential deal, then you would refuse the licence.

I would also like to see a reimagining of the way criterion 8 is used, which is the sustainable development criterion. Basically, you should not be exporting if you are having a seriously negative impact on sustainable development. The way that works at the moment, the way it is chosen to be interpreted, is that this can only apply to recipient countries who are ODA—overseas development assistance—eligible, so that removes a lot of countries. It only applies to the country that you are exporting the goods to and not what the implications might be for a neighbouring country or another country, and it only takes account of the fiscal implications for that recipient country.

Again, using the Yemen conflict as a case in point, I would say the transfers from the UK since the Export Control Act was put in place that have had the most significant negative impact on development have been transfers to Saudi Arabia that have been used in the bombing of Yemen, but on all three counts criterion 8 does not apply. Saudi is not an ODA country, so therefore these transfers are irrelevant under that. It is not about how they are used in Saudi Arabia, it is how they are used in Yemen, which again removes them from consideration. It is not about the fiscal impact in Saudi Arabia, it is the actual impact on the infrastructure, et cetera, in Yemen. That would be another example where I think you could make a significant improvement to the way that the criteria are applied.

**Q57 Mark Garnier:** Of course, there is an interesting debate. If I remember, criterion 8 is assessed by the Department for International Development, which has now moved into the Foreign and Commonwealth Office. Do you think that is a good thing or a bad thing, the sort of machinery of government changes we have here?

**Roy Isbister:** It is going to depend a lot on how it is done. A knee-jerk reaction is to say that this has to be a bad thing—that is my anxiety, that it is a dangerous development and I can see a lot of things that could go wrong with it—but I am nervous about that knee-jerk reaction. We would need to see the devil in the detail and so on but, yes, I have a lot of anxiety that it could go wrong.

**Q58 Mark Garnier:** You could have some more intelligent thinking going on, more cross-Government. It is a double-edged sword, this one, isn't it?

**Roy Isbister:** Yes. I am thinking it requires quite a bit of re-imagination to be a positive result. I am nervous whether that capacity for re-imagination is existing, especially with all the other challenges that our Government are facing at the moment.

**Chair:** I am going to come in and say that time is ticking.

**Mark Garnier:** Do you mind if I ask just one last question?



**Chair:** One last question.

Q59 **Mark Garnier:** Sorry, I could go on for hours, as you can tell. It is this one, and I am very mindful of the start of our conversation about the bigger customers seeming to get looked after more, but when it comes to Saudi Arabia, one thing that is very remarkable is that Russia is a close third in terms of the value of arms exports. One of the arguments in terms of our continuing to do trade with Saudi Arabia is that if we do not, then Russia will, and it is better that we continue to have a relationship with Saudi Arabia that essentially means we can have influence over how it conducts this war.

Would you like to comment on that argument? I am not trying to present it as either good, bad or indifferent. I am just very interested in your views. Would you rather that we could have an influence, or the potential is that we have no influence and we cannot do anything at all about it?

**Roy Isbister:** It feels like there is a big, long conversation to have on this in your capacity as Chair of the CAEC, but if I may, very quickly—and then Sam I guess might have others—I would be very nervous if Russia became the UK's benchmark for what is acceptable and unacceptable behaviour in the international environment. That to me sounds disastrous.

**Mark Garnier:** I give you the example not as the alternative, but as—

**Roy Isbister:** Yes, but if that was what you were facing. But again, whoever would be the replacing exporter there, are they the standard that you want to work to? Also the relationship, that you are supplying a very high-tech air force basically, so Saudi Arabia is not something that can be changed overnight. What is much more likely to be changed overnight is Saudi operations in Yemen if the UK was serious about saying, "We are not doing this anymore." I think that is much more likely, that you would see a change in policy in Saudi Arabia. Saudi Arabia, I think, are quite keen to get out of Yemen, to be honest, as we understand. I could go on, but I know we are rushed for time, so maybe Sam might want to chip in with something.

**Dr Perlo-Freeman:** Yes. People with a lot more military expertise than me have said that for Saudi Arabia to simply switch suppliers from the US and UK to Russia and China, for example, would not be possible in any sort of near-term framework. We have this vast support and maintenance, technical support operation, 6,500 BAE Systems employees in Saudi Arabia supporting the Royal Saudi Air Force. It is simply not something that can be replicated, never mind overnight, even within a space of months or a year or whatever.

In terms of influence, I see no evidence that we have influenced Saudi Arabia in a positive direction. I think the influence from this dependency that Roy talked about earlier that UK arms exports have on Saudi Arabia is in the other direction, that a lot of our Gulf policy is predicated on keeping the house of Saud satisfied customers. We have seen Saudi



## HOUSE OF COMMONS

Arabia engage in this catastrophic war in Yemen; kidnap the Lebanese Prime Minister; start an utterly fruitless feud with Qatar that, if we believe Rex Tillerson's memoirs, nearly led to war; murder Jamal Khashoggi; and apparently threaten the life of a former Saudi intelligence officer in Canada, who is now having to sue them to stop them trying to kill him.

We are, in most cases, silent or at least very restrained in our criticism of Saudi Arabia because we always have our eye on the next possible deal or, indeed, the current deal. I think that, were we no longer to be an arms exporter to Saudi Arabia, we would be much more free in our foreign policy in the region. I do not want to overestimate how much influence we could have as a sort of middle-ranking power, but I think insofar as it affects our influence, it is absolutely the opposite direction.

**Mark Garnier:** Thank you. That is really helpful. I am sure we are going to carry on these conversations with the newly reconvened CAEC, which has not been sitting for four years now, I think. Angus, thank you. Sorry, I have overrun a bit.

**Chair:** Not at all, and thanks to the Chair of CAEC. I can see that you are very interested indeed in that area. Also I am grateful to you for pushing on that last question. It is an interesting point that, as one of the suppliers to Saudi Arabia over a number of years now, perhaps that gives the UK an area of strength. It is not just on the purchaser, but the seller has strength as well, something I personally had not contemplated in the past.

That brings our session today on the defence sector exports to an end. I thank our final panel, Dr Samuel Perlo-Freeman and Roy Isbister, for your time and your perspectives, and also the other two panels. I think it was a useful afternoon. It will probably be a baton that is mostly picked up in CAEC, but it was good to look at the overarching philosophy in this area of trade. Thank you all and thank you, colleagues. Until we meet again, feaggar math.