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Dear Professor Pieth

**Termination of BAE Systems' cover for military exports to Saudi Arabia
with UK Exports Credit Guarantees Department**

We write in regard to the recent revelation that BAE Systems has cancelled all its insurance cover from the UK's Export Credits Guarantee Department (ECGD) for the company's Al Yamamah (latterly called the Saudi British Defence Cooperation Programme) and Project Salam arms deals with Saudi Arabia.

The cancellation came just weeks before the publication of the OECD Working Group on Bribery's Phase 2*bis* report on the United Kingdom in October 2008. BAE gave notice to the ECGD on 1st August 2008 and the cover ended with effect from 1st September 2008. As you are aware, this Phase 2*bis* report queried why the ECGD had not acted on evidence that BAE had allegedly made bribery-related fraudulent misrepresentations when it requested insurance cover from ECGD. The Serious Fraud Office had handed this information over to ECGD as part of its corruption investigation into BAE's contracts with Saudi Arabia.

In addition, the Phase *2bis* report raised probing questions as to why ECGD had extended further insurance to BAE for the Project Salam deals at a time when the recipient of the underwritten exports, Saudi Arabia, was known to have interfered with the UK's criminal law proceedings (the Serious Fraud Office's BAE-Saudi investigation).

The effect of BAE's cancellation of its Saudi Arabia cover is that ECGD no longer has any reasons for acting on the evidence supplied by the SFO since, without an extant contract with BAE for the Al Yamamah and Project Salam deals, public funds are no longer at risk. The cancellation of the Project Salam cover also means that the issue of ECGD having provided cover for a contract with a state that threatened the UK also drops away.

The timing of BAE's cancellation of its cover immediately prior to the publication of the Phase *2bis* report may have been coincidental. However, BAE's arms deals with Saudi Arabia have been underwritten by the UK's ECGD for more than two decades and the company has repeatedly stressed the importance of ECGD cover for its activities. BAE's termination of all its cover for Saudi Arabia is all the more surprising given that many non-military companies are now turning to the ECGD for state support because private sector insurance cover for exports has dried up as a result of the financial crisis .

If the public is to have confidence in the OECD's peer review process as a mechanism for improving implementation of the OECD Anti-Bribery Convention, we believe that it is of critical importance that any suspicions of collusion between BAE and the UK Export Credits Guarantee Department be dispelled.

We therefore welcome your statement to BBC's flagship current affairs television programme *Newsnight* (<http://news.bbc.co.uk/1/hi/programmes/newsnight/8073797.stm>) that the Working Group will pursue the issue with the UK Government. In order to assist the Working Group, we are attaching correspondence between CAAT and The Corner House with the ECGD in relation to BAE's Saudi cover. The revelation that the cover had been cancelled came to light only as a result of this correspondence and questions subsequently asked in the UK's Parliament (House of Commons) by Member of Parliament Vince Cable.

We would be grateful if you could circulate this information to the Working Group.

Yours sincerely

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