

European Affairs Committee

Corrected oral evidence: The future UK-EU relationship

Tuesday 18 October 2022

4 pm

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Members present: The Earl of Kinnoull (The Chair); Lord Faulkner of Worcester; Lord Foulkes of Cumnock; Lord Hannay of Chiswick; Lord Jay of Ewelme; Lord Lamont of Lerwick; Lord Liddle; Lord Purvis of Tweed; Baroness Scott of Needham Market; Viscount Trenchard; Lord Tugendhat; Lord Wood of Anfield.

Evidence Session No. 3

Heard in Public

Questions 23 - 34

Witnesses

I: Professor Malcolm Chalmers, Deputy Director-General, RUSI; Sophia Gaston, Head of Foreign Policy, Policy Exchange.

Examination of witnesses

Professor Malcolm Chalmers and Sophia Gaston.

Q23 The Chair: Welcome, everyone, to this hybrid House of Lords European Affairs Committee session. This is the third evidence session for our inquiry into the future of the UK-EU relationship. We are very pleased indeed that Malcolm Chalmers of the Royal United Services Institute is here, and Sophia Gaston of Policy Exchange. Perhaps when you speak for the first time you can briefly introduce yourselves, because we know who you are but people watching will not.

It is a public session, so it is being broadcast and a transcript will be taken. We will send you that transcript and we would be grateful if you could check it and notify us of anything that needs to be corrected, because we will of course use it in the report that will come out of the inquiry. We have quite a menu of stuff to get through this afternoon, so I would appreciate it if the questions and the answers could be crisp so that we can get through everything during the time that we have.

I will start. I tossed a coin virtually beforehand and came up, I am afraid, with Professor Chalmers to go first. What impact so far, if any, has the UK's departure from the EU had on foreign defence and security policy coordination?

Professor Malcolm Chalmers: Good afternoon. I am the deputy director general at the Royal United Services Institute, which means in practice that I am responsible for all our research programmes and I occasionally write on UK foreign and defence policy, aspects thereof.

In answer to your question, it has made a significant difference. We are no longer in the European Union. One way of illustrating that, briefly, would be to refer to the Foreign Affairs Council this week. The difference is both informal and more organisational and structural. Informally, when we were a member, as some of you with experience in the Foreign Office will know, the British Foreign Secretary attended Foreign Affairs Councils with all their counterparts across the EU, usually every month, and a lot of informal business was done there. There was a sense of a deadline: you had to see whether you could line up with others or not on particular issues. Although most of those decisions are made by consensus, the UK was part of that process and now we are not.

People in the UK probably think rather less about how EU policy discussions are going when they are being formed, and vice versa: people in the EU, as some of your other witnesses may tell you, do not think about the UK as much as they did when thinking about foreign policy coordination. How much difference that makes in practice probably varies from subject to subject, but that is certainly an important difference. It is certainly difficult to pinpoint a specific issue in which, had we been a member, EU policy would have turned out differently. I do not think that is quite the right methodology, in part because on most—not all—foreign policy issues, it is intergovernmental; states guard their sovereignty, and the EU is one among many actors and not the most important compared with major states.

On the more institutional side, I can identify a couple of examples that pertain to the Foreign Affairs Council and some of the conclusions it came up with. First, the UK no longer participates in CSDP missions. It is not there when decisions are made to establish such missions, and it is not there to offer contributions to them. We might talk about how that might happen in future, but right now it does not participate. Yesterday, for example, the EU agreed to endorse a military assistance mission for the Ukrainian armed forces. At the EPC meeting in Prague—not an EU body—there was a discussion between President Michel from the European Council and President Macron with the leaders of Armenia and Azerbaijan, as a result of which there was an agreement to send an EU monitoring mission to the Armenian border with Azerbaijan. That is a current example of a CSDP mission, modest in scale, which the UK might well have been expected to take part in, certainly in decision-making, but it has not, as it is not a member.

A second example is the European Peace Facility, which was established last year with a budget of almost €6 billion. The European Council established that, and that is being used by the European Union to provide direct support for the Ukrainian forces. The European Council yesterday agreed to provide another €500 million to assist the Ukrainians. The UK has its own arrangements for helping the Ukraine armed forces, but it is separate from that.

A third example, which we might come on to later, which is perhaps more complex, is that the UK is clearly not part of the European Defence Fund, so it does not get any of the benefits or indeed incur any of the costs of that arrangement.

The Chair: That is very helpful. We will come back to a number of the issues you have raised in later questions, so thank you very much for the moment. Perhaps I could move to Sophia Gaston.

Sophia Gaston: Thank you very much. I am the head of foreign policy at Policy Exchange, which I joined after just over three years leading the British Foreign Policy Group. I focus on the Euro-Atlantic and UK-China relations in the Indo-Pacific and the integration of domestic and international policy-making.

I would think about the impacts of leaving the EU on both sides. Institutionally in HMG, first, the EU relationship being pulled outside the Foreign Office and moved into a separate domain—this has, of course, been repatriated now, which is a positive development—was a key obstacle to thinking holistically in foreign policy terms about our relationship with the EU. However, the fact that UK-EU foreign policy, security and defensive cooperation was out of scope of the trade negotiations, and with the EU relationship being held outside the Foreign Office for a while, compelled and required thinking in government about what our role in the European security landscape was going to be.

It particularly focused attention on the areas outside of EU and NATO competencies. We know, of course, that NATO competencies, remit and scope are in a state of evolution—it is starting to weigh in on wider geopolitical issues such as China, for example, for the first time—but the fact that we were forced to start to think about that space between those two different institutions compelled some pretty interesting and important thinking, which in some ways, particularly on Ukraine, facilitated a more agile response.

It also led to some quite tangible decisions, such as the choice to send a special envoy to the Balkans. We invested a lot in our relationship with Turkey, which was then useful when we were dealing with the question of NATO accession for Finland and Sweden. In some ways, those constraints were helpful in encouraging that new and creative thinking. That said, it was unsustainable for the EU relationship to be entirely excised from how we think about our foreign policy. Now, we have seen some pretty meaningful initiatives, over the past year in particular and accelerating more recently, to start to integrate that thinking.

The decision to attend the European Political Community meeting, and the decision to put up our hand and say that we will host it, is an extremely positive development, but we are very early on in our stage of conceptualising what a new normal looks like. In many ways, we are at the end of a transition period and we now need to start to think in the round.

The reality is that a lot of the questions that we will ask about our role in Europe are entirely dependent on choices that others make and developments both within the European neighbourhood and outside it.

The Chair: Thank you for that. That also touched on areas that we will come on to in greater detail.

Q24 Lord Hannay of Chiswick: I was surprised that neither of you referred to the fact that when we left the European Union we ceased to be a member of the Political and Security Committee, commonly known in the Brussels jargon as COREPER III, which meets several times a week and manages a huge range of co-operation. That is surely quite a big gap that has not been filled, although clearly at the time of the political declaration there was some belief that it might be filled, but of course the British Government rejected any political and security co-operation at that stage. I just ask whether you have come across that, because that is the engine room of EU work. Of course we cannot be a member of it when we have left, but I think we ought to notice that we have stopped being a member of it.

Professor Malcolm Chalmers: That is an entirely reasonable point. Do you want me to expand on it, Chair?

The Chair: If you feel you would like to expand, please do.

Professor Malcolm Chalmers: I would say, Lord Hannay, that is a more or less inevitable consequence of the fact that we are no longer a member of the European Union. Even if we wanted to have some special status within that mechanism, I find it hard to believe that the European Union would allow us to do that. That is part of a broader discussion about the nature of our future relationship, but it seems to me that a future relationship has to be built on one that respects the autonomy and sovereignty of the European Union as well as the autonomy and sovereignty of ourselves. Therefore, the future relationship will be much more about co-ordination and information-sharing rather than seeking to develop a common policy on areas where it is probably pretty unusual that the UK-EU would be the best place to do that.

The Chair: Did you want to add anything, Sophia?

Sophia Gaston: The question about formalised co-operation also has to accommodate the questions of the bilateral relationships that are sitting underneath the European Union. There was a bit of a moment in the immediate aftermath of Brexit when the question of the E3, which has not received a lot of attention over recent years, seemed to be at the top of people's minds. It seems to have reduced in scope and potency at the moment, for various reasons, but we should be thinking about that

alongside and with a significance that could also challenge and be more meaningful in some ways than other kinds of traditional security cooperation relationships.

The Chair: Thank you. That is a very good segue to Lord Foulkes' question.

Q25 Lord Foulkes of Cumnock: Indeed. Thank you all very much for coming along. This is a major inquiry, because we think that future relations between the UK and the EU are so vital, and we will spend a lot of time on it, which brings me to the framework of co-operation.

What do you think the framework should be? Would it be as it is envisaged in the political declaration, which includes good faith by the way, which went alongside the withdrawal agreement? Do you see it as something similar to the relationship between other neighbouring countries, including the applicant states, or do you think that if the European Political Community became institutionalised—it has three more meetings lined up—that might form the framework? What do both of you see as the framework for this co-operation and how it could develop?

Sophia Gaston: I am really glad that we attended the EPC. It was absolutely the right thing for us to do. In many ways it was the actualisation of Brexit to say that we were attending that. In some ways it would not have been credible for the EPC to have gone ahead without the UK, so it was actually a situation of intense co-dependence. In fact, many aspects of this conversation about how we nut out the relationship, there is a degree choreography to it. It is a dance; everybody has to move at the same time and in the same ways and in the right moments, so that everybody is saving face and feeling respected and acknowledged. I think the EPC was a perfect manifestation of that.

It has the opportunity to be something really constructive and to play an important role. The mix of asks and offers that we brought to the table from the UK side was interesting, because many of the asks were extremely short-term domestic political vulnerabilities, and a lot of the offers that we were bringing to the table were quite structural, foundational security frameworks/mechanisms and contributions. There was an interesting balance in how we perceive our value to the European security community.

From the UK side, we clearly thought that that was a balanced offer and ask, and I think there will be a subjective assessment from our European partners as to how they feel about that.

What is also interesting is that since we left the European Union, a lot of the other different frameworks of co-operation, whether in the EU, in the European neighbourhood, or in international fora across Europe of which EU member states or the UK are members, have evolved quite significantly. One of the things that we have done since Brexit on the UK side is focus not just on bilateral and mini-lateral relationships in Europe, but on the reinvigoration of international multilateral forums such as the

G7, which we clearly think is an essential forum and have invested heavily in.

So in many ways the sort of questions that we would have been having about the foreign policy and security relationship with the EU, had we started to do that in a formalised way during the Brexit negotiations, are coming in a very different landscape now. That is partly as a result of the choice not to have the conversation at that time. It has been deterministic in some sense, but also things have changed so dramatically in geopolitical terms that the questions are quite different.

What strikes me about the UK-EU relationship is that there will be areas where our interests align that are partly determined by our geography, and areas where our interests align that are determined by our values. Many of the points about our values stretch outside of the European neighbourhood. There is a question about whether forums like the EPC will be the right fit for those different domains.

In many ways we have seen a broader challenge in the question of the UK foreign policy, which is about how we strike the right balance between flexibility and resilience. This is a challenge that pretty much every advanced democracy, and multilateral institutions, is going through. There have been a lot of efforts over the last couple of years to think about how we shift and evolve and defend multilateral institutions: do we have a D10, and so on? One of the most important of these seems to be how we ensure that there are meaningful dock-in and integration points so that these forums, which seem to be proliferating, can be mutually reinforcing to the core objectives.

Professor Malcolm Chalmers: I substantially agree with everything Sophia has said. Partly as a result of Brexit, we are moving towards a more variable geometry for co-operation in European security. It may not be appropriate in other areas, but it is in this area, where most sovereignty is maintained by member states. That was the case even when we were a member of the European Union, but it is more the case today. So I am rather sceptical.

I would not rule out some sort of regular summit meeting or regular coordination meetings between the UK and EU on these subjects, but the bulk of the work is likely to be done outside that framework, even if it were to be created. As Sophia said, it is likely to mean a variable number of actors. It would not make sense, for example, to talk about security in eastern Europe without the Ukrainians being present, but they are not a member of NATO or of the EU. It would not make sense to talk about North Sea pipelines with Norway not present—it is not a member of the EU—or indeed the UK and so on.

The European Political Community is a very modest step, but it is quite an important step. It indicates to me that there has been a degree of flexibility on both the UK and the EU side. Over the summer, it was by no means clear that you would get agreement for such a meeting, because some people in the EU were demanding EU primacy in the meeting and

some people in the UK did not want to have anything to do with anything that seemed to be an institutionalisation of European security co-operation. There has been something of a compromise, but I think we are more likely to be successful in deepening co-operation and widening it if we take it issue by issue and identify areas in which there is common ground and common interest for taking it forward, rather than putting too much emphasis on only going through the very large multilateral organisations like NATO and the EU, which sometimes go at the speed of a snail.

Lord Foulkes of Cumnock: Last week, I was in Strasbourg at the Parliamentary Assembly of the Council of Europe. They were very worried about the European Political Community because the membership is almost exactly the same as the Council of Europe—only Andorra and Liechtenstein were not included—and they thought it might take over. Yet it seemed to some of us that whereas the European Political Community was dealing with security and I think it dealt with energy as well, the Council of Europe deals with human rights and the European Court of Human Rights, so they might in fact be complementary. It might give greater prominence to the Council of Europe. Do you see that as a possibility?

Professor Malcolm Chalmers: I think they are entirely complementary. I do not think there is an awful lot of overlap in their terms of reference. I think the EPC deliberately has rather open-ended terms of reference. It has only had one meeting. One of the most important aspects of that summit meeting in Prague, if you look at the agenda there is a very large break between the formal sessions, which gave plenty of opportunity for mini-lateral and bilateral meetings to take place with Heads of State and Government present, so that is a very welcome step.

The Chair: Thank you very much. That was a valuable question.

Q26 **Lord Jay of Ewelme:** I have a question about Whitehall arrangements. When he gave evidence to us last week, David Frost expressed some concern about the effectiveness of current Whitehall arrangements for coordinating UK policy on these issues. Do you agree that the co-ordination is not as effective now as it might be? Sophia Gaston, you have already said that it is a positive development—if I am quoting you correctly—that

it has been brought back into the Foreign Office. How do you see it now and, insofar as it is not working, how might be improved?

Sophia Gaston: Many of the aspects of the UK-EU relationship and the questions about the machinery of government supporting that to be optimised to its fullest extent are issues that are afflicting our foreign policy apparatus as a whole. The whole point about the Integrated Review—it is called “Integrated”—was to bring everything together. It talked about whole of government approaches and whole of society approaches, and I think they were absolutely the right calls to make.

In practice, we have had very little machinery of government reorganisation since the review was launched. It is obviously being refreshed now, and I hope it will provide a bit of impetus to this thinking, but it is plain for anybody to see that a lot of the issues that we are dealing with now in foreign policy terms—even if you just look through the specific lens of areas of UK-EU co-operation, whether they are motivated by geography or values—are cutting across multiple departments. This is why the terminology of resilience can be so useful as an impetus to start to think about these things. In many ways, you need a co-ordinating Cabinet Office function to facilitate this. A lot of departments have traditionally not thought in a foreign-policy sharp-edged kind of way, which will necessarily be required to build those capabilities.

There is also the question of internal workforce capabilities. If we were to have a landmark review such as the IR, which in its pre-refresh form and afterwards is substantive, ambitious and practical enough to provide the impetus to that, we need to be thinking about how we organise our machinery of government to deliver on this. What does it mean to think about an EU relationship that will need to accommodate such questions? Even if you look just at migration, for example, there is obviously the very short-term geographical issue of the French relationship and the Channel crossings, but you also have much longer-term structural questions about climate-motivated migration patterns, and we will need to have a stake in that conversation.

How do you deal in a joined-up way with both those things and all the other interrelated issues, which are co-dependent with that? I am not sure yet that we have the apparatus to tackle those things in a cohesive way. I am very happy that the EU relationship is back in the Foreign Office, but there is a bigger question that goes well beyond our relationship with the EU that needs to be addressed.

Lord Jay of Ewelme: Malcolm Chalmers, what do you think about that? Perhaps you could say something about the relationship between the Foreign Office and the Ministry of Defence in this context, because if that does not work, an effective foreign defence and security policy is not going to work either.

Professor Malcolm Chalmers: Sure. On the first issue, in addition to what Sophia said, it remains to be seen what impact the replacement of the National Security Council by the Foreign Policy and Security Council will be. We shall see what that means. Ultimately, of course, Europe is being brought into that new council, which we were told is not part of the National Security Council, so that is a widening to include European policy, but of course our machinery of government depends critically on the signals from the Prime Minister and the Prime Minister's relationship with those Cabinet committees or the National Security Council. That was one of the issues with the National Security Council over the last couple of years, which meant that it met less and less frequently. But we will see; it depends on the style of the Prime Minister at the time.

The arrangement that we seem to be moving towards when there is a particular crisis among the foreign policy co-ordination issues that we are talking about—the debate about the Northern Ireland protocol may be a special case to put to one side in this discussion—it is absolutely right that it is back in foreign policy. On the MoD-FCDO relationship in all this, I think it is fair to say that because the UK is not part of CSDP—indeed, even when we were, our contribution in terms of the number of personnel we were providing was very modest, although there were some areas in which we had an important role—there is not much MoD engagement with these issues and I am not sure there is much appetite to have a defence relationship with the EU separate from that with NATO.

There is a much stronger defence relationship with the JEF countries, for example, in northern Europe now. If the political signal from Ministers was that you wanted that relationship with the EU, you could develop it. You could have UK military people at EU military headquarters, and vice versa, and develop that. I guess the attractiveness of that might grow if the EU started to take on a stronger role, which meant that there was a greater demand for particular UK enablers, for example, but we are quite a long way from that. My sense is that there is not much appetite in either department for a big push for the MoD to get more involved in the relationship with the EU.

Q27 Lord Purvis of Tweed: May I apologise for being late, Professor Chalmers?

I missed the first part. I was dealing with an organisation that had concerns about UK-EU links on tackling human trafficking and that they declined after Brexit, so I hope my excuse is relevant for this.

I want to pick up on the element of Lord Jay's question about individual member state relations and how that is co-ordinated. We have passed legislation on recognition of professional qualifications, and we have lots of regulations on veterinarians. There is a whole sweep of areas where the UK now has to engage in individual member state negotiations and discussions on mutual recognition areas. Is that being co-ordinated through the machinery of government? It is not a Foreign Office responsibility per se, but it is our relationship with EU member states—not on foreign policy areas, but they impact on our new relationship. In the past, that was simply done through the Commission.

Professor Malcolm Chalmers: It is outside my area of competence, I have to say. Sophia.

Sophia Gaston: Me too, largely.

Lord Purvis of Tweed: I am asking, because if we take the whole sweep of UK government relations, it is probably a bigger share of officials' time than it is within your areas.

Sophia Gaston: All I will say is that the decision to go to the EPC reflects a broader shift in thinking, which has been very gentle and incremental, a slight turning of the ship towards an understanding that we have to accept the legitimacy of the EU as an institution. Although it is absolutely our right and sovereign choice to engage with individual EU member

states, and we have always had nuanced relationships with particular member states and different ways of co-ordinating with them. EU member states themselves may also choose to engage and pursue different forms of relationships with us, and that is absolutely their right too.

But there has been broader thinking beyond the overwhelming focus on bilateral relationships towards thinking about a flexible mix that includes engagement with the institutions as well as these other forms of cooperation. I just detect a slight slowing of the pace of that kind of focus, particularly in bilateral relationships. I think they will remain important, but I do not think they will be the singular focus moving forward.

Q28 Lord Lamont of Lerwick: Good afternoon. I would like to ask about cooperation between the UK and the EU in relation to Ukraine. The obvious question is in what respect it has been successful and in what respect has it been less successful.

Professor Malcolm Chalmers: This is an area in which there is substantial convergence between thinking in the UK and thinking in the EU. Of course, the EU has a variety of views within it, but certainly the centre point of EU thinking has meant that it is not that different from the UK, I would suggest. Because of that convergence in objective, there has been the possibility, and I think the reality, of close co-ordination between the UK and the EU both directly and through the G7. In the early stages of the crisis, political directors of the UK and EU, and indeed of other G7 members, were meeting on a daily basis, focusing in particular on coordination of sanctions. The UK, not being a member of the EU, has its own independent sanctions regime, but as I understand it, a lot of information in relation to details of the justification for various individuals and organisations being sanctioned or not was being shared with our EU counterparts, so that has been rather successful.

In the Ukraine crisis we have a donors group for military assistance, which again is not part of any of the existing organisations, which is a bit more ad hoc. That has got around the reluctance of some EU states, notably Hungary, that are more reluctant to go with the otherwise broad consensus in that area. So yes, I think it has been pretty successful.

The area where there are both pluses and minuses is that although the UK officials have discussions with their counterparts in the EU, the UK has no say in the development of decision-making in relation to EU sanctions policy, for example, and vice versa. That has pluses and minuses. When we were a member, we would have been one of the most important actors in such a discussion, disproportionately perhaps, because of our financial services, our expertise and so on. That is not present, so it is more coordination and information-sharing rather than influencing the direction of the EU. Would the EU have been a bit tougher if the UK had been a member? Perhaps it would. That is speculative. That is an area in which you can see there might have been a disadvantage in not being a member, but largely speaking I think it has been pretty successful so far.

Sophia Gaston: I absolutely agree. In terms of broad sanctions coordination, on the ground we have been playing various framing roles in a lot of the military infrastructure getting into Ukraine, and that has involved a lot of co-ordination with our EU partners. I think it is worth highlighting though the area of divergence, at the origins of the conflict, at the moment when the UK and the US were in lockstep on the intelligence ahead of the invasion. That is an incredibly important point, because in many ways it speaks to one of the fundamental challenges of how we conceive a foreign policy relationship with the EU moving forward.

For us to intensify and deepen our co-operation, we have to know that we are in the same place on the fundamentals. The question about the threat that Russia poses is institutionally understood in Whitehall and Washington and among our populations in a way that is not universally understood as a point of consensus across the EU member states as a whole. Until we resolve that question, and the question of China, it will be difficult to deepen and intensify co-operation to the fullest extent. That is important and something we need to think about as a priority moving forward.

Lord Lamont of Lerwick: By that, I assume you are referring to geography and history.

Sophia Gaston: The proportion of American people who perceive Russia as a threat is considerably higher than the proportion of the German population. It has a much more proximate geography.

Lord Lamont of Lerwick: But Germany's attitude would be hugely influenced by the suffering during the war, would it not?

Sophia Gaston: Yes, of course, but whatever the influences on those decisions, I think the degree of hawkishness and concern about the security threats in this case was proven correct. We need to make sure that we are on the same page in being able to anticipate, perceive and understand those threats, because that will lay the groundwork of how we will plan and dispense our limited resources.

The other very interesting question will be in the aftermath of the conflict, whenever that is and whatever that looks like, because both the UK and the EU will play quite important roles in that. The EU will obviously be the key legal and economic framework for Ukraine rehabilitation and reconstruction, but Ukraine has asked the UK to play an outsized role in guiding that process of reconstruction as well. There is an interesting question about whether the unusual status that Ukraine will have to take as a third country may also compel some creativity in thinking about the UK's own relationship with the European Union.

Q29 **Lord Tugendhat:** I would like to ask about the relationship between us, as a non-member of the EU, and NATO, and how the UK should approach the developing relationship between NATO and the EU. In asking that question, of course, I am much influenced by the fact that the dominant member of NATO is the United States. The United States is worth pretty

much everybody else put together. How do you see this relationship developing, and how should we try to organise it?

Professor Malcolm Chalmers: One of the interesting developments in that regard is that over recent years the UK has put quite a lot of emphasis on the Joint Expeditionary Force as a way of bringing Sweden and Finland closer to the rest of us in military terms. All being well in Ankara, Sweden and Finland will soon be members of NATO, which means that the divergence in membership status will be reduced significantly in two countries, both of which matter a lot for that. One of the issues to address in the coming period is what that means for that mini-lateral structure in the JEF, which the UK helped to establish, and what its relationship will be to NATO once all its members are members of NATO. That is one example.

There has been some degree of convergence between the two, partly for that reason and partly for other reasons. There are still some significant areas of difference. Turkey's membership in NATO is a very big difference, which can sometimes be a hindrance to NATO coming to common positions. We have to take that into account. Also, the institutional culture in the two organisations is very different, ultimately driven by the factor that you have put forward: that the United States' membership/leadership of NATO means that NATO, despite being intergovernmental, is able to reach agreement because there is a lead country. There is no lead country in the European Union. It is in a sense leaderless or leader-light, because no one country corrals everybody together. That is a strength in some regards, but in areas that are primarily intergovernmental it is a real weakness. That is why there is continuing pressure in the European Union to introduce more qualified majority voting in all the debates that you are very familiar with.

I do not anticipate an awful lot of change, except if you were to enter a scenario in which the American security commitment to Europe was seen to be significantly less than it has proved to be over the last months. If that were to be the case, the UK would clearly have a very strong interest in deepening security and defence co-operation with its European neighbours, whatever the forum for doing that, which is less important than that it happens. In military co-operation terms, clearly NATO has the protocols, the machinery, the practice and the culture to do that, so strengthening the European pillar of NATO, the European element in NATO, is absolutely central to that.

Sophia Gaston: I think the Americans have been encouraging greater cooperation between the EU and NATO, partly as a way of encouraging the EU to be more ambitious in thinking about its credibility as a foreign policy and security actor. I understand why they are doing that, and it makes sense in many forms. The central challenge, as Malcolm has outlined, is that you need to find a way for NATO also to remain accommodating to and respectful of non-EU members. Turkey has proved an obstacle in some ways, but it is also an essential part of that alliance, particularly when we cast our minds forward to what will happen over the

next 10, 20 years, with Turkey there as part of that Mediterranean flank with middle eastern touchpoints.

Also thinking about broader geopolitical developments, China has renewed investment in the Shanghai Cooperation Organisation. Turkey has applied for membership of that, which we should watch closely because it would extend the influence of that kind of new regional framework right to Europe's borders. For all those reasons, it is essential that we have countries like Turkey there in NATO.

I think with NATO it is just going to be about striking a balance. There is obviously a benefit for NATO if the EU can be a more efficient decisionmaking structure and have a degree of co-ordination with NATO so that when the EU is coming to NATO you know that it has already thrashed out a lot of those internal conversations and can take more efficient decisions. Equally, it must be able to accommodate that full diversity of member states. As it currently stands, that diversity is clearly NATO's strength.

Lord Tugendhat: Do you think that in the particular instance of Ukraine we managed the interrelationship between the two roles of NATO and the EU quite successfully?

Professor Malcolm Chalmers: Necessity has generated an unprecedented degree of co-operation among European states and in the broader western world, so a lot of co-operation has been driven by pragmatism and by American leadership. The G7 has played a very important role, so we have included our Indo-Pacific partners as well as European countries and North America. In some areas, of course, the EU and NATO are key players, but we have not relied on those, except in areas where they have an essential sovereignty and responsibilities. Sanctions are a clear EU competence, where they have done something and provided substantial financial commitments. Often those commitments have not yet delivered, but they have been substantial.

The EU is playing a pretty good game, an essential game, but no one organisation holds this problem. It is a problem that we all have to cooperate on, and the record so far has been pretty good.

Sophia Gaston: With a lot of these questions about the optimum relationship, you would start to think about defensive industrial capabilities—these are long-term investments—and having the right structure in place to develop things in a co-ordinated way. It is very different to a situation where a conflict has emerged very quickly, and we have to respond from the stockpiles and equipment that we already have to hand and to think about how we distribute those. Obviously foresight and greater long-term strategic planning would have helped us to have a quicker response and a more effective short-term response.

The question we need to ask ourselves now is: what are we going to need for the next challenge, and what kind of co-ordination can we put in place? The UK on its own cannot cover every aspect of its full end-to-end defensive capability, so whether that involves us co-ordinating or

participating in joint procurement exercises, they are the sort of conversations we need to start having.

Q30 Lord Hannay of Chiswick: Paragraph 43 of the new NATO doctrine commits non-EU NATO members to helping and supporting the EU in its work of security and defence policy. What do you think the British contribution to that should be? Secondly, you mentioned sanctions. Were you not struck by an item in the press this morning that the UK has just signed an agreement with the US Treasury to co-operate on sanctions? Presumably that means there could not possibly be any reason not to do the same with the European Union.

Professor Malcolm Chalmers: In the first question, that becomes most relevant if there are CDSP missions where both the UK and the EU believe there is merit in co-operating, perhaps because we bring capabilities that EU member states might find difficult to provide or, indeed, where we would quite like to do something and we want European partners because we do not want to do it by ourselves. Where there is a mutual interest in doing something together, it is absolutely right to do so, and I think that is the sense of that paragraph in NATO strategic concept.

In order to make that work, you have to get the structure of decisionmaking and funding right. Decision-making is particularly important, because it is not viable for the UK to be asked to join in a CDSP mission in a substantive way where it has had no say in designing the remit, the rules of engagement and so on. If we were just sending one or two people, I guess it would not make so much difference, but the bigger the scale of the contribution, the more you would expect to be sitting at the table, not having a pre-cooked EU consensus that you then have to sign up to.

Up to now, the scale of CDSP missions has been such and the complexity relatively limited that that has not been necessary, but in future that is the way I hope and believe it will happen. I do not see a reluctance on the part of the UK Government to do that, provided that it would be a UK-EU or EUUK mission rather than an EU mission which the UK is just a supplier to.

Lord Hannay of Chiswick: And sanctions?

Professor Malcolm Chalmers: I do not think there is an argument in principle why the UK cannot have an agreement with the EU on a particular group of sanctions. If it agrees with the EU sanctions, then absolutely, I agree.

Q31 Lord Wood of Anfield: You touched on this, so I want to ask you about defence procurement. In general, does the UK defence industry think of the European Defence Fund and the developments of the last few years as a protectionist threat to them? Do they see it as an opportunity? Do they think it is protectionist but nothing to worry about? How do you think it is viewed, and what is the reality of the relationship between them?

Professor Malcolm Chalmers: The answer to that would depend on which defence company you talk to.

Lord Wood of Anfield: Sure.

Professor Malcolm Chalmers: Some of our defence companies have a very close relationship with EU member states and some do not, so it really does depend on their particular commercial interests.

The European Defence Fund is funded out of the EU budget and then spent in EU member states. Each project has to have three companies based in three different EU member states taking part in order to get research or development funding. It is a significant sum of money, about €1 billion a year in total, but it is not enormous compared with the totality of procurement spending. Because it is funded through the EU budget, the decision-making structure for what gets funded and what does not and which projects are viable and which are not is decided essentially through a Commission-led process. Given all of that, it is difficult to see a direct place for the UK in that architecture.

What you can envisage in principle is that there may be a case for UK companies based in the UK to be involved in specific capability development projects or research projects. Then you could come up with a bespoke funding arrangement whereby the UK puts in something roughly proportional to the industrial benefit that it is getting out. Even that would mean that you would have to sort out tricky issues in relation to intellectual property, which right now are proving a bit of an obstacle to getting right. With good will it is possible to move in that direction.

In answer to your other question, there is certainly a perception that the European Defence Fund has a protectionist element to it or, to put it in other terms, that it is designed to ensure that Europe has a defence capability in future cutting-edge technology and does not overly rely on the United States. A broader impact, not only of the EDF but more generally of Brexit, has been more reluctance by major European players to have the UK as a central partner in some of the major projects. That is not the only factor, but the most important country we are now talking to about the future combat air system, the replacement for Typhoon, is Japan rather than France or Germany. That is partly a result of Brexit. Maybe that project will get some EDF funding down the road, but I do not think the EDF is the central factor.

Sophia Gaston: Every advanced democracy is thinking about its sovereign industrial defence capabilities, and we would be naive to think that over the next five to 10 years we will not see significant investment by pretty much all our peers in those. That just aligns with broader trends and thinking about supply chain sovereignty and so on. That process, as with supply chains, has to be accompanied by a deepening of co-operation, trade, exchange and so on with friendly countries and allies, and the process of determining which ones they are is the central question, as well as where we are going to take ourselves into the market for burden sharing and co-operation. In an ideal world you would have the UK and the EU having some kind of forum where they can plan in the longer term and start to agree on the fundamentals of what they will be.

At the same time, as well as the sovereignty argument around capabilities, there is also a competitive advantage; we are talking about instruments of economic advantage as much as security advantage. Although in many ways nation states are comfortable talking about pooling areas of defence capabilities and sovereignty, competitive economic advantage, particularly in the current climate, is a more difficult thing to swallow. I do think that the EU has been too rigid in its approach to third countries in so many aspects, and the EDF is a good example of that. With PESCO, if you have a framework that is based essentially on the EDF and the CARD and where the UK would not have any role or input in shaping those and decisions are made about that allocation fund, it is quite a difficult sell.

That said, for the UK, we have to be frank. We cannot take care of all our defensive needs. We have often been the junior partner with the United States and there have been challenges in that. The US has not given us access to its industrial base. The quid pro quo has not always been there, so we also need to accept that there are limitations there. AUKUS will be a framework through which we will start to look at reshaping some of that. The UK-Australia conversations are particularly interesting for that reason, but this is one of the things where the EU probably needs to move a little bit first. I would like to see us collaborating more closely on defence and other policies.

Professor Malcolm Chalmers: If I may, I will add just one footnote to that. If this terrible war comes to an end, this will be a big issue for Ukraine and the EU, because Ukraine has one of the best defence industries in Europe, as we have seen in this conflict. I imagine that it will want to be a major defence supplier, so how that factors into the EU accession talks will be very interesting.

Q32 **Baroness Scott of Needham Market:** Thank you. You have just mentioned PESCO, the Permanent Structured Cooperation. Could you summarise for us how you think that has developed over the last five years, its direction of travel, and, in particular, where the UK sits with that? What might the benefits of third-party participation be to PESCO and the UK?

Sophia Gaston: First up, the reality is that the EU has turbo-charged its sovereign defence capability conversation since Brexit. Brexit was one factor but not the only driver of that, which is also responding to broader geopolitical developments and to the penchant of different leaders. It is substantial. We have to take the EU's quest for foreign policy, defence and security credibility seriously, even if we can accept that it is not quite there on all aspects of it.

The PESCO framework is the legal side of things. You then have the EDF, where the money is. Then you have the CARD, which is a process to match the capability gaps with different member states that are interested in working together. These three are interdependent and are meant to be cosupporting one another.

There have been some setbacks. For the last initiative to get substantial allocations, the EDF funding was salami-sliced through negotiations with the different member states and the initiative ended up being quite underwhelming, which has taken a bit of wind out of the sails. Those are genuine challenges.

Also, we know very well the challenges in the political dimensions of decision-making on a foreign policy level. Those challenges remain and do not seem to be moving to any greater consensus on some of the fundamental issues. There are still quite significant limitations there, but the will is clearly there in an institutional sense in a way that it was not five years ago. The UK needs to take that seriously.

There are member states that would be very keen to see the UK involved in some of these frameworks, and attending the EPC, where PESCO was a theme of discussion, was a good step and an offer of good will. If we are to host a forthcoming convening of the EPC, we should go to that with a clear sense of what we would like to be involved in and what our offer is. It would be remiss of the EU to allow that meeting to go ahead without a clear sense of where it will be able to accommodate the UK's needs. I think that is currently pencilled for 2024.

We have a bit of time to thrash out some of these things, but, again, the question about Ukraine's status and the potential implications for the UK's status with the EU is very important in this moment. That has opened a conversation and will necessarily force conversations about that. In many ways, this could be one of the issues on the table to look at quite substantively.

Professor Malcolm Chalmers: Until recently, there was quite a lot of reluctance in our Government to have any direct engagement with PESCO. Then there was the American decision to join the PESCO military mobility programme, which is almost a textbook case of where the EU has an important role in supporting military operations, because it is about ensuring that civilian infrastructure is capable of facilitating the movement of military forces on member states territory. The United States joined, and now we have joined and been accepted into that programme. It is a good example of the principle of taking part in PESCO programmes being accepted by our Government, and indeed by the American Government— and the Canadian Government, if I am not mistaken.

It also means that it is best to take this on a case by case basis, looking at a specific programme and saying, "Can we make it work in this case?" rather than thinking in broad terms about the UK joining PESCO or not, which, given that PESCO is embedded in European Union structures, does not feel plausible to me.

The Chair: Thank you very much.

Q33 **Lord Faulkner of Worcester:** The UK participates in a number of multilateral organisations, such as the Council of Europe, the United Nations, the WTO and the G7, and I am sure you can think of some

others. How does British involvement in those affect the foreign policy and defence co-operation with the EU?

Professor Malcolm Chalmers: As I said earlier, we are in a Europe where security geometry is becoming more complicated and more variable. That is partly the result of Brexit, but there are all sorts of other reasons as well, because every country wants a degree of sovereignty, and there are countries, like Ukraine and Turkey, that do not fit neatly into boxes. Also, some of the organisations you mention have very important members that are not European and with whom co-operation is really important. The fact that the Indo-Pacific theatre is more important in our security policy than it was in the past is adding to that. We will continue to have that variation.

Since President Biden came into power, the UK and the US have put more emphasis on the role of the G7, of which the EU is a member. That is a good example of where we use the G7 to co-operate with the EU, and quite intensively so, without having a direct, bilateral formal relationship. We have a direct, formal, multilateral relationship with the EU through the G7, as indeed we will in the EPC. The EU is not the leader of the EPC, but it is a participant, and therefore it provides an umbrella for all sorts of conversations.

We need to think of many of these mechanisms as ways in which to have efficient conversations and co-ordination between countries that are substantially on the same page, while, when necessary, leaving out the countries with which you will always have difficulty and which will always slow down the pace of co-operation. That is what that variable geometry provides.

Sophia Gaston: When we are thinking about the UK's relationship with the EU, we also have to think about the relationship with the United States. We have really shored up the foundations of the G7, and it is great that we have invested in that. It is an essential forum and I am glad that we are doing that.

We also need to ask how the UK and the EU take decisions if there are instances where the United States decides that its interests diverge. I do not know that we have mechanisms yet to do that. I think the Afghanistan withdrawal was an example of where we did not quite have a co-ordination point.

Lord Faulkner of Worcester: An understatement, if I may say so.

Sophia Gaston: Well, the G7 minus the United States. If we think about the short-term trajectory of American domestic politics and some of the dynamism that we might see there—that raises questions about the United States' role in a lot of these multilateral forums—how does the UK work with the EU on areas where we feel that our interests align if we do not have the United States there as the kind of centrifugal force pushing those ahead? That is just one thing that I would add on the question about these multilateral forums.

The Chair: Thank you very much on behalf of everyone here. I must say, it has been thought provoking from the very start to the very end, and I am very grateful to you both for coming along.

Q34 **Lord Liddle:** We have had a very long, interesting hour. We have not talked much about France and Germany. In my view and experience, relations with France and Germany for Britain are the key to relations with the EU, NATO and all these multilateral bodies that we are talking about. Do our guests agree with that, and what would they suggest was done to improve them?

Professor Malcolm Chalmers: I would entirely agree with you. In a way, this whole discussion has been about our relationship with the EU—qua EU—but member states are indeed the leading actors on foreign policy in Europe and continue to be. Therefore, how co-ordination and co-operation develops depends on the views of member states, which, certainly in the case of the three states that you mentioned, developed primarily as the result of domestic politics. States make decisions. Germany announced a radical change in its security policy immediately after the invasion of Ukraine, with, as far as I can see, very little consultation with EU or indeed NATO partners—a welcome change but, nevertheless, one that was made in unilateral terms. That is pretty much President Macron’s style as well. You know our system better than I do.

That is the reality. Since Brexit, a significant strand in UK foreign policy has been in prioritising our relationship with the periphery of Europe, certainly in the security policy sphere, with the eastern members of the European Union and to some extent perhaps with Italy. Our relationships with France and Germany are a bit more problematic, for lots of reasons relating to the unfinished nature of Brexit, but, ultimately, France and Germany are absolutely critical.

Finally, maybe the centrality of France and Germany is rather less than it was in the past. Other states are becoming more important to the European Union. France and Germany alone cannot lead the European Union down a particular path in the way they perhaps thought they could in the past. They need a wider consensus, which is very difficult and becoming increasingly difficult. I do not think you will have a coherent EU foreign security policy if key states like Poland, Romania and, in time, Ukraine are not also part of that central consensus.

Sophia Gaston: Yes. There are those in HMG who will feel that the decision to invest in the Nordic, Scandinavian, central and eastern European relationships has rather paid off. The dynamics within the European Union are changing the power balance, certainly in part because of Ukraine but also because of other events. Also, the Franco-German relationship has gone through a period of flux with Merkel’s departure, and so on. I think it is still finding its feet.

I agree with you that they remain essential relationships, and I hope that over time we will be bringing back the E3 and reinvigorating that. It is very important moving forward. I do not think that we have got poor

value for money for investing in those other relationships, so perhaps again the silver lining is having been compelled to think differently. We have in the end made a good choice in that respect, but I hope that now we can match that with some renewed investment in our Franco and German relationships.

The Chair: A slight encore from me, but thank you very much again. That has been a thoroughly good way of overrunning. I wish you well.