HOUSE OF COMMONS

Foreign Affairs Committee

Oral evidence: Government foreign policy towards the United States HC 695

Tuesday 19 November 2013

Ordered by the House of Commons to be published on 19 November 2013

Watch the meeting

Members present: Richard Ottaway (Chair), Mr John Baron, Sir Menzies Campbell, Mike Gapes, Mark Hendrick, Sandra Osborne, Sir John Stanley, Rory Stewart

Examination of Witnesses

Witnesses: **Mr Jeffries Briginshaw**, Managing Director (London), BritishAmerican Business, and **Ms Elisabeth Roderburg**, TTIP Adviser, BritishAmerican Business, gave evidence.

Q60 Chair: May I welcome members of the public to this session of the Foreign Affairs Committee? This is the Committee's second evidence session on our inquiry into Government foreign policy towards the United States. It will allow the Committee initially to question representatives of a major business organisation about UK-US commercial relations and the proposed transatlantic trade and investment partnership. I welcome Mr Jeffries Briginshaw, who is the managing director (London) of BritishAmerican Business, and Mrs Elisabeth Roderburg, TTIP adviser to BritishAmerican Business. I welcome you both and thank you very much for coming along. Mr Briginshaw, I gather that you would like to make a few opening remarks.

Mr Briginshaw: If that is acceptable to the Committee, I would be very grateful if I could speak for three or four minutes to set a scene and a context on behalf of our organisation. First, thank you very much for this invitation to engage with you. We are appearing on behalf of BritishAmerican Business and another organisation, the British-American Business Council, and our 2,300 member companies on both sides of the Atlantic. We have chapters in 20 major business centres throughout the US and the UK. We—the BAB; the London and New York part of that—are a product of a merger between the British Chamber of Commerce of New York and London and the American Chamber of Commerce. We proudly work both with US business here and UK business focused on business in the United States.

We are strong supporters of a comprehensive EU-US trade and investment agreement and hope we are playing a leadership role promoting those ongoing negotiations in a number of ways. In the UK our initiatives and activities include a national roadshow programme with local dialogues in various regional business centres, we serve as a secretariat to an all-party parliamentary group here in Parliament and we are at the heart of an active London-based policy process, with recent meetings, for example, with deputy US trade representative, Ambassador Shapiro, and the chief EU TTIP negotiator Ignacio Garcia Bercero. Our members are primarily interested in what you might call tangible, specific and local potential effects of TTIP for business, but we are also convinced that TTIP has a wider political and macro-economic significance, which we are also eager to discuss this afternoon.

I note in that context that we see TTIP as standing to increase an already hugely important bilateral trade and investment relationship. It is bilateral in both senses: UK-US, but also EU-US. That can be good for jobs, growth, SMEs and the business interests of our members. We see this economic relationship writ large as a key pillar of political stability, in all of its permutations, between and including the US, the UK and the EU. We see the US, the EU and the UK all as societies at similar stages of development in terms of most measures of well-being, from consumer safety to labour standards and business conditions. That means that we see each other as being more like each other than we are to any other region around the world, sharing in values and enduring beliefs, such as the value of the rule of law and democracy.

Taking that to a business point, we see those beliefs and values as long-term guarantees of productivity, innovation and security, and we believe that they are long-term indicators of outperformance by business. On the EU side, we would like to see the UK at the heart of the policy debate, including trade policy, in a reforming European Union. We see a TTIP-enabled Europe as one much more attractive to our member companies, and other companies too, on both sides of the Atlantic. We are sceptical that the UK could negotiate a comparable trade agreement bilaterally, as between the UK and US, as a single sovereign.

Finally, we also see TTIP as significant from two even broader dimensions: first, in terms of the evolution of the multilateral trade system—Elisabeth is more expert on that than I am, so hopefully we can engage with you on that as well—and, secondly, it is a signpost, if you want, towards new mechanisms, which are relevant to global governance, with an impact on China perhaps being a key motivation of TTIP. So local, specific and tangible, but also macro-economic and geopolitical is our range of interests in TTIP. Thank you very much.

Q61 Chair: Thank you. From what you have just said, it is fair to say that your members see the US as an important market with long-term potential. Could you set out the difficulties that you sometimes encounter in trading with the United States? Do those difficulties vary with the sector and size of the companies involved?

Mr Briginshaw: Good question. I think there are difficulties. There are difficulties when you are a British business looking around the world pretty much in any market. Nothing is a given. I will give you a flavour of some of the complexities of doing business in the US. The first is that the US is a federal unity, but it is also a state unity, so rules that affect the doing of business can differ quite widely between states. That is a problem. The solutions to those problems do not necessarily lie with Government-to-Government contacts—they are quite difficult to get to.

Tariffs, customs, and import and export procedures can be challenging. I would say that they are particularly challenging the smaller you are as a company, the less used to doing business you are as a company. In comparison, in parenthesis, generally multinationals struggle less with those rules, because they are able to configure in the country and get used to the rule environment much more quickly. Import duties, complexities of process, scanning goods and so on would be starting places.

Q62 Sir Menzies Campbell: The Committee recently visited the United States and we met the consul general in New York, who, as you know, has overall responsibility for UKTI. Could you give us an assessment of the extent to which your members find UKTI to be helpful, and perhaps distinguish between the large corporations you mentioned a moment or two ago and small and medium-sized enterprises?

Mr Briginshaw: Sure. We are very familiar with UKTI both here and in the United States. We work with UKTI; know the chief executive, Nick Baird; and know the consul general, Danny Lopez, in New York. We think that UKTI are doing quite a good job, actually. That is an unfashionable thing to say, but in terms of our members and the feedback that they give us, I think UKTI is becoming increasingly relevant and has worked hard to become more relevant. If you are a company trying to crack the US market—I am thinking particularly of smaller companies—UKTI is focused on leveraging assets in the US, including us, to help deliver a service that helps with that penetration of the markets. I think that they are increasing the intelligence, scope and depth of their offer. For bigger companies, as we understand it, the focus on some particular specialisations—let us just say life science is one of them—is helpful. Where that specialisation has been identified and followed I think is adding value. We are encouraged and happy to be working with UKTI, rather than wanting to be critical of them at this meeting.

Q63 Sir Menzies Campbell: The flavour of that answer suggests that there is an improvement curve. Is the implication that perhaps in the recent past your members would not have been as satisfied as they are now?

Mr Briginshaw: I would not go in that direction. I would more say that life is not perfect. People can always improve. As markets develop, as the complexities that we talk about manifest themselves in different ways, then the tools, skills and ways of doing business and ways of supporting trade promotion change. I would more see it as a kind of evolution than as a movement from bad to good or from good to great. I would not want to go down that path particularly.

Q64 Sir Menzies Campbell: What is the current legal framework for EU-US economic relations, in particular—since you have already mentioned the fact—states having jurisdiction on many of these matters? You have explained how complicated that might be. But in terms of principle, what is the existing legal framework, not just for UK-US, but EU-US?

Mr Briginshaw: From the point of view of negotiating agreements, such as TTIP?

Sir Menzies Campbell: Yes.

Mr Briginshaw: That is a very important point. The legal position is that we are a member of the European Union, that competence for trade negotiation sits with the European Union. We have pooled sovereignty there, on the basis that the EU with 500 million or so consumers is more likely to be an equal to markets such the United States. That pooling of negotiating strength we have seen as a good thing historically, so the competence lies there and the agreement is negotiated with absolute, constant participation by national Government, but technically negotiated by the Department of the European Commission called DG Trade.

Q65 Sir Menzies Campbell: The question of TTIP has been under discussion for some considerable time. What do you think has given it such impetus at this time? For example, it has been suggested that failure to reach agreement at Cancún has given this idea a life that previously it had not possessed.

Mr Briginshaw: I think that that is a good observation. I think that the sense that there is an emerging alternative to multilateral trade negotiations in strong regional agreements is one motivation. A second motivation is probably more purely political, and that is perhaps to do with an American President's wishes for a legacy. The announcement in the State of the Union address that launched TTIP from the US side has certainly been viewed as an indication that trade may be one of the things that the President is interested in. Here, of course, we have seen strong leadership by our Prime Minister and other European Heads of State. Quite frankly, I think that the point about Britain and TTIP demonstrating a tangible value-add from Europe is relevant here, but underlying that, I think that in Europe more broadly we need economic growth. We need jobs. We need companies doing more and exporting more. Most of the ambitions and aspirations that lie around TTIP are designed to facilitate greater economic growth, so it is kind of a no-brainer.

Ms Roderburg: I understood your previous question a little differently. What is the existing framework for the economic relations between the EU and the US? That, as you know, is our membership of the WTO. It is the MFN principle. We are in a situation where we see that the EU is negotiating preferential regional agreements with numerous countries. The US is doing the same, but in the bilateral trade between the EU and the US, it is the MFN rate for market access that is applied. This means that preferences are given to everyone else from the EU side apart from around six countries. China is one of those countries and the US is another one.

To go back to Jeffries' point—this is from my previous life when I was in Brussels—a lot of the push for the TTIP negotiations originally came from the business community on both sides of the Atlantic. One saw that it was an absurdity that you have preferential agreements with practically the whole rest of the world, but not with each other as the most important trading partners. That was one motivation in addition to the motivations that Jeffries mentioned.

As you, sir, mentioned, the breakdown in the multilateral negotiations was a motivating factor. Launching, starting and expressing the will to enter into a bilateral agreement was also seen as a mechanism from trade policy specialists to bring the others back to the table. Therefore, it is not necessarily an either/or, nor is it necessarily a dedication or a choice to go in a regional or bilateral avenue. To the contrary, it is a mechanism to strengthen the multilateral trading system by both developing rules bilaterally that have a higher standard than that which we are able to achieve with anyone else, but, at the same time, also facilitating the return to the negotiating table of countries that have not been willing to negotiate.

Q66 Sir Menzies Campbell: That is very helpful. I have just one last question: by MFN you mean most favoured nation?

Ms Roderburg: Yes.

Sir Menzies Campbell: Thank you.

Q67 Mike Gapes: As you are aware, there is a parliamentary democratic dimension to this process. The European Union will be negotiating an agreement which has to be agreed by the European Parliament under the terms of the Lisbon Treaty, as well as by the member states through QMV. Also, the United States Congress has to approve any agreement. As I understand it, the previous power that was granted to the President for trade promotion authority, fast track, does not apply at the moment; that ran out a few years ago. What difference will it make to the success of the negotiations and their ultimate agreement if Congress refuses the President that trade promotion authority?

Mr Briginshaw: That is another important question. I would answer it by saying that that is important, but ultimately more important is the quality of the package that will be presented to Congress. The timing of fast-track authority will be a question of political choices, risks, balances and options, but I would imagine that to put a question to Congress in the hope that the answer would be yes will be dependent on what has been negotiated, whenever that ask is made. Perhaps relevant to this is the point about existing labour standards and existing and comparative levels of consumer protection. This is unlike other trade deals that have been negotiated in that we are not really talking about a trade deal where labour as a concept—the AFL-CIO or the European Trades Union Congress or the British Trades Union Congress—is worried about offshoring and moving high-paying jobs to become low-paying jobs; nor are we worried about consumer safety existing in one block and not in another. Some of the triggers for complexity and problems do not exist, and some still do, but there is a body of support in Congress that has not existed so readily and so easily for previous trade negotiations. Again, that could help.

Q68 Mike Gapes: We were in Washington, as has been mentioned. Clearly, given the current situation and the difficulties in the American political system, the President is unlikely to get that authority easily.

Mr Briginshaw: That is also true, but you could say that in the calculation about legacy, trade has typically been a subject with which Republicans are more comfortable than Democrats—typically; that's not completely true—so in thinking about how you would navigate the kind of environment that you describe, this might not be the worst subject. That is speculation, conjecture, but it is as good as any, I suppose.

Ms Roderburg: If I could add one thing, trade promotion authority or fast track has a double-sided function: on the one hand, it commits Congress to merely vote up or down on a negotiated result, but it also usually has provisions on what Congress would like to see in an agreement and on the level of consultation with Congress that needs to take place in connection with the negotiations or prior to the submission of a negotiated agreement. So it is both a tool for the Administration in getting acceptance for an agreement and a tool for Congress to wield influence on negotiations. I expect that many of you have seen the *Financial Times* report today that there is movement on the trade promotion authority, at least on the Senate side. The article focuses on what sort of demands Congress is putting into that context and it mentions monetary policy.

Q69 Mike Gapes: We can come on to those issues. Can I press you on the impact of any TTIP? You have referred to the failure of Cancún and the Doha process and so on. There is clearly hope in the European Union and the US that an agreement here could somehow, in effect, set the global standards and rules, which would then apply everywhere, including to countries like China which are not signed up to agreements of this kind. How would that happen? How would the international business environment change and affect those countries that are not signed up to the system?

Mr Briginshaw: I think that a starting place is the trade negotiation and the trade agreement, but further downstream in terms of regulatory co-operation and standard setting, which take different forms, including the private sector and public authorities in different ways, there are myriad agencies, bodies and institutions which co-operate and set those norms. The historic divergence of interests between US standard setting, regulatory reform and participation in institutional forums—telecoms, cars, whatever—has been a cause of fragmentation and has delivered a more open playing field. For example, pure industrial development, such as in China, and the ambition to set standards behind that, has had more purchase in those contexts and forums than would otherwise have been the case. In a very specific way, in those agency-to-agency discussions in those institutional forums, sector by sector, you would see a coherence emerging that would reflect agreement at a trade policy level.

Q70 Mike Gapes: Are there any risks to UK business from this approach, in the sense that we might be seen, through TTIP, to be co-operating on a US-led effort to reshape the international environment in a way that will be perceived in Beijing as being not in its interests?

Mr Briginshaw: I think that is a risk. The language used to describe this opportunity needs to be carefully chosen—it is better to describe a kind of "open source" process, where we become a workshop for the world, so through the quality of our experts that drive regulatory reform or standard setting, we then create a sort of critical mass of expertise rather than an imperial standard-setting structure. Language is important and there will be hard-nosed calculations in places like Beijing about whether the strong political momentum that is evident will follow through into tangible outcomes. The more that looks likely, the more there will be concern and interest in what can be done in a more co-operative way. So I think that is a real issue and our job is absolutely to paint this and live it as a non-imperial process. In the trade policy context, Elisabeth knows more about this that I do, but there are ways of making the trade instrument open source as well, so people can join. Is that right, Elisabeth?

Ms Roderburg: Yes. As I said previously, that is a thought and a motivation. If you look at what is going on now in Geneva under the moribund Doha round, negotiations have been launched, for example in services, where China has not up until now been willing to participate. They have now signalled that they would like to be a part of it. I do not think that one should avoid going for something good because there may be perceptions that can be negative.

I agree with Jeffries: it is a question of how you handle it and promote it by saying, "This is something that we want you to join and also then commit to," and, in terms of influence, "How can what the EU and US do together influence?" The EU and US together stand for 30% of world trade, so by sheer size agreement on a way forward is something that does have influence. Without an agreement between the EU and US, by default other large actors in the world community will set the standards and they will be lower.

Q71 Mark Hendrick: Clearly, the multilateral approach, the Doha round and so forth, has been stuck in the sand for quite some time. This move away from multilateral agreements towards more regional cooperation is perfectly logical, particularly given the way in which there are regional emerging powers such as Brazil, South Africa, India and so on. Clearly, for the US and EU to come together to form the beginnings of what I would imagine to be a single market of anything up to 1 billion people, beginning to be on a par with the size of Chinese population, makes a great deal of economic sense.

I wonder though, given the different stages of development within the US and EU markets, from an EU perspective, how current developments that have been taking place for probably the best part of the last 30 years in single market regulation will affect the TTIP discussions and negotiations. In particular, things like consumer protection which you mentioned, Mr Briginshaw, and labour standards, for which we have the social chapter and mutual recognition of other standards, show that in the European Union, we have clearly developed something that is quite distinct and probably unique compared with what they have in the United States.

I am sure that Congress will have their own views, in the same way that the European Parliament and ourselves here in a national Parliament have our own views about how that will develop. How far do you think that that will form a brake on the development of TTIP when other regions and other regional cooperation going on elsewhere in the world will not be inhibited in the same way?

Mr Briginshaw: I think you get to the root of problem. We are absolutely signed up, positive and convinced of the evidence of the utility, relevance and strategic need for an agreement like this, but when you really boil it down to "What has to happen?" it is that kind of conversation about safety standards versus car standards, and protection of consumers in all kinds of ways; what does social chapter mean? We have got to be very careful, not just that we present the opportunity in ways that do not undermine existing standards and do not create a race to the bottom and in fact create a race to the top, but also in ways that will create mechanisms where the authorities' regulators—whether national, regional or wherever—are able to have intelligent conversations about what is and is not similar.

We need to create a purposive environment that encourages the economies of scale—for want of a better word—that business wants, but does not undermine safety in an absolute sense, and allows for conversations and processes based on approaches to evidence that are mutually satisfactory. One level down, we need to ask, "Is that equivalent?" Those conversations will continue to happen. For example, is that rule about crash-test dummies for auto safety testing the same as that rule? If the answer is no then that is a problem, as cars cannot be being built to the same standard.

Our experience to date is that, roughly speaking, most of those divergent rules do not deliver absolute standards that are different. In the crash-test dummy example, the US dummy has the seat belt on and the car has to stop at, say, 42 yards, and in the EU test it has to work very differently. That is a divergence that we do not really need, but we do need to protect the absolute standards and we can do that.

Q72 Mark Hendrick: So you do not see it as an inhibiting factor in itself?

Mr Briginshaw: It is an absolute challenge and it is one that has been difficult to overcome in the past. But with a combination of political momentum, intelligent conversations and wanting to find answers to those questions, we believe it is realistic to expect that it can be done.

Q73 Mark Hendrick: Coming back to China, clearly you have TTIP with the US and EU, and the US is looking around the Pacific in its own Trans-Pacific Partnership, so do you think China may feel in some way threatened—that it is getting a pincer movement from the European side with the Americans, as well as on the Asian and Pacific side from the Americans?

Mr Briginshaw: I think that is highly likely that the design, the architecture, of the trading system that is being constructed must look like that. If you are in America looking Pacific-ward, it is TPP. and if you are in America looking eastward, it is TTIP-inspired. Hence, the language used, and knowing what we are trying to create here really matter. Is it a closed, imperial model or is it a fabric for a 21st century trading system, in which all play a role? I think it is the latter, but the language of expressing it needs to be carefully managed and delivered.

Q74 Rory Stewart: Elisabeth, what do you see as the prime obstacles—the prime difficulties—to reaching an agreement?

Ms Roderburg: That is a difficult question. There are parts of the negotiation that are difficult in themselves to reach agreement on, but as a trade policy practitioner myself, I do not really see them as necessarily preventing conclusion on the agreement. I have heard some say that the dangers are more outside the economic and trade policy arena, in terms of emotional issues emerging outside this huge project. I am thinking of the developments that we have seen with spying and with privacy, issues that can inhibit the political will to reach an agreement. That is not to say that there are not difficult issues in the agreement, but I am by nature an optimist and I think all problems can be solved, if you are willing to do it.

Q75 Rory Stewart: To be concrete, how would you rank among the difficulties you face pharmaceuticals, agricultural policy and procurement regulations? Which of these are likely to be the most difficult?

Ms Roderburg: I am not saying that they are the most likely to be difficult. It depends on how you define "difficult"—if you define it as achieving what you set out to do at the beginning of the negotiations, as opposed to what the public perception is. I have seen a lot of commentary, for example, on expectations that people have on trade in services—that they will not be met. But my question then is, "What are the expectations on services?" If you go back and look what the goal was at the start of the negotiations, it was to get a level of commitment between the EU and the US at the same level of commitments they have entered into in other agreements. That is the level of achievement.

Everyone is saying, "Oh, you're going to get free trade in shipping." I do not think you will get that. Or, "You are going to get huge developments in aviation". I think services is going to be one of the most difficult negotiating areas and I think there is going to be a reluctance to go to a level which public perception, perhaps, has as the goal for the negotiations. But if you look at the goal for the negotiations, it is a level of commitment that the EU and the US have accepted in existing free trade agreements.

Q76 Rory Stewart: As you have both been saying, it is clear that—certainly, from the point of view of the UK—non-tariff barriers will be twenty times more significant than other kinds of issues, when it comes to a free trade agreement. You have raised some of the difficulties. What do you think a likely date will be, where you can resolve these? In your experience in trade negotiations, when would you expect a process like this to be resolved, realistically? Can you give us a ball park? Earliest time possible?

Ms Roderburg: I think there is a goal to reach agreement on this as early as possible. The end of 2014 has been mentioned. Mid-2015 is probably more likely. Some will say that it is very difficult to believe that that will be possible, but that ignores the fact that the preparations for these negotiations, before they were launched, had gone on for nearly two years. So a lot of the groundwork had been done in other contexts.

Q77 Rory Stewart: So you think that there is a probability that this will be complete in 2015?

Ms Roderburg: Yes, I do.

Q78 Rory Stewart: Probably? That is, a more than 50% likelihood that it will be completed in 2015?

Ms Roderburg: Yes.

Mr Briginshaw: I would add something in terms of what you might see at a given time. You might see immediate deliverables—so tariff elimination could be an immediate deliverable, if there was agreement. You could also see road maps—steps towards, let us say, the convergence of a regulatory process for a given sector, perhaps chemicals, that will develop over time and deliver value over time. I think that is likely.

I would not underestimate either that, even as we speak, while the negotiations are under way, existing patterns of regulatory co-operation are delivering outcomes, not just in terms of ongoing comfort and confidence building but even more tangible things as well. The date is really important and the package that is delivered on the date is important, but the process has begun and has always been there and will in some cases continue on a road map. For example, you could see regulatory arrangements for the insurance industry across the Atlantic being dealt with on a kind of road map basis; chemicals, and so on.

Q79 Rory Stewart: Based on all these assumptions, what sort of value do you think it is likely to bring to the UK economy by 2015— the probability?

Mr Briginshaw: We have not done our own study. We are comfortable with the kinds of numbers that have been bandied around. The Prime Minister has used £10 billion, so that is a good starting place. I think the number is important as a starting place to think about how we get there and what things we have to see in the agreement for that to happen. In a sense, it is an idea of the prize that is available. It is then our job, as active supporters of an agreement, to go out there and talk to business communities, particularly small businesses who might be able to take advantage and deliver the value that will be created.

Q80 Rory Stewart: Finally, just to push you one more time, you have essentially said that you think that by 2015 you are going to be able to get in place maybe some progress on tariffs. You seem to be much more optimistic than most people that the regulators are speaking to each other. I am surprised at that optimism, but you seem to be optimistic about that. Presumably, that means that that is going to be a long way below £10 billion by 2015, given that the non-tariff barriers are worth 20 times as much as the tariff barriers. Presumably you are talking about £500 billion by 2015, so where did this £10 billion figure come from?

Mr Briginshaw: I do not know, so I cannot do that breakdown for you. I am absolutely convinced that ongoing regulatory discussions are much more positive than people give credit for. I will draw a contrast: I was talking to US regulators for the car sector last year about European-US cooperation for electric vehicle manufacture, so future standards and regulation. They are also talking to Chinese regulators about the same discussion point. The conversation between a US regulator and an EU or British regulator as part of that is a conversation which is much more productive at every level than the conversation between a US regulator and a Chinese regulator on a number of levels.

The basis for the step change to value creation is there. That is why the political momentum to ensure that unnecessary technical obstacles to convergence or equivalence, whatever word we use, do not allow us to take the eyes off the prize. The prize is the big numbers. It is not that the big number is right by £1 or £1.22; it is that it is a big number and that we are playing for a big number—a big number that has the potential to have a macro-economic impact and a micro-economic impact for our members, which is why we are interested. In every conversation about the £10 billion, there is an exporter—and we have met them—who has, say, a shower tray business in Leeds that manufactures for the UK market who has demand in the US but does not understand the regulatory conditions. That is a process which can be improved for that shower tray manufacturer. There are tens of hundreds of examples of the potential for value creation that is being brought to the surface by this negotiation and where it can take us.

Because of that, as an organisation we are unapologetically positive about the potential for this agreement. We are realistic about the complexity that lies in the past and in the future, but we are absolutely convinced that the political will that is being shown is strong enough to face down technical communities who would otherwise not want to pursue convergence that creates value.

Ms Roderburg: Could I add two comments? One thing that should be borne in mind is that both sides are convinced of the magnitude of this endeavour and that not succeeding is not an option. They would not have entered into this endeavour—into the negotiations—if they were not confident that they could succeed. You look sceptical—I am not sure if I am saying this in a fashion that is clear.

Chair: I do not think time permits us to dwell on this point too much.

Q81 Mark Hendrick: How do you feel the TTIP negotiations have gone so far? Are they going quicker or slower than expected? What is your take on progress?

Ms Roderburg: From the reports and the public information available and from conversations with actors in the negotiations, it appears that things are going very well and quite smoothly, despite the US Government shutdown that delayed the second negotiating round. That was overcome by a second negotiating round last week in Brussels, and there is a third negotiating round planned for December. The ball to keep one's eye on is the political stocktaking exercise that will take place mid-January, where consideration will also be given to the road map for what needs to be completed in the six to seven months after that to move forward towards an agreement.

Q82 Mark Hendrick: Do you think, in areas such as agriculture, for example, that there will be a solution? That sector has plagued US-EU relations for many years. Why are you so optimistic there is going to be a solution? Earlier you said we would not have undertaken the discussions if we did not think we could get a result. Given the way, as you have both said, a multilateralist approach has failed in areas like this, is it not Hobson's choice, because there is no other game in town?

Mr Briginshaw: On agriculture, no one is under any illusions that these are not sensitive, difficult topics. As to where you want to put your money in terms of progress, let's take the example of global food chains.

Mark Hendrick: GM.

Mr Briginshaw: GM, or even just basic food safety. Both of us—the US and the UK and other countries in the EU—get a lot of our food from third countries. We inspect the same global food chains with experts both of our sets of taxpayers pay for. The idea that we could co-operate to investigate third-country supply chains and reduce the cost to our taxpayers of efficient surveillance is not far fetched. It is an agricultural issue, and it was not a thought the last time we asked ourselves these questions. What I am saying is that, even where there are difficult questions that have not been answered in the past, there are new ways of approaching difficult questions that can produce different answers. They are incremental in some cases, but they are certainly the basis for the creation of a package that is valuable.

Q83 Mark Hendrick: You have had 28 members of the European Union haggling over a compromise to get an agreement just about everybody can manage to sign up to, but then you have to bring in No. 29, the United States, to agree all this. Don't you think that is a huge step to take?

Mr Briginshaw: It is, no doubt. We will see, but so far, we see strong political commitment. I think we can exaggerate the levels of historical opposition and underestimate some of the levels of new champions. We obviously cannot speak for other parts of civil society as we are a business community, but you will have discussions with labour and with consumers, so we will all have particular issues and problems, but some of the questions might receive slightly different answers. So, the overall fabric of possibility, we certainly believe in caution.

Q84 Chair: Is the possibility that the UK might withdraw from the EU likely to have any impact on this at all?

Mr Briginshaw: I think everybody not in the UK wants the UK to be a driving force within TTIP. I think our European partners see the UK as having particular assets in terms of advocacy reach in the United States in some communities—statewide or otherwise—where we can be extremely useful as a part of this negotiation. On the converse side, I think that a TTIP or, for that matter, other economic arrangements where our practical, pragmatic approach to creating economic value—market liberalisation, for example—would be missed. So I think that a lot of people would like us to be a part of this process and would not want us not to be a part of it.

Chair: I thank you both very much indeed for coming along today. That has been a very helpful session for us on an area that we had not covered properly. It is much appreciated.

Examination of Witness

Witness: **Sir Nigel Sheinwald** GCMG, Visiting Professor, Department of War Studies, King's College London, UK Ambassador to Washington 2007-12, gave evidence.

Q85 Chair: Our next witness today is no stranger to this Committee: Sir Nigel Sheinwald, who is the visiting professor at the Department of War Studies at King's College London, but, far more relevantly, was the UK Ambassador to Washington from 2007 to 2012. Sir Nigel, a warm welcome to you; it is good to see you here again. Is there anything you would like to say by way of opening remarks, to put things in context?

Sir Nigel Sheinwald: Thank you very much, Chairman, for the opportunity to contribute to your inquiry. If I may, I will make some introductory remarks to set the scene from my perspective.

My starting point is that the UK-US relationship remains the most important of the UK's international relationships. It starts with the sharing of values. To me, it is remarkable that despite the many cultural and other differences between us, we still today, by and large, have a shared approach to the world and most of the problems that confront us. We have—so far, at least—overcome the fears of decoupling Europe and America and Britain and America, which were prevalent during the Cold War period and shortly afterwards.

The heart of the relationship—I do not think it has changed enormously—is a remarkably close set of defence, nuclear and intelligence connections, and a habit of comprehensive and intimate foreign policy consultation. All that rests on foundations which are largely unseen and mainly non-governmental: that is the human links, centuries old; the vibrant cultural and educational connections; and a remarkably successful, but often unsung, commercial and economic relationship. It was very good that you delved into that just now.

I do not think that the fundamentals have changed since the coalition Government took power in 2010. The Prime Minister, Foreign Secretary, Chancellor and others have been genuinely committed to close operational relationships with the US but there has been some change in the rhetoric. The objective stated by the Government of a "solid but not slavish" relationship with the US is language, I think, designed primarily for a British, not an American, audience, and it perhaps does not completely convey the extent of the relationship between us. The Government has also stressed what the relationship delivers for the British national interest. I think this was both understandable and necessary in reaction to public concerns in the UK after Iraq, but of course it creates a bit of a sense of distancing from the US.

The Obama Administration has repeatedly made clear that it values the UK-US relationship, as do people in Congress and other parts of US public life. The use of the term "essential relationship" when President Obama visited the UK in 2011 was, I think, intended to underscore the relevance and operational value of the contemporary relationship and to show that neither side was simply relying on history and sentiment. I think that is important. After five years of the Obama Administration it is a cardinal feature of the President's foreign policy that one of America's strengths is its ability to attract and maintain strong allies. I think the Administration realised they had not got that message across adequately when they entered office in 2009 and they put more emphasis on it now, both in relation to Europe and other allies.

Europe is no longer the principal object of American foreign policy. That has been a big change since the cold war. Instead, our value is as partners in dealing with the world's political, economic and security problems. Special relationships are formed out of a million daily transactions of mutual benefit. Any major world relationship has to meet the test of contemporary utility, so the China-US relationship is probably the most important for the two sides, and for the world, in this century. But the US needs allies in this world, and the UK, in my estimation, is still the closest and most globally capable ally that the United States has. That does not diminish other key US relationships as different as those with Israel, Germany, Japan and Mexico; they are all important.

The UK Government supported the US pivot towards the Asia-Pacific region announced by President Obama two years ago. After all, we had our own British pivot to the east and the south, reflecting the shift in economic power over the past two decades. That is right for America and it is right for the UK, but some clarity is needed. America was not signalling a sole focus on Asia and retreat from the rest of the world. The US will remain a global power with enduring interests in the Middle East, for example. That was not properly understood at the time, and led to the US Administration adopting, as I am sure you heard in Washington, this different rebalancing. On the UK side, we need to work out whether our Asia pivot is overwhelmingly commercial, or whether there are political, security and economic policy elements to it as well. I think the US would welcome Europeans working with them on this. We are commercial competitors but we have a shared interest in the strategic environment.

More generally, I believe the UK will be a more attractive and influential partner around the world and with emerging powers if it is seen to have a strong relationship with the United States and an influential and active role in Europe. An anchorless United Kingdom playing a cameo buccaneering role in the 21st century world will get much less traction.

I believe that the foundations of the UK-US relationship remain extremely strong; but I want to mention in conclusion three headwinds. First of all, both the UK and the US are suffering from an understandable sense of fatigue and caution after Iraq and Afghanistan, and it is obvious that ground interventions are out of the question for the foreseeable future, but the Libya experience shows us the limits of winning wars from the air, and Syria shows that very often things get worse, not better, when we fail to intervene at all—I am talking about overall policy here, not just the military options—so we do need to construct some new models of intelligent involvement. We should aim to do this collaboratively with the United States and France, in particular.

Secondly, the US Administration worries about the debate on identity which we are having here in the UK. They have made their position very clear on the issue of British membership of the European Union. Their interest is in an active, internationalist, economically liberal UK that influences the European Union from the inside. Our influence is already less than it was a few years ago and that worries people in Washington. The US will be watching the Scottish referendum closely, too.

Thirdly, defence cuts in the next Parliament, if they happen, could also weaken the UK-US relationship. The US defence budget is of course also under pressure, but the UK choices are of a different magnitude. Although there were some concerns, the Administration basically accepted the British Government’s line on our strategic defence and security review in 2010 and accepted our assurance that we would remain a full-spectrum power. In the next Parliament, the final decision on Trident and our ability to maintain what for America are our key niche capabilities, such as intelligence, special forces, cyber, maritime anti-mine warfare and our general readiness to contribute to future operations, will all come under scrutiny. Whether we have a navy that can in some way contribute to the broader security efforts in the Asia-Pacific region is also a major question.

Thank you, Chairman. I look forward to the Committee’s questions.

Q86 Chair: Thank you, Sir Nigel. That is particularly helpful and very interesting. I appreciate your remarks about the headwinds we are facing.

During your time as ambassador in Washington, we had a change of Administration here. Did you see any difference in the relationship between the countries or in the approach of this Government and the previous one? Did it result in a change of policy in any way?

Sir Nigel Sheinwald: I do not think that there were any fundamental changes of policy. As I said, I think the fundamentals have remained since this Government came into power, and there was a broad continuity of objectives going from the Blair Administration to the Brown Administration under Labour Government. As I said, there was perhaps a change in the public language used to some degree. That started from Conservative spokesmen in opposition before the election and that language has continued in government, but I do not think that that has affected the fundamentals in any way. In the Gordon Brown period, there was a greater emphasis, because of world events, on the financial crisis, and I think that Prime Minister Brown would have located our work together on international economic issues as very central to the special relationship and to the UK-US relationship. That is, however, more difficult to see over a period of time. We come back to the core strategic foreign policy and defence interests that I talked about, which are the things that people most associate with the UK-US relationship.

Q87 Chair: On a technical point, during your time, the responsibility for NATO moved from the Minister responsible for the relationship with the USA to the Minister for Europe. Did that come across anyone’s radar at all? Did it pass unnoticed? Did it have an impact?

Sir Nigel Sheinwald: I do not think it had any significant impact. During this period, NATO’s main activity was Afghanistan, and it was really through that prism that we viewed many of the issues. I do not think that that was a key issue for us.

Q88 Chair: The present Government have a Deputy Prime Minister, which the previous did not. Is that person seen as a useful interlocutor with the Vice-President, or is it again a minor point?

Sir Nigel Sheinwald: No, I think it is useful, because it does provide an extra level and point of contact. There is no doubt that Vice-President Biden plays a full role in the US foreign-policy-making process. As a former chairman of the Senate Committee on Foreign Relations and someone who has decades of experience in international affairs, he plays a big role. It is useful for us that there is regular contact between our Deputy Prime Minister and him.

Previous inquiries and, I imagine, this one always focus on the personal element in UK-US relations. It is important. There are many other relationships as well. The US, as you well know, has a presidential system, and in this Obama Administration you could argue that even more of the key decisions have been pulled into the White House than before. That applies to the President and the Vice-President, but particularly to the President. Of course, we have to cover the waterfront, as an embassy and as a Government, and the Congress, the media, the think-tanks—everyone—as well as the Administration and the White House. The White House remains absolutely key for any bit of foreign policy. In the mythology and the practice of UK-US relations, that has always been an important element and I would never dismiss it, but it needs to be kept in perspective. The British media sometimes focus only on the relationships at the top, but they are important, particularly in a presidential system.

Q89 Sir John Stanley: Sir Nigel, if you were back in your post as our ambassador in Washington, what would you say to the British Government are the absolute top priorities for ensuring that the US-UK relationship remains strong and beneficial to both countries?

Sir Nigel Sheinwald: I have hinted at some of those points, Sir John. These are not in a particular order, but there are four or five key points. First, we must not only remain in the European Union, but be active in the European Union on these issues. The Americans want us to be in and active for a range of economic, financial and foreign policy reasons. Of the decisions that may be coming to the UK over the next few years, that is probably the most significant in foreign policy terms, because it affects so much.

Secondly, as I mentioned, I think that maintaining our defence and diplomacy budgets will be significant. I did not mention diplomacy, but they are both going to be important in the five to 10 years ahead. The Americans will look at a range of decisions that are coming up in the UK after our next election, and they will judge whether we have the appetite and the political will to remain active security and political players in the world. I mentioned Trident; a number of other decisions about our defence budget are coming up and will be debated in the United States, depending on which way we eventually go.

Thirdly, our ability to influence the United States depends on our having assets and expertise available and on the table. That means retaining our expertise and our assets, particularly in areas of importance to them. That will continue to be primarily the Middle East, but increasingly the Asia-Pacific region. As I said, we need to resolve whether we are going to play a broader political and security role in the Asia-Pacific region. I am not suggesting that we do anything like the United States can do and is already doing, but are we going to extend our broader foreign policy to areas other than commercial diplomacy in that area? Are we going to maintain our expertise in the different parts of the Middle East jigsaw, whether it is Iran or the Arab-Israel issue, or in Afghanistan and Pakistan? I am sure we will.

Those are the areas where we can exercise influence, and where we have got something additional to put on the table to cause the United States Administration of the day to rethink its policy. That requires maintaining our diplomatic network, which is obviously a particular interest of this Committee. That is a range of things, from the strategic to the more day-to-day issues of our diplomatic assets around the world.

Q90 Mike Gapes: Sir Nigel, one of the changes that was brought in with the coalition Government was the National Security Council and the National Security Adviser. Has that assisted, facilitated and influenced the US Administration in a way that was not the case before?

Sir Nigel Sheinwald: I think it was a helpful development. It was an evolution, not a completely new start, because we had versions of the same thing in the previous few years, with a growing role—

Mike Gapes: Including your own role.

Sir Nigel Sheinwald: Indeed, but there is a difference. I think that having a single National Security Adviser who brings together the foreign, defence and development elements that I was responsible for in the Cabinet Office with the national security, both domestic and international roles, does make a difference. It more accurately reflects the way in which the United States goes about this. I think it looks like a more coherent structure on our side, and to the extent that it gives our National Security Adviser additional status and responsibility, it is helpful in his relationship with his United States opposite numbers.

Q91 Mike Gapes: When you were the ambassador in Washington, how did you interact with the National Security Adviser compared with how you interacted with the Foreign Secretary?

Sir Nigel Sheinwald: The National Security Adviser in the UK?

Mike Gapes: Yes.

Sir Nigel Sheinwald: Well, of course, any ambassador reports formally to the Foreign Secretary. That remained the case in my case. If, for example, you were about to have a visit by the Prime Minister, you might direct your tactical advice on handling a visit by the Prime Minister primarily to the National Security Adviser as the person who would be on the spot during the visit and so on, but the Foreign Secretary is in a different league and a different category from the National Security Adviser. He is the member of Cabinet responsible overall for foreign affairs and that is different from the role of a senior official, however much the portfolio has been expanded.

Q92 Mike Gapes: Was there ever an occasion where having the two roles and the two lines of communication caused any difficulties?

Sir Nigel Sheinwald: Not in my experience, no. I think our system works differently from the US system. The policy differences, which you see regularly in the American system, which are given vent in the media on a regular basis, are less pronounced in the British system. That has been my experience over a number of years. I have not detected over the last few years that a difference of view between the two is a big factor in UK foreign policy making.

Q93 Mike Gapes: In the last Parliament, the Foreign Affairs Committee published a report and one of the points it made was that there was a lack of a dedicated ministerial focus within the Foreign Office team on the United States relationship because the Minister of State had other responsibilities. Is that a problem? Does that lack of a dedicated Minister who really has the time to do the US relationship hinder us in any way?

Sir Nigel Sheinwald: My honest answer is no. The key thing is that both the Prime Minister and the Foreign Secretary in foreign policy need to and do devote a significant chunk of their time to thinking about the UK-US and broader transatlantic relationship, and doing it themselves. I don't think it can be done at lower levels effectively, partly because the Minister of State in the Foreign Office responsible for North America doesn't have an obvious American counterpart. There is no one very obvious to pick up the phone to. You could say it is the Assistant Secretary of State for Europe or the Assistant Secretary of State for the Americas, but it would not really work, so I think the Prime Minister and the Foreign Secretary are the two with continuous working relationships with their American opposite numbers. I think they have to bear the burden of making sure that the relationship is in good shape.

Q94 Sir Menzies Campbell: Sir Nigel, it has been put to the Committee in the course of our investigation that the United Kingdom does not take a sufficiently strategic approach to its relations with the United States. That is often married to some criticism of the effectiveness of the UK-US joint strategy board. What is your response first of all to the question of principle about whether we take a strategic approach? Secondly, how would you assess the performance of the strategy board, which was created on your watch?

Sir Nigel Sheinwald: Yes, indeed it was. This is a difficult issue. Of course, the UK-US relationship, as this Committee knows, is a huge relationship. It is very difficult to easily, briefly summarise it. It covers most elements of the Foreign Office. It covers significant chunks of activity in the rest of Government. It is sometimes quite difficult to capture it as a strategic item. Successive Governments over the last 10 years or so—the three Governments over that period—have tried to think about the relationship as a whole. They have certainly tried—if you are looking at the Middle East or the sub-continent or

Asia Pacific—to look at the UK-US role going forward over a period of years, not just the day to day.

It is fair to say that in the last couple of years the increased sense of volatility in the world and the pace of events sometimes overmatching our ability to think forward rationally has been a factor. Most Foreign Ministries around the world will have found themselves doing more firefighting than long-term strategic planning under this extraordinary pressure of events, whether it is the Middle East or elsewhere.

You are right. The strategy board was announced during President Obama's state visit in the spring of 2011. My recollection is that it was an American proposal, made by the National Security Council. It was essentially to give expression to the fact that we were already doing a great deal of foreign policy co-ordination and discussion at a strategic level in any event. I do not know how it has gone in the nearly couple of years since I was in Washington. I do not think that the Government at the time said that this was the be-all and end-all. We always regarded it as a useful addition to what we had, rather than something that was fundamentally different and new. It is useful but not, I would say, absolutely essential to the overall relationship. In my last six months or so, there were also some problems of co-ordination, principally on the American side and just getting the team together on the American side, which hampered its first few months.

I would not think that this was critical to the issue of thinking forward. That has to be done to some degree by the Prime Minister and the President. They have relatively little time together, so is very much something that needs to be included in the regular meetings at Foreign Secretary level, then at senior official level, involving people like the National Security Adviser and the political director and others in the Foreign Office, who have an overview of the overall relationship.

Q95 Sir Menzies Campbell: That takes me rather neatly to my next point. Do you think that we sometimes make a mistake in this country in seeing American foreign policy as monolithic? There are a number of sources: the White House, which you have already mentioned; the State Department; the Senate, with its own Foreign Relations Committee; and the House with its Foreign Relations Committee; the NSC; and, just occasionally, you have the Pentagon. Do you think we have difficulty here in formulating policy when there are so many separate sources of policy on the other side of the Atlantic?

Sir Nigel Sheinwald: It is something that we have to bear in mind the whole time. Obviously, because the Administration is big and cumbersome, it takes a long time to co-ordinate a position and get itself in a position where it can say to the Congress, allies or anyone else, "This is where we are." We have to bear that in mind when trying to influence them. However, it is absolutely right that, whether in London or Washington, you have to cover all those bases. You could have added a couple: the think-tanks and the media, which are all part of this backwards and forwards of foreign policy making in the United States, which is different from the more closed environment in which Ministers operate in the UK. There are some strengths in the American system, but it is different from ours.

Maybe one of the differences that we all face today, compared with a decade or more ago, is that when the President finally came to a view, there might be some opposition, obviously, from the Congress, but by and large that would carry the day. We are in a different world today, as we saw over Syria, both in the United Kingdom and in the United States.

Q96 Sir Menzies Campbell: When you were ambassador in Washington, how did you cope with the fact that you were expected to cover all the bases? I gave you six bases and you added two. How was it possible to do it effectively?

Sir Nigel Sheinwald: The embassy has to be equipped to do it, particularly with the central relationships with the NSC, the State Department and the Pentagon. There is a lot of direct contact with London, which is essential. It is one of the peculiar and exceptional features of the UK-US relationship that there is traffic in all directions, coming from capitols as well as from Washington, but you have to be staffed to cover that waterfront in Washington. Your Afghanistan desk officer, to take an example, needs to be just as active on the Hill and in the NSC as with the day-to-day contacts in the State Department. I don't think that that has fundamentally changed. I was in Washington in a more junior role in the 1980s, and that was the position then as well. That is the way the American system operates in this area.

To take the example of Iran sanctions, which is an important one today, a couple of years ago another round of sanctions was being debated in the US Congress. One element of that touched on the interests of BP, as it happened, because one of its operations might have been affected. We had to lobby very hard to ensure that that did not happen. That was an operation conducted with the tacit agreement of the Administration, but we had to do it pretty much ourselves with our European partners on the Hill. You have to have a congressional operation as well as one that focuses on the Administration.

Q97 Rory Stewart: To follow up on Sir Ming's point, it sometimes looks from the outside as though the embassy gets a little bit behind the curve. We were a little slow to detect the shift in US policy towards Afghanistan and the surge. We were a bit slow more recently to detect the change in US policy towards Iran. We were perhaps not as sensitive to their views on Libya as we might have been. Is there anything that one could do structurally—institutionally—to develop capacity in Washington, change structures, increase staff numbers, change the daily activities of staff, so that we do not get caught out in those ways?

Sir Nigel Sheinwald: I am not sure whether your examples are right, but let's proceed on that basis. The key point is to ensure you have reasonable staff numbers. That goes without saying. If you do, then ensure that people in the embassy, and indeed people in London, are as open as they can be to a wide range of people. Mr Stewart, you were one of those who had a very good occasional inside view of American policy in Afghanistan as it was evolving in 2009. I remember talking to you personally, but I hope that others in the embassy kept in close touch with you.

People, like you at that stage, who are not part of the system but have a take on the way that American policy is developing ought to be important interlocutors for the embassy as well. I hope they are, but if more of that needs to be done, that is something to think about. It comes back to your implicit suggestion that it is partly a debate about resources.

Q98 Mark Hendrick: Sir Nigel, you mentioned earlier the change in terminology from a pivot to Asia to a rebalancing towards Asia. You also mentioned that you felt that UK-US strategic thinking and planning was important in the past, but you are not sure what state it is in at the moment.

Nevertheless, do you get the impression from a US perspective—the cold war is over, enlargement has taken place, the Communist countries have gone, there is a united European Union of 28 nation states—that this pivot is really a serious turning of attention away from Britain and Europe, because of the macro-economic and geopolitical developments that are taking place as a result of the rise of China and everything else that is happening in the Pacific at the moment? Therefore, do you see the UK as far less important to the US than it has been in the past, if it ever was important?

Sir Nigel Sheinwald: This might be a minority view, but I don't think that the pivot had much to do with Europe when it was conceived. I think it was conceived strategically as a signal that the United States was going to get out of two very difficult wars, a preoccupation with military intervention in Afghanistan and in Iraq, and the Administration wanted the next decades to be about launching a new type of partnership with a range of emerging countries round the world, but particularly those in the Asia-Pacific region, which was an area of obvious economic growth, but maybe growing political and security complexity. I think that is what it was about.

The fact was that a number of Europeans—I think not the UK—who felt that they were a bit slighted by the pivot made their views known, and I think that the Administration realised that they had not said enough about where Europe fitted into this world view. That came through in a number of subsequent statements by the Administration.

As I said, I think that you could say that the Balkans was the last time that the United States was really focused on Europe as a geopolitical object in its own right. Certainly since the '90s, the key thing for Americans as they looked at Europe was whether we were participating with them in world affairs, so whether the Europeans were doing enough as a whole to support the NATO effort in Afghanistan where, by and large in American eyes, Europe as a whole—not the UK—came up short, and whether we were active and responsible partners with them on issues like Iran. I think the answer to that is yes, we have been, and increasingly so, given the impact of European sanctions.

It is that that they are looking at—whether Europe is an effective global partner for America. There are some good stories to tell and some less effective examples of that co-operation. I do not think that it was principally about Europe.

Q99 Sandra Osborne: You mentioned Syria and we are interested in any possible impact that the situation in Syria has had on the UK-US relationship. How do you interpret the Prime Minister's wish that the UK should have taken part in military action with the US at the end of August? Was it the traditional, "Well, the UK goes along with America," or was some other factor involved?

Sir Nigel Sheinwald: I do not think it was the traditional thing, and I am not sure that there is a completely single model. I think that in the case of both Libya and Syria, the truth was that the British Prime Minister, the French Government and maybe a few others around Europe were more in favour of action with a military element than the United States were. I do not think that we would have had the NATO operation in Libya without our Prime Minister and President Sarkozy. On Syria, our Prime Minister consistently argued for a more active Western European and transatlantic posture than turned out to be the case. I do not think that it was as though, on this occasion, we had the example of the use of chemical weapons in Syria and it was the American President turning round and having to persuade Prime Minister Cameron; Prime Minister Cameron already saw the need for action.

The underlying reality over Syria is that in both countries public opinion was extremely cautious and a majority was opposed to any form of direct military action, which is what came through here and was ultimately the reason why American policy evolved as it did. I felt at the time, even before the American position and the President's position—my immediate reaction to the vote here—that it would not change and could not erase the type of co-operation and relationship that we had with America in one go. I felt that particularly watching American reactions in the days ahead, where the President felt it necessary himself to consult Congress, and if there had been a congressional vote—in the end, there was not one—it would have been touch and go as to whether the Administration would get the approval that it was seeking. The numbers, particularly in the House of Representatives, looked to be negative for the President.

In terms of us having UK and US at the popular level and at the level of people with an interest in foreign policy, I think there is actually quite a shared set of views about the world that we are in after Iraq and Afghanistan; our public opinions are pointing in the same direction. I do not see the House of Commons vote as having a negative impact on the UK-US relations; I think that the Americans were essentially in the same boat. That accounted for the President's hesitation and his uncertainty over policy, which was evident to all.

Q100 Sandra Osborne: That is what we were told in the US: for most people, the long-term relationship would not be affected. So you do not think that they were just being polite?

Sir Nigel Sheinwald: No, I don't think so. For both countries there is a long-term issue about the appetite to take action in the world and whether we are going to remain actively involved in world affairs. I do not mean by that a simple boots-on-the-ground answer to the world's problems, but are we going to be actively involved? That often involves the security and the political element as well as the traditional economic ties in world affairs. There is a question mark about that in Britain—whether our political leadership in this House, but also in government, has the stomach for those sorts of decision and issues for the future. This is going to come through in the defence decisions I was talking about, in the next Parliament.

I think America is going through much the same debate and is uncertain about the world that we are in. It feels that we are in a transition and that the shape of post-Second World War order is plainly breaking down, but we cannot yet see exactly what is going to follow it. I think that the mood of uncertainty is there in both countries.

Q101 Sandra Osborne: On the way that it was handled, obviously it came as a surprise to the US the way the vote went. There was fallout from that. Did that influence the decisions in America about what they would do? For example, did the President take it to Congress partly for that reason? What was the attitude to that?

Sir Nigel Sheinwald: I think there was surprise. If I may say so, I thought there was surprise in London, too, at the vote. There was surprise in Washington, certainly. The fact that the Prime Minister had had a vote on this was one of the factors that influenced the President. I think we ought to be a little less defensive than we sometimes can be on this. The fact is that British policy on Syria and the decision of the British Parliament are consequential matters for the United States. That should not be "shock, horror" for us. That is the way it is. It is a good thing and it shows that our relationship is two-way and that we can have some impact.

Q102 Mr Baron: Sir Nigel, Chancellor Schmidt was once reported to have said that the special relationship was so special that only the British knew about it. To what extent do you feel that we trade on this—are too concerned about it—and that accordingly we perhaps enable the US to win UK goodwill too cheaply as a result?

Sir Nigel Sheinwald: I do not want to make too simplistic a distinction between people who practise the relationship and the way that our media describe it. As I was saying before, I think, first, our media have a tendency to portray the relationship too much in personal terms. Secondly, they are so touchy about it and so sensitive to each raising of an eyebrow or slight gesture one way or another that the strategic impact of the relationship can be lost.

I certainly recognise the thought that we come across to the Americans, not least because of the way that our media present this, as overly defensive and sensitive about maybe some of the superficial aspects of the relationship. I think we need to be more confident about it, worry less about those small things, which can sometimes be big media issues, but actually are not that important in the long run. We need to accept that, if you look round the world, no one has supplanted the UK as the United States' most significant ally, particularly in the areas that we are talking about today—the political, security, defence and foreign policy area. I think in the economic area you could argue about the role of Germany as a partner of the United States in Europe. That is obviously very important indeed.

I do not think that, traditionally at least, we have sold our position short. There are lots of examples of where we have advocated a policy to the United States and won through in the end—sometimes not instantly, but sometimes they have come round to our point of view after further internal deliberations. I agree with the trend of your question, which is that we must not be so hung up about the superficial aspects of the relationship that we avoid concentrating on the content. I think the content is everything, and the relationship has to be in the service of our national interest on the issue that we are talking about, whatever it is, whether it is nuclear, Burma, the Middle East or any other issue.

Q103 Mr Baron: I would like to come back to you very briefly at the end about the success we have had at persuading the Americans with regard to various issues. Just before that, I completely agree with you that we need to be more confident, perhaps, and that sometimes means disagreeing with the Americans when we have to.

Sir Nigel Sheinwald: Yes.

Q104 Mr Baron: Can I dig down to a little more detail about the role that our military capability plays in the special relationship? We know that the special relationship is based on a variety of factors—good intelligence, shared values, military capability, nuclear deterrent perhaps and so on—but to what extent is there concern about the UK's cutting its military capability? Can you give us any more feel on that? You have listed it as one of the special factors that are part of the bedrock of the special relationship, but can you be more graphic? Can you give us any more detail as to the extent of concern about the cuts to our military capability?

Sir Nigel Sheinwald: I was in the United States as one of those involved in projecting the Government's position when we published the Strategic Defence and Security Review in October 2010. As I said in my opening remarks, although there were some underlying concerns, the Administration were persuaded that we were going to maintain a full-spectrum set of capabilities. They were reassured that our defence spending would remain above the NATO minimum of 2%, certainly throughout the life of this Parliament, and that the numbers we were talking about for interventions in the future were scalable. They were not as great as we had managed before, but they were, nevertheless, a militarily significant number for continuing operations and for a large single operation. I talked also about the niche areas, and they were reassured, and maybe surprised, that we were putting an extra $1 billion into cyber in this Parliament and that the money would continue to go into intelligence and special forces.

I think we persuaded them that this was a serious piece of work at the time, which would maintain our role, but, as I said, there are worries. I forget who it was, but a very senior member of the US military—one of the Chiefs—said only a few months ago that there were worries about our ability to contribute to future operations. As a Government, we persuaded the Administration of the day in 2010 that we were maintaining a very high level of ambition as far as our defence capabilities were concerned, through to the 2020 horizon, but I do not think that we persuaded everybody.

If you look at some of the commentary at the time in *The Wall Street Journal* and elsewhere, it was much more critical, for example, of the decision on aircraft carriers. There was an undertow of concern even then, and I think that the American Administration and others are, by and large, sitting this out for the time being and waiting to see what the key decisions and the symbolic decisions will be in the next Parliament. I am not sure that they are expecting major further decisions in the current Parliament.

Q105 Mr Baron: Very briefly, Sir Nigel, can you give us your opinion as to where we must not fall below before it has a material effect on that aspect of the relationship? I am talking about military capability.

Sir Nigel Sheinwald: It is difficult to give numbers.

Q106 Mr Baron: Talking about capability, though, is it our ability to join the US in force in a military intervention, or is it in another area? Can you give us some sort of feel?

Sir Nigel Sheinwald: None of us finds it very easy to predict where we will be in 10 years' time. I share a widely held view that we are not going to be engaged in major ground interventions for a long time, which is clearly the net effect of Iraq and Afghanistan, but there may be a future moment when we need to do so. Judging by the sort of numbers that we have had to put in the field in Iraq and Afghanistan, they are going much below the 6,500 or 7,000 number that we can deploy in a single operation over a period of time. It does not feel to me that we can do with much less than that, or that you can shave the number much more. We ultimately had a significantly larger operation in Afghanistan. For some years in Iraq, we were around that number, so I think that it would be difficult to imagine. If we want to have that capability in the future, it is difficult to imagine the numbers in the SDSR coming down.

I think the Americans will look particularly at those areas where we have important day-to-day capabilities for them. Intelligence, cyber and special forces are areas of obvious British expertise and interoperability with the United States. We have a great deal of experience in those areas with the United States. They have a great salience in the transatlantic dimension.

There are a lot of other things, too. I mentioned the anti-mine warfare element, which is one where, traditionally, the United States has placed a lot of reliance on UK capability. Whether that is so important in 10 or 20 years' time, I do not know.

Q107 Mr Baron: Finally, Sir Nigel, the cynics and sceptics with regard to our relationship with the US would point to the failures in their eyes: the Falklands, our attempts at climate change or perhaps the early stages of the international arms trade treaty and so on. From your time there, can you point to—I am sure you can, but highlight them for the benefit of the Committee—the successes and failures at attempting to get the US to agree with us on something that was in our interest but where we had to make the argument?

Sir Nigel Sheinwald: Some of my examples are a bit of each. They are things where we did not initially succeed, but if you try, try and try again, you sometimes get success in the end. I hesitate to mention this with Mr Stewart here, but Afghanistan and the emphasis to be given to negotiation and reconciliation was something on which the previous British Government put some emphasis and got relatively little traction with the Bush Administration. That began slowly with the Obama Administration, but it became a central part of that Administration's policy from year 1 or year 2. You can argue about whether that was pursued by any of us as vigorously as it might have been, but there was a very clear ask by the UK of the US to adopt a different approach, and we got there in the end.

You have mentioned the arms trade treaty, on which we initially had quite a negative reaction, but on which not just British lobbying, but lobbying by others, too, brought the Unites States round to the position that it adopted under Hillary Clinton and the President.

You need to look at climate change through a complicated prism, because of course under the Bush Administration there was no way through in terms of getting our objectives met at the federal level, so we had to concentrate on a very different strategy of trying to get action and agreement at local and state level in the United States. We had some success in that, which was continuing in my time at the end of the Bush Administration and the beginning of the Obama Administration. For example, there were agreements, which were slightly novel, between the UK and individual American states. We had agreements with California, Florida and Virginia as a way of affecting the political weather—no pun intended—without having to get at the trickiest issue, which was the absence of federal legislation.

The Obama Administration started at a different place, but they still were not able to get comprehensive climate legislation through, so many of those activities at lower levels were important to us diplomatically.

You were just talking with the previous witnesses about the TTIP. This was particularly promoted by the US Chamber of Commerce and by business groups in the United States. I think, initially, the US Administration was a bit hesitant and cautious about it. Again, I do not claim the UK was the only effective advocate, but I think we were one of those who, very early on, saw the advantages of this and were pushing not just our partners in the EU and the Commission, but a wide range of voices in the United States, to adopt this. Eventually, that got to the President, and he agreed.

I mentioned the BP thing—Shah Deniz. That was an example of congressional legislation that we were able to influence. Buy America was another bit of congressional legislation, which came in with the big stimulus package in 2009. It was very unwelcome to us, but we and the other European Union countries were able to at least tone down the Buy America provisions so that, at the federal level, they did not apply to EU member states.

Q108 Mr Baron: Very briefly, Sir Nigel, can I just play devil's advocate? You have listed a series of successes, perhaps with the exception of Afghanistan, where others have also contributed to bringing the US round. Leaving aside Afghanistan, is there any other success we have managed to achieve in British interests without necessarily relying on partners? Could you also highlight one or two failures that we might rue or that you rue? You have given us a list of successes, but no failures, in trying to persuade the Americans.

Sir Nigel Sheinwald: I think that we had quite a bit of credit—

Mr Baron: Just one example?

Sir Nigel Sheinwald: Well, I would not have given those examples if I did not think we had a significant role in them.

Mr Baron: Right, okay.

Sir Nigel Sheinwald: I do not think we were just one of many as far as TTIP and the other issues are concerned. Let me go back a little; this is not all in my period as ambassador and may go back a little earlier. Iran policy is another example where the UK—again, not alone, because you are very rarely going to be completely alone—has, over a decade, and certainly over the last few years, had a continuing influence on American policy. We were in favour early on of the twin-track approach, which was not an easy thing to explain and negotiate in the United States 10 years ago, when our outreach to Iran began, but we were, in the end, successful, particularly during Bush's second term and since President Obama has been in office. I do not know about the failures. You as a Committee might want to put them to me if there are particular things you have in mind.

Q109 Mr Baron: Well, time is short, but the Falklands.

Sir Nigel Sheinwald: Yes, you are talking about the current example?

Mr Baron: Yes.

Sir Nigel Sheinwald: Of course, the Administration, to our ear, gave us inadequate support at different times over the past two or three years. Just to put it in context, it was uncomfortable for us, and it was not what we wanted—it was not what Ministers and the embassy were advocating for with the State Department and others in the United States—but this was not, fortunately, a moment where lives were at stake and that would be seen by the rest of the world, maybe, as an absolutely key, top issue for American foreign policy, or even, perhaps, for ours, given all the other things going on.

I agree with you that the sort of language the Americans used was, on several occasions, unhelpful and did not go as far as we would have liked. It would not have taken a lot just to have adjusted that somewhat, but I am not sure whether it ranks alongside some of the things we have been discussing today as a really major foreign policy issue between us.

Q110 Chair: One of the major interventions, with the two countries working side by side, was Iraq. To this day, there are still questions hanging over it. We have had inquiries by this Committee, the Hutton inquiry and the Butler inquiry, and we currently have the Chilcot inquiry, which has taken something like four years. Rumours are beginning to emerge that a lot of this delay is caused by the United States. Is there anything you could helpfully add on that state of affairs?

Sir Nigel Sheinwald: I cannot, Chairman, simply because, if there have been delays on the US side, this will have been more recent and after the time I was in post in Washington. I am not aware of those contacts, if there have been contacts, on that issue. I think the Cabinet Office did put out a statement about this last week when the issue came up again.

Because I do not have any inside knowledge, I hesitate to speak at all on it, but I would guess that there have been two sets of discussions: first, obviously, between the Cabinet Office and the inquiry itself, and it has been well documented over a couple of years that those discussions have been going on about particular categories of UK-US exchanges before and during the conflict. Secondly, maybe more recently, once a conclusion was reached, with the United States itself. I think the issue is only going to be to give it no more colour than this.

The issue in US minds will be one of the factors over here, which is: if the top-level exchanges between Prime Ministers and Presidents on matters of war and peace are released well ahead of the normal time—in the political lifetime of the people involved—would that affect the nature of the trust and confidence in each other for future Presidents and Prime Ministers and make them less likely to speak to each other confidentially in future crises? That issue might legitimately be on the minds of—

Q111 Chair: Is that a risk?

Sir Nigel Sheinwald: To my mind, yes, on this sort of issue where you are talking about the most fundamental issues. I do not terribly want to offer too direct a view, and I realise that there will be a contrary view, but I think there may well be a knock-on effect for the future. Given that our country derives advantage from the candour of American Administrations, as we hope they derive value from our candour towards them, I think that would be a problem if there was some inhibition over the quality of future exchanges.

Q112 Sir Menzies Campbell: I cannot help but reflect on the volume of newsprint and others that has been devoted to the whole question of a special relationship. If that was brought together, it would dwarf "War and Peace". You quoted President Obama describing the relationship as being an essential one. I wonder if you did that because that more closely coincides with your analysis of the relationship. An essential relationship is clearly different from a special one, for all the obvious reasons. Does that more accurately reflect how you think the relationship is, and how it should be?

Sir Nigel Sheinwald: Sir Menzies, I do not think there is a huge difference between the two when it comes to it. I think that your predecessor Committee drew some conclusions about this when you did your report on UK-US relations last time. As a practitioner, I am very conscious that people get very hung up on the adjective: whether the relationship is special or not. As a practitioner, whenever I used it, I did not like then to have to spend the next two or three paragraphs explaining what I meant and defining my terms.

I think that, during the state visit in 2011, the reason why there was this change in tack, with the emphasis on the concept of an essential relationship, was simply to use a different phrase, as I said earlier, to emphasise the contemporary relevance and operational quality, so you get away from this sense that it is swathed in nostalgia and the mythology going back to Churchill and through every big relationship ever since. I think that was the purpose of it, but I am not sure whether David Cameron or Barack Obama would decline—indeed, they have not declined—to use the words "special relationship" as well. Linguistically, we can tie ourselves up in knots over this.

Q113 Sir Menzies Campbell: Well, that is a risk. I am pleased to hear you say that we should not consider this against a wave of nostalgia, but rather more out of the coincidence of contemporary interests.

Sir Nigel Sheinwald: Yes, absolutely.

Q114 Mike Gapes: You referred to the previous Committee's report, which was published just before the last general election. What struck me at that time was that all of our interlocutors, our academics and, indeed, British diplomats, serving and retired, were advising us that it was not sensible to keep using this term, because it does have all those contexts, which are being referred to as nostalgia. What has struck me recently is that the Americans seem keener to use the word to reassure us than do British people who talk about the practicalities that we are engaged in.

Sir Nigel Sheinwald: Even there, Mr Gapes, you said that they are using it mainly to reassure us, but I do not think that that is always the case. I think they are using it because they regard the UK as a critical ally for the United States and one with which they have a set of unique relationships on which their security, at least in part, depends. The more that we can embrace that and become less defensive and relate our interests in the relationship to each side's interests of the day, the better. I do, however, agree with you. I have been to many conferences and meetings in America recently where people volunteer this—not under pressure to please us, but because it means something to them.

When the Committee looked at the matter a few years ago, it was very much in the aftermath of the first months of the Obama Administration, when I think there was a feeling—more pronounced than today—that the Administration were just not interested in allies. As I was trying to say in my opening remarks, the Obama Administration realised that that impression had gone too far and was not really what they felt about the world. The practice of foreign policy in the last five years has shown that they need to use allies around the world in order to get what they want to achieve. They cannot do that without that set of functioning relationships. The backdrop under which the previous Committee was operating has changed somewhat in the way that the Obama Administration, not only in relation to the UK, but more broadly, talk about the world and the building blocks of American influence and power.

Chair: Sir Nigel, the fact that you can describe not one, but two inquiries by this Committee and your longevity in the subject shows how valuable a witness you are. Thank you for coming along. It is much appreciated.

Sir Nigel Sheinwald: Thank you, Chairman.