



Select Committee on International Relations

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

Wednesday 8 March 2017

10.30 am

Watch the meeting

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

Evidence Session No. 18

Heard in Public

Questions 196 - 207

Witnesses

I: Mr Rory Stewart OBE MP, Minister of State, Department for International Development; Mr Matthew Wyatt, Deputy Director for Middle East and North Africa Department, Department for International Development.

USE OF THE TRANSCRIPT

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

Examination of witnesses

Rory Stewart MP and Matthew Wyatt.

Q196 **The Chairman:** Minister and Mr Wyatt, good morning and welcome. As a matter of administration, I make the usual point that this is a public hearing. A transcript is being made, which you may make changes to as you wish when the time comes. We are fortunate to have an hour of your time. We will try to keep exactly to that. We are extremely pleased to have the opportunity to ask you some questions this morning.

Let me start with what sounds like a general question. We are looking at a big area in our current inquiry, which is on the transformation of power in the whole Middle East region and its implications for UK policy in particular. It is a region of enormous wealth and poverty, as well as unemployment, violence and religious strife on a massive scale, with every prospect of things getting worse and not better. You come from a large department with a large budget, which other departments look at with envy, and you are in a position to carry forward both broader policy and UK policy in any ways that you choose and to add value to the region. If I asked you for a list of ways in which you can add value to this stormy region, what would you put at the top of that list?

Rory Stewart MP: Lord Chairman, if I may I will frame the question a little. There is always a tension between our ambitions in relation to the region and these countries and what we can actually do. A lot of this conversation comes down to the fact that we do not have a moral obligation to do what we cannot do. That gap is key.

Broadly speaking, as you can imagine, our objective in almost every one of these countries of the region would, in an ideal world, be to create a more prosperous, stable, peaceful and democratic society. The problem is that our power, our knowledge and our legitimacy are limited. You said that we have quite a large a budget. It is true; we do. We are very lucky to have a significant budget that comes from the British taxpayer. But you should compare the amount of money that we have in an individual country to the GDP of that country. Some of these countries have economies of \$250 billion or \$300 billion a year. We will typically go into that country with a maximum fund of £70 million or £80 million, or maybe £100 million. That means that in many cases our money will amount to 0.1% or 0.2% of the GDP of that country at most, often significantly less. That is true not just for us; it is also true for the US. The US programme in Jordan is its second largest programme worldwide. Since 1950, the US has been putting in enormous sums of money. At the moment, its overt programme alone is over £1 billion a year. Even that only amounts to about 3% of Jordan's GDP—and that is the United States' second largest international programme anywhere in the world, with a key partner that is quite a small country.

That means that we have to look at very niche activities. We have to accept that there are many things that we would like to do that we cannot do. We have to accept that a lot of the experience of the last 20

years is about the international community imagining that it had the power to do things that it did not really have the power to do. So what sorts of things can we do? The first is key: in the situation in which a country itself genuinely wishes to reform or to go in a particular direction and is sincerely coming to us for support and advice, we can make much more progress than in a situation in which it is reluctant to do so.

Let me take Jordan as an example. The king and queen of Jordan are focused on education, which has become one of their big priorities over the last two or three years. That is an opportunity for us to put quite a significant DfID programme behind education reform in Jordan. That has a huge amount of potential impact on unemployed youth and many of the drivers for radicalisation and instability in Jordan. It also helps the macroeconomic position. Jordan has a lot of people, but they lack skills and productive capital to get the economy going.

Conversely, there will be other things that these countries will not be interested in doing that are vital but on which we may not be able to make any progress. For example, it would be quite easy to look at almost all these countries and say that the fundamental problem is corruption or the absence of the rule of law or governance. But you cannot simply solve those things by turning up with a best-practice model, doing capacity building and demanding political will unless the politics, right down to the sub-regional, sub-national level, really wants to reinforce those kinds of programmes. What you will see in our programmes across the Middle East are pretty simple programmes that tend to focus on three or four things and exclude many other things that we could be doing.

Just to conclude, because this is quite a long answer to your question, if we take Jordan as an example, we will do education, but we will not do a lot in healthcare. We will do refugees but we will work with UNICEF and the WFP on particular things for them, such as cash transfer payments, protection and water and sanitation. We are not doing stuff on judicial reform or the rule of law. Finally, on the macroeconomic picture, we are putting a lot of energy in Jordan into making the most of the EU trade deal that it secured, making sure that it has proper access and that the companies have the skills and the knowledge to access opportunities in the European Union. But that will be about it. In other words, these programmes are necessarily quite narrow and cover only a small percentage of the full waterfront of the things that these countries need to do in order to transform.

The Chairman: How do you weave all that together with the UK's foreign policy interests and the aims, in so far as they can be discerned, of the Foreign and Commonwealth Office?

Rory Stewart MP: I will give you an example of this in practice from Jordan. Edward Oakden, who is our ambassador there, met me off the plane when I arrived and spent the entire three and half days of my visit with me every minute of the day. He came with me to the refugee camps, to the royal court and to ministries, so that every conversation that we had—about the refugee crisis, education or macroeconomic

reform—happened with the ambassador in the room. The ambassador's political analysis and framing and his connections with the king provide a huge amount of the context of that country's priorities.

Our contribution to that is generally more formally through, for example, the visit of our chief economist, Stefan Dercon, and a formal macroeconomic analysis of where we think the IMF programme is and where we think the gaps in productivity in Jordan are. Those two things are then put together. I am trying to illustrate through a concrete example that, at least in the case of Jordan, I am confident that, were you to put the ambassador here, he would feel that this is a process that he is driving. A lot of our work in education in Jordan is driven by the fact that the king has told the ambassador and the ambassador has concluded on the basis of his own political work that education is a huge priority for Jordan.

Q197 Lord Hannay of Chiswick: I will follow up on that, because I found very compelling what you said about the modesty of the scale on which we can intervene in these countries economically.

Could you comment a little on whether you share the view that outsiders in the Middle East—us, the French, the Americans, the Russians, the Chinese and so on—probably have less purchase, less leverage, than has been the case in the Middle East for a very long time? The tendency there was to think that everything was settled by the outsiders and that they were just the pawns. Are we moving into a period where that is less so than it was, and, if so, what are the implications for the UK? As you said, the size of our contribution is not huge, so if it is to work it will have to be knitted together with the contributions of other like-minded people, which might be complicated a bit by the arrival of President Trump.

Rory Stewart MP: My gut instinct is that you are right: the influence that we have now in the Middle East is not comparable to the kind of influence that we had in the 1970s, for example, partly because the economies of many of these countries have grown so fast and so dramatically that they are far less reliant on us for economic support, military support, or indeed any other kind of assistance. The rulers of these countries, having enormous resources at their disposal, are themselves now international donors.

Now that the major Gulf countries are major international donors, they have far more developed relationships; the recent trip of the King of Saudi Arabia to south-east Asia is an example of stuff that would be difficult to imagine in the 1970s. They also clearly now have fully independent foreign policies in a way that they did not in the 1960s, and it would have been difficult to imagine some of the recent interventions in the Middle East happening 20 or 30 years ago.

So, yes, we have to work with other people. What is striking, though, is that we certainly have influence, provided that we are realistic and modest about the way we characterise it. The Jordan compact, for

example, is quite a powerful case study of the way in which Britain, working with other people, can in fact do something very helpful.

If I play the counterfactual back to you, Lord Hannay, it is true that British and international aid is not in a position singlehandedly to transform these countries, but had we done nothing, had there been no attempt to provide support for Jordan, Lebanon or Turkey in the wake of the Syria crisis, had the international community in effect turned round and said, "Okay, Turkey has 3.5 million people, Jordan has over 1 million, Lebanon has 1 million refugees. We don't think we have any influence. This is none of our business and we're not going to get involved", the situation would very rapidly have got out of control, and not only because of the dollars or the resources that reach the individual refugee. It is also a question of political will. It is a question of keeping these Governments on side. The Turkish, Jordanian or Lebanese Governments' willingness to tolerate these communities is heavily influenced by whether the international community is at least symbolically prepared to provide financial support, to create the compacts, to create the opportunities for those countries.

The Jordan compact is probably an example of the kind of things that we would hope to do over the next five to 10 years. It was quite elegant, it built on a very long relationship with Jordan, and it used the fact that our relationship with Jordan is quite different from the relationship that the World Bank might have with Jordan. So, to return to the Chairman's question, DfID is not operating there simply as a global NGO. Our ability to make that compact work depends on our military relationships; our defence attachés; our relationship with the king; our diplomatic relationships; the way in which we were able to organise the London conference and use our diplomatic relationships to get other people to invest in it; using our brain power to try to frame what a growth package for Jordan would look like; and our influence on the European Union to try to frame what a tariff package looks like. That has meant that Jordan, although still fragile, is certainly in a considerably better position than it would have been had we not acted.

Q198 Baroness Smith of Newnham: At the beginning of your very interesting formal presentation you mentioned working with Jordan on the bilateral relationship with the European Union and bringing our expertise to that. You have just talked again about our influence in the EU on tariff barriers. To what extent will our influence be weakened once we leave the European Union?

Rory Stewart MP: That is a very interesting question. I have not experienced much concern in the Middle East or heard people talking about it much. For what it is worth, the Jordanian ambassador in Britain is very bullish and frequently says publicly that he does not think that Britain leaving the European Union will have any impact on Britain's influence or relationship with Jordan.

Baroness Smith of Newnham: But if we are influencing the EU on tariff barriers and so on, how do we do that outside the EU?

Rory Stewart MP: On the specific question of whether we can have more influence on EU policy outside the EU, I think you have a point. The Jordan compact was quite a technical package. It was about making sure that, when Jordanian manufacturers sell things into the European markets, the local content component can be dropped, enabling them to buy more goods in the garment industry in Bangladesh, for example, reprocess them in Jordan and move them on. So you are quite right that some of those opportunities are connected to our membership of the European Union.

The Chairman: We will come to the Brexit implications in more detail in a moment. Lord Inglewood has a more general question first.

Q199 **Lord Inglewood:** You told us about the compact with Jordan, which is an arrangement that seems to be working reasonably well. You also said earlier that we can help only countries that wish to help themselves and that there are some sectors in some countries with governance or corruption issues that we would not want to get into because we do not think there is a great appetite for change there. What, in more general policy terms, is our attitude towards countries that are unwilling to run with the grain of what we are trying to do? Do we simply wash our hands of them, or do we try to work on them to persuade them that they are wrong? What do we do?

Rory Stewart MP: This is a central question, because this is true of many countries in which we work. The British Government's basic approach at the moment is that we remain closely engaged and continue to look for opportunities. Without naming names, there is a country that we have been working with closely where we have had real problems trying to address corruption at the national level but where we feel that by working in the health sector and with a Health Minister who wants to achieve certain things, such as dropping maternal mortality rates, increasing the attendance of doctors in rural hospitals and addressing certain neglected diseases, we can do quite a lot of anti-corruption work to facilitate his objectives in health. That is an example of us having to acknowledge that sometimes we cannot change the whole system, but that in difficult countries we might be able to get benefits for the kind of thing we want by defining it in terms of a sector as opposed to calling it anti-corruption work. If we call it health work, we achieve some benefits in anti-corruption.

Q200 **Lord Grocott:** There is one respect in which there might be considerable impact from the departure from the EU: the way, good or bad, in which DfID distributes its funds. As a matter of fact, can you remind us—I should know this—what proportion of the 0.7% goes via the EU and what goes directly to NGOs? If you cannot answer that now, I am sure you could later. I cannot carry lots of figures in my head.

Matthew Wyatt: As a rough idea, I think the contribution to the EU is between 5% and 10%.

Rory Stewart MP: None of us quite has the number at our fingertips, so we will have to write to you more formally on that. My gut instinct is that it will be in the region of €1 billion.

Lord Grocott: I do not know whether you want to comment on what, in the development money to the poorest countries in the world, which of course is our strategy, determines whether we give that money directly to an NGO or whether we do it via the EU. I am not quite sure how that balance is determined.

Perhaps I might link the final point to that: in the event of us leaving the EU, presumably there would still be circumstances in which it was more effective, efficient and convenient to distribute funds through the mechanism of the EU. I cannot really imagine, whatever may happen, that it would say, "No, we don't want this money". So presumably decisions would have to be made whether we did it bilaterally or reached some arrangement.

Rory Stewart MP: Broadly speaking, there are three ways in which we give money to the EU. The first is through our normal core budget contributions, which contribute towards its external action development budget. The second is through specific facilities. An example is the Turkey facility, a €3 billion facility that has been put in place in connection with the migration crisis. That is an example of the European Union negotiating with another state—in this case Turkey—a package into which we put money. The third way in which historically we have worked with the EU is in using it as an implementing partner or a delivery mechanism. We do that more rarely, but there have been situations in which we would partner with ECHO—EU humanitarian services—in the same way we would give money to UNICEF, UNHCR or indeed Oxfam or Save the Children, on the basis that they have a good programme that we believe in enough to put money into. In future, I imagine that those first two categories of contribution—I am not in a position to work out the details of all this, but it depends on the nature of Brexit—are likely to be affected by us leaving the EU. There is a hypothetical possibility that a Government could continue to wish to partner with the EU. For example, in Bangladesh at the moment we are putting money into a joint fund managed by USAID, the US Agency for International Development, to do work on governance, and we have historically run joint funds with countries such as Canada. So I can see that being perfectly possible for us.

Lord Purvis of Tweed: Going back to the general picture, I have been looking at the development tracker and, if I have got my figures right, Turkey, Syria, Iraq, Lebanon, Jordan, Libya, Yemen and the Occupied Territories—Palestine—account for over £880 million. That is a considerable investment from the UK. How do you review the totality of the benefit of that? I am looking at the operational plan. While there seems to be reporting by country and by programme, how do you consider the benefit of the totality of that nearly £1 billion of UK support to the region?

Rory Stewart MP: Let me try to tease that out a bit, because I am not entirely sure where you are coming from. I shall explain what processes we have in place. The core of the money that you are talking about was an allocation of £2.3 billion, made through the Syria conference. It was a strategic decision by the British Government that we needed to invest heavily in supporting the governance of Lebanon, Jordan and Turkey, and in assisting Syrian refugees, because if we did not there would be terrible human suffering and other associated problems such as terrorism and migration. That is the big strategic decision: "Here is the money".

That strategic decision of course involves weighing up the opportunity costs of spending £2.3 billion around Syria as opposed to spending it in South Sudan, Somalia, Burma, Afghanistan, Pakistan or anywhere else. That is a strategic judgment call that in this case is made closely in relation with the Foreign Office. The Foreign Office needs to work with us to make that call, which it decides. I do not think there is a science to it. It is very difficult to imagine a technocratic economic model that would tell you exactly how much you should put into the Syria crisis instead of Pakistan, because part of that money is also driven by our desire to bring in others; the amount of money that we put on the table increases the amount that others are prepared to.

The next stage of analysis is the financial control mechanisms and the value for money through the individual projects. Let us take a component of that money, the money that we give to UNICEF for learning centres in Jordan—this is going from the £2.3 billion level down to the £15 million-a-year level. There, all the normal DfID mechanisms click into place: employing monitoring and evaluation teams, running rigorous contract and tendering processes, staff visiting the learning centres; and, at the same time, us assessing the organisation that we are partnering with, UNICEF, through our aid relief. We have multilateral and bilateral agencies that assess the performance of the organisation as a whole. That is a combination of classic accountancy controls alongside the judgment of our staff on the ground, who may well say to us, in ways that might be quite difficult to capture in numbers: "We think UNICEF is the correct partner in Lebanon as opposed to Save the Children on this particular education project, because we think it has a particular depth and strength". But I may not be talking about what you are getting at.

Lord Purvis of Tweed: Of course, some of the humanitarian response is demand-led, I completely understand that, but with regard to those that are driven by the operational plan, what wider strategy is shaping that forward investment? You could publish how far you were meeting that strategy.

Rory Stewart MP: The wider strategy driving this is the decision in the national security strategy to spend 50% of our money on fragile and conflict-affected states. The big strategic shift is away from a world in which DfID targeted people almost entirely on income—we focused almost entirely on GDP per capita in driving our investments—towards a world in which we are getting involved, in these cases, in middle-income

countries. We are dealing with people who before the conflict may have been on \$3,000 or \$4,000 a year, as opposed to our traditional clients or partners who have been living on \$200 or \$300 a year. That is the big thing.

How do we measure our impact on fragile and conflict-affected states over a five to 10-year period? That goes back to the question that we began with. It will be very difficult. Our contribution to the whole thing is one small component of a massive system. The £2.3 billion that is being spent on the Syria crisis is an attempt to solve one end of something that includes 35 armed groups, Turkey, Iran, Saudi Arabia, Russia, the US, Bashar al-Assad's regime and the internal politics of Jordan and Lebanon. It is much easier for us to measure the micro impact. It is much easier for us to know how many children we have put through school or how many inoculations we have done than it is for us to make claims about how these kinds of programmes are going to affect the stability of the Middle East over a 10 to 15-year period.

The Chairman: Lord Hannay, quite briefly please, because we need to move on.

Lord Hannay of Chiswick: I just wanted to come back very briefly to the EU problem. Presumably there are some countries, perhaps not many in the Middle East area but some in the Balkans and eastern Europe, where DfID does not have a bilateral programme at all because we are putting in quite a lot of money through the EU, and that is our whack. What are we going to do about those countries? In the Middle East and north Africa area, one can think of, say, Morocco or Algeria where the EU has traditionally put in a lot of money and traditionally we have not been very involved, but they are important markets and so on. Could you give us an idea of how you are going to handle that sort of issue where there is currently no bilateral DfID programme at all?

Rory Stewart MP: The formal answer to that question is that the process of the National Security Council official meeting and then the National Security Council itself would determine our strategy towards North Africa. That strategy would then drive the spending not just of DfID but of other government funds such as the prosperity fund, the empowerment fund and the Conflict, Stability and Security Fund. These are funds that are owned by the Foreign Office, the Department for International Trade and DfID. The formal answer is that we would move from a world in which we had a common EU position towards one in which Britain would determine bilaterally what its interests were in a country such as Algeria and work out how much money we would wish to put in for humanitarian or trade purposes and how much we would wish to invest in dealing with security, stability and diplomatic objectives.

The Chairman: A rather different question now from Lord Reid.

Q201 **Lord Reid of Cardowan:** On the balance between security and stability on the one hand and the process of promoting democracy on the other, it has come across from witnesses we have spoken to—there is certainly a

weight of evidence, put it that way—that this is not an opportune time to prioritise an ambitious agenda of developing democracy. Rather, the preference of people we have spoken to—not all of them, but surprisingly this includes young people—is for security and stability in the first instance. How do you reflect on that dilemma? How should the UK balance the pressing need for more security—and through that, of course, allowing economic development to prosper—with the more politically challenging task of allowing and promoting democracy, even though in the perception of some people it may create more security?

Rory Stewart MP: You are right that this is a very difficult issue. In philosophical and moral terms, we believe very strongly in democracy and human rights. We believe in these things not just as instrumental tools for the development of stability; we believe in them intrinsically. They reflect fundamental views of human dignity and equality. Why do we believe that everyone should have a right to vote? Because we believe that people are equal, and that is a fundamental element of what it means to be human. Why do we believe people should not be tortured? That comes from our belief in human dignity. These are universal values, so from a philosophical point of view we are not moving into a morally relativist universe where we say that all systems of government are equally fine and whether or not a country tortures is simply its cultural choice. We believe strongly that the institutions that we have been lucky enough to inherit in Europe and the US are things that are worth advocating for, defending and encouraging other people to come towards.

You are right, though: this is a very difficult moment, and it is difficult for two reasons. First, it was easier for us to feel, probably in the 1980s, that the only way of achieving free-market economic growth was through the creation of local democratic systems. The very rapid growth of countries such as China has challenged our assumptions about the relationship between democratic institutions and economic growth.

Secondly, the experience of interventions such as that in Iraq has significantly challenged our faith in our ability to create democratic institutions and stability in other people's countries. To return to my opening point to the Chairman, it is about the gap between the "ought" and the "can". I am very comfortable saying that in a completely unrealistic hypothetical universe in which you could turn someone else's country into Sweden, that would be good thing to be. The problem is the "can"—we cannot do it. It is not that we ought not to do it but that we cannot.

However, it is also worth bearing in mind that we should not be too complacent in believing that authoritarian regimes are necessarily the best long-term guarantee of stability. It is quite clear that the forms of stability and security that Saddam Hussein or Gaddafi kept in place were inherently fragile and unsustainable. That is also true of Bashar al-Assad. They contain within them the seeds of their own destruction. In many of these situations, it does not really matter whether or not the West intervenes; when the "big man" goes, the whole thing collapses. So I fear

that often they offer only an illusion of long-term stability. Frequently, what they are really giving is short-term to medium-term stability.

I still believe that the only true resilient and sustainable political systems that can carry people forward over the next 300 to 400 years are systems that are genuinely participatory, where government is not controlled by a narrow elite that excludes people and where citizens are able to contest government policy. It is all very well my laying that out as a point of political principle, but how on earth you get there from where we are is very difficult. Our attempts in the past to get there have often made the situation worse, not better.

Q202 Lord Reid of Cardowan: Thank you for that. Just for the record, that was not necessarily my opinion, although my own opinion is that I cannot think of any countries that have had a sustainable democracy that has not been based on a fairly high level of economic development—including the United Kingdom, where for quite a long time, until 1832 or later, we too were run by a group of very narrow elites. I fully accept that there is a relationship between democracy helping the economy to flourish and the economy being the basis of democracy.

Let me come to one country where we hope that democracy will be developed, the best—perhaps the only—example after the Arab spring where we can see things developing: Tunisia. We have had communications from the Ennahda Party. Where there is evidence of political progress there, what can the UK do to protect the path of moderate reform? Do you think there are any other countries apart from Tunisia where we could look with some expectancy to the development of similar trends?

Rory Stewart MP: First, on your observation, before I come across as presenting the department as being unrealistic about democratisation, our latest governance work, and the work by the World Bank on governance that we have supported strongly, leads with a quote from Gordon Brown: “In establishing the rule of law, the first five centuries are always the hardest”. So the department is very aware of the problems and timeframes involved in this kind of stuff. You are right that Tunisia is a country that—

Lord Reid of Cardowan: I congratulate you, incidentally, on picking a quote from Gordon Brown, with which I agree.

Rory Stewart MP: I thought you would like that, Lord Reid. That was me briefly becoming a politician. Tunisia is, I think, a really encouraging example. Unfortunately it is unrepresentative. One of the reasons why the Arab spring seemed so exciting was because of Tunisia. It took us a long time to really take on board what the differences were between Tunisia and all the other countries.

What do we do to help a country such as Tunisia? First, we need to understand that Britain, for the reasons that Lord Hannay pointed out, is not the major player in Tunisia, which is traditionally part of la Francophonie. But we do have a strong ambassador and we have

programmes in Tunisia through our security and stability fund. We work on governance and on civil society there. More broadly, the first thing you have to do for a country like that is to make sure that it has macroeconomic stability and can deliver basic services.

If there is one lesson from around the world, it is that you have to make absolutely sure that a country like that does not suddenly find itself dropped into debt, with an unsustainable austerity package, or put under the kinds of economic tension that can suddenly crack the whole thing apart. One reason why probably the most successful examples of transition and democratisation over the last 30 years have been in central and eastern Europe is partly because of the role that was played by accession funds and commission officials in helping countries through that transition and backing them through that process. So we cannot take our eyes off countries like Tunisia.

Thinking of other examples of places in the Middle East where there could be movement is tougher. I think there is some movement in Jordan. The Jordanian Government now understand that there needs to be very significant reform to the economy and to their education system. They get the big macroeconomic picture, which is that the additional million Syrian refugees could be a real bonus—a young, talented labour force—if they can get the capital and the skills in place. Beyond that, though, it is difficult for me to think of many other countries about which I would be as optimistic as I would be about Tunisia.

The Chairman: Without dragging you into a diplomatic quagmire, what is your attitude to Field Marshal Fattah al-Sisi and Egypt, where for a time British policy leaned towards Mr Morsi. They did not like him and chucked him out. Now it is a gigantic country in very severe economic circumstances—not a democracy, but hoping to be one. How do you calibrate your approach to a huge issue like that?

Rory Stewart MP: Egypt was a huge challenge for us and the Obama Administration. As you point out, initially the assessment by very senior US officials was that Egypt's interests were best served by Mubarak remaining in place. Then Mubarak fell and we tried to work with the Morsi Government because they had won the election. People of course pointed out that they had won the election quite narrowly, but they did win it. But it gave rise to many of Lord Reid's questions about democracy and stability. The problem for the United States or Britain dealing with the Morsi Government was that, yes, they had won an election, but they were quickly into a situation where they were trying to impose unconstitutional measures and Islamist social codes, undermining key elements of the Egyptian economy, getting caught up in corruption scandals, and ending up with millions of moderate Egyptians in the streets demonstrating against their Government.

This gives rise to the third question in all these things: almost regardless of what we think of these Governments, what can we do about them? It is one thing to assess whether we think Mubarak, Morsi or al-Sisi are in the long term a good thing for the Egyptian people, the region or Britain;

it is another thing to judge whether these people will be able to remain in power at all. Part of President Obama's calculation on Mubarak must have been at some point that, regardless of what he thought about him, he was not going to be able to survive and was going to go. Part of the reason why I think that the US changed its position on Morsi is that it would have concluded that the uprising in Egypt was almost unstoppable and that Morsi was on his way out. There is no country in the Middle East that more exactly poses the kinds of dilemma that Lord Reid has pointed to than Egypt.

Lord Purvis of Tweed: Coming back to Tunisia, you mentioned that it is in the UK's strategic interest for Tunisia to be a success—I think that is acknowledged universally—but the World Bank's decision last week was to not release the second tranche of its loan because of the lack of economic and development reforms, which is worrying, and DfID does not have a programme in Tunisia. It struck me, when you said—almost glibly, although I do not mean that in any pejorative way—that Tunisia is not really in our sphere of interest, because traditionally it is Francophonie. It is slightly as if we are still making our decisions on whether we support countries based on a former empire model.

Rory Stewart MP: Let me try to push back on this a bit more strongly. Despite the size of our budget, which seems large, our resources are limited. By the time we have taken into account our contributions to the World Bank and multilateral agencies, we would have in the region of £5 billion to £6 billion to spend worldwide. Of that, probably £2 billion will be absorbed in humanitarian crises—dealing with famine in South Sudan, Somalia, north-east Nigeria and Yemen. We have limited numbers of UK staff in our global network, and those numbers are capped. In a traditional DfID mission we would have 10 to 15 UK-based staff. As a result, we have had to make quite a difficult decision. We were in 65 countries in 2008 and we reduced to the high 40s by 2012. We are now down to 30 countries for the reason I laid out to Lord Howell, which is that our only hope of having an influence with a limited budget in a complicated world is by concentrating it.

Yes, you are right: we have a strategic interest in Tunisia, but we have to make another calculation. Tunisia is a middle-income country and is in receipt of generous support from the EU and other European countries, and we have to ask ourselves, with our limited resources, whether the best way to spend British money, get the most bang for our buck and help our national interests the most is to invest in Jordan or Tunisia, Libya or Lebanon. It is not a complete either/or. We have a programme in Tunisia, we do stability and security work in Tunisia, and we work closely with other international donors in Tunisia. But, very sadly, it is one country out of—I hesitate to put a number on it—maybe 65 countries in the world that we are worried about, 47 of which are in active conflict today, which Tunisia is not.

Q203 **Baroness Coussins:** Turning to DfID's range of programmes across the region with young people, I want to ask a series of related questions. This

is obviously a hugely significant demographic. They are media-savvy and globally connected through social media, yet at the same time young people are not well represented in formal politics, unemployment is high and there is a huge feeling of frustration.

What are your insights, from the programmes that you are engaged in, of young people's perceptions and views of the UK? Would you go along with one view, for example, that came across to us in the round table we held with young people across the region that they were pretty positive about a number of the soft-power influences that the UK had and were—some of them—quite reluctant to use the term “the West” because they thought it was important to distinguish between the UK and the US? They welcomed one but not the other. To what extent would you go along with that, and how do you see their views of the UK emerging as a result of your programmes? As you said, you have limited resources. What should be the focus of the UK's efforts with young people in the region?

Rory Stewart MP: I think the young people you saw at your round table were reasonably representative. I would not challenge that that is view of many young people across the Middle East. You are right that this is one of the fundamental problems, if not the fundamental one, in the Middle East: that in many of these countries almost half the population is aged under 25 and the youth unemployment figure is between 40% and 60%. That is devastating for a society in every way: its economic potential, its political sustainability, its stability and the stability of the whole region. So a lot of our programmes are directed towards trying to address the problems of young people, particularly unemployed and underemployed ones, and helping them to be productive.

A caveat: it is important to understand, and of course you will, that these things are never as easy as they seem. Think what is involved in trying to create employment for young people on the west coast of Cumbria. To take much more dramatic examples, think of the same struggle, even with the enormous amount of energy, skills, resources and money that have been pumped into trying to address these problems, in Spain and Greece. A country like Spain has incomparably higher levels of infrastructure, civil service structures and investment structures, yet it is struggling to crack the problem of youth unemployment. The capacity in the Middle East is lower, the resources going in there are lower and our expertise as an international community is lower than it would be in Spain or Greece.

What, broadly speaking, do we do in that situation? We tend to focus on three things. The first is education, which is why a lot of our programmes in places such as Lebanon and Jordan are education programmes that combine work with international organisations such as UNICEF and NGOs with very close work with the education departments of those Governments. Those programmes have to address an incredible range of things. Jordan needs many more school buildings, a lot of which will have to be provided by the US, but it also needs teachers simply to turn up on time and teach, before you even get on to such questions as curriculum development and parental support.

There is a tragedy here. The global picture of primary school enrolment is incredibly positive. In the last 15 years, totally against anyone's expectation, we are getting figures across most of the developing world of 95% to 96% of children going into primary schools, and the number of girls is almost equal to the number of boys. That is extraordinary given that in Afghanistan, when I first visited in 2001, no girls went to school—none at all—and as for male literacy rates among young people, probably one in eight men could write or recognise their name. However, the Middle East is the only region in the world where enrolment is going down, with fewer people going into primary school than there were 10 years ago.

The second area where we tend to focus is trying to ensure that we have vocational training in place to give people the skills for the workplace. That involves both formal support for the vocational training sector and working with businesses and working alongside organisations such as the Prince's Trust International, which is doing mentoring programmes in this country.

The third area is big macroeconomic reform. Ultimately, the only way in which you really provide jobs for people is by having decent, vibrant businesses that can provide their employment, and the challenge in that is amazing. To put it in context, in Britain we have 15,000 businesses with a turnover of more than \$50 million a year. A typical developing country, Tanzania, which has a population roughly similar to ours, has eight. Bihar in northern India, with a population larger than ours, has seven businesses with a turnover of more than \$50 million a year, compared with 15,000 over here. The real key to doing this is how on earth you put Treasury and macroeconomic policies into place to generate sustainable jobs through the private sector for these young people. That includes investments in energy, infrastructure and so on.

Q204 Baroness Smith of Newnham: I would like to build on those answers, but first, very briefly, you mentioned that Jordan needs more schools and then said the US will have to pay for them. Why should the US pay for them?

Rory Stewart MP: As opposed to who?

Baroness Smith of Newnham: I was just surprised that you suddenly said, "Well, the US should pay for them".

Rory Stewart MP: As opposed to who? Us or the Jordanians? What is confusing about that?

Baroness Smith of Newnham: I was wondering why you made the assumption that the American Government would have an interest in paying for education in Jordan.

Rory Stewart MP: America has been Jordan's major partner since 1950. The Jordanian Government have not balanced their budget since 1950. Year in, year out, the American Government have had Jordan as their second or third largest recipient of international aid. Why? Because US

policy has been to see Jordan as a bastion of stability in the Middle East. US policy since 1950 has been based on the assumption that were Jordan to collapse, much of the rest of the Middle East would collapse. It is a key ally in the region. It has one of the largest US embassies in the world. US Congressmen and Senators are visiting Jordan almost daily; its ambassador hosts essentially half the Senate every year, coming in and out of Jordan. The USAID educational programme there has been one of its largest education programs and wealth. For all the reasons given, it believes strongly that education is the key to this. Traditionally, the US is a donor that has been more willing to invest in bricks and mortar, whereas we have tended to invest more in the structures—teacher training, capacity building, curriculum development and teaching in the classroom.

Baroness Smith of Newnham: So you see it as collaborative? It is not the US coming in and doing education there; rather, it is investing in bricks and mortar and the UK can potentially assist with education?

Rory Stewart MP: This is driven by the Jordanian Government's request. The Jordanian Government, through a very complex process with the international community, prepare a strategy for education and lay out all the gaps, and the US will step forward to take over the building of schools as part of a huge strategy that goes all the way through to questions such as truancy.

The Chairman: We have just seven minutes left and three questions to get in, though we may not succeed.

Q205 **Baroness Hilton of Eggardon:** One of the problems in the Middle East is the countries that do not really have functioning Governments, such as Libya, Iraq and Syria. Below national government level, though, there are regional organisations, community organisations and various other positive actors in the region. How do you manage to relate to that? Are you dependent on central government as a channel?

Rory Stewart MP: That is a very important observation. What is very striking about these countries is that often, when the central government collapses, you find surprising resilience at the local level. I agree with you. My personal experience of this is that in 2001-02, at a time when there was no Afghan Government at all because the Taliban Government had collapsed and no new Government had been set up in Kabul, it was possible for me to walk safely from one end of Afghanistan to the other, being looked after by village after village along the way. Each one of those communities took their own responsibility for security, for what economic development there was and so on. Often the strength and resilience are there at subnational level.

However, there are a couple of nuances here. The first is that that is not true in all countries. It tends to be more so in countries such as Afghanistan that have barely had a functioning Government for 30 or 40 years. In Iraq, Saddam Hussein set out deliberately to eviscerate all local power structures. Almost any tribal sheikh or cleric who posed a

challenge to him was killed and he very deliberately put his own governors into provinces. It was very difficult to find functioning structures. That was one of the reasons why, after Saddam fell, you ended up with anarchy. Attempts in places such as Mosul to generate subnational governance did not work very well in 2012, 2013 and 2014, which is one of the reasons why Daesh was able to come in quite quickly.

The second problem is that, even in countries where there are strong subnational structures, it is not really clear whether that can work over the long term and whether such countries can become a modern state, because, very sadly, the process of becoming a modern state, in almost every historical example, ultimately involves the removal of power from the local chief, the village head, into a central government that takes the legitimate monopoly on the use of violence, collect the taxation revenue and implement universal national policy across the country. It is very difficult to understand how you can really have development or modernisation without doing that.

At the same time, in dealing with the immediate crisis and the humanitarian response, we have to focus on those healthy subnational local structures, which, in a country such as Yemen, are often the only way of getting anything through to people. The only way in which a country such as Afghanistan makes sure that there is any hope of security for a particular community is by trusting those local structures.

Q206 **Lord Inglewood:** My memory of *The Places in Between* was that some villagers were rather more reliable as potential predictors than others.

That takes me on to the phenomenon that we have seen with non-state actors, some of which, in JK Rowling's phrase, tend to go over to the dark side. How can we deal with that? How can we possibly manage that problem?

Rory Stewart MP: Chairman, would you like to take this question on non-state actors as the last question? I am concerned about time.

The Chairman: What can you spare?

Rory Stewart MP: I am very happy to give you another 11 minutes.

The Chairman: I do not want to keep you from the Budget Statement, because there might be some more money for you in there.

Rory Stewart MP: That would be marvellous.

The Chairman: If you could spare another 10 minutes, that would be terrific.

Rory Stewart MP: Then let me give you five minutes on Lord Inglewood's question. The classic example of a non-state actor that we have been dealing with is of course Daesh—ISIS. It is very striking how difficult the international community found it to understand that group or predict what it was going to do.

In effect, ISIS is the descendant of al-Qaeda in Iraq—the group set up by a guy called Abu Musab al-Zarqawi, who started as a 15 year-old in an industrial town just north of Amman working in a video shop—which General Petraeus and the US surge in Iraq in 2008-09 felt that they had crushed and eliminated. By 2010, General Odierno would have told you that there were only a few hundred people left in the organisation. It is clear, however, that within about a year—by 2011-12—they had already significantly re-established themselves in Fallujah and much of Mosul, so that by June 2014, famously, 300 of them were able to drive out two divisions of the Iraqi army and take the second largest city in the country.

At that point, this non-state actor became something else. As the British Government, we are very clear that this is not a state—it is a so-called state. However, it succeeded by December 2014 in controlling a territory that included about 7 million people—Mosul, Raqqa, Deir ez-Zor. It took over the civil service infrastructure, delivered water, electricity and sanitation, and ran a government taxation office. It used the civil service of these places to deliver. Although it had some income from antiquity smuggling and oil, the majority of its initial income came from taxation, run through the traditional structures in those places.

In 2008-09, we would have thought that that was almost impossible; as Vice-President Biden quite understandably said, "Look, these are insurgent groups. They're not going to try to hold territory. Why are they holding this?" It went completely against the normal doctrine of Lawrence of Arabia, Chairman Mao or any such people who say that you have to move like a mist among the population and cannot hold territory, because if you hold territory a conventional army comes and bashes you. It is insanity for a few hundred guerrillas to try to hold territory. But they did that, and they managed to hold off the combined forces of Iraq, Syria, Iran and other actors who weighed in heavily against them. They held that territory for a surprisingly long time.

The problem with predicting these people emerging in future is just how quickly it seems to be possible for an almost invisible group, which our intelligence might estimate at the time to amount to a few hundred effective fighters, to take a city of 1.5 million people in a moment and then invite in 40,000 foreign fighters from 110 different countries—Malays, Swedes, Danes, people from Cardiff, Norman apple farmers, Yemenis and Tunisians. In fact, the largest component coming in to ISIS was Tunisians. So the lesson we have to take from this is the degree of understanding, knowledge and imagination we are going to need in these regions. The speed with which we are going to have to react, if these people are capable of doing this from a standing start in a couple of months with a few hundred people, is extraordinary. It is difficult to provide those countries with structures resilient enough to prevent that happening.

Lord Inglewood: Was it digital technology that enabled them to effect that extraordinarily quick transformation?

Rory Stewart MP: They were certainly very good at that. A lot of those foreign fighters were obsessed with social media and excited and drawn in by it. It is true to say that in a world before social media it would have been very difficult to imagine moving 40,000 people from 120 countries into a region at such speed. However, to be controversial for a second, the prime motivation for those people was not the technology, nor was it the socioeconomic conditions in the countries from which they came. It is very tempting to imagine that they became violent extremists because of failures in the societies in which they came. It is very easy to say to oneself, "Oh well, maybe they're coming from Yemen because Yemen is very poor", but then you see them coming from Norway, which is quite wealthy.

You might say to yourself, "Obviously they're coming from Britain because we haven't done a good enough job at integration", but then you see them coming from France, which has been very aggressive in trying to integrate people. You convince yourself that it is to do with your social policy or equality, and then you discover that they are coming from Sweden. These people come from monarchies, from democratic states, from democracies that have elected Islamist Governments and from democracies that have elected liberal Governments, but in the end the common theme that binds them together is that they thought they were doing jihad. At some level, we have to struggle with an explanation that is not social, economic or technological for what motivates them.

Q207 **The Chairman:** A final question, Minister, which I hope will not seem unfair or impossible. As we move towards the post-Brexit situation and we reconfigure our soft power and our smart power and consolidate it, do you feel that your great department is in the right position in the Whitehall firmament, or has the time come for more consolidation and maybe a return of your department to a very much closer link with the Foreign and Commonwealth Office, as it was in the past?

Rory Stewart MP: The government policy is very clear on this, and here I put on my hat as a Minister. We are committed in our manifesto to DfID being an independent department. We are committed to spending 0.7% of our GDP on international aid. We will develop more and more mechanisms to make sure that we work very closely alongside the Foreign Office. I gave an example on the ground of the relationship between the heads of our office and our ambassadors, which I think is increasingly close and which I hope is coming across through evidence.

Without being unfair and to name names, Edward Oakden in Jordan feels very much that DfID is part of his team and that he is running it as the ambassador. Dominic Jermey in Afghanistan is very proud of the fact that he feels that it is one team and that he is the ambassador leading the DfID operation. We reinforce and support that. The same is true of our mission in Rangoon, where again the ambassador works very closely with the DfID team.

Back here, there is a series of different levels at which we can increase co-ordination. The National Security Council, of course, is a way of

putting our Secretary of State around the table with the Foreign Secretary. We also do it at official level through the NSCO, and at small-group levels through officials below the NSCO. We are increasingly sending DfID staff travelling with staff from the Foreign Office and indeed the MoD. Lindy Cameron, our director-general, now frequently travels with Christian Turner, the director-general from the Foreign Office, on their trips abroad; they go together. I am planning joint trips with Minister Ellwood, and we are now pushing for co-ordination meetings at a junior ministerial level. We had a co-ordination meeting last week on the Middle East, which Minister Ellwood and I co-chaired, and we are looking to do the same with joint funds, such as the prosperity fund, which I, Alok Sharma and other Ministers sit around the table controlling.

My expectation for the medium term is that we will work more and more closely together but that the departments and their budgets will remain formally distinct.

The Chairman: Does that co-operation apply to agencies such as the British Council?

Rory Stewart MP: The British Council is a slightly different case. It is not a departmental body; it is an arm's-length body. I put on record my very strong support for the British Council and how impressed I am by how often people around the world in their 50s or 60s remember having been to the British Council 30 or 40 years ago, the important role that it plays in the cultural life of so many developing countries, and how important English-language teacher training is. I am very proud, for example, that as DfID we fund the British Council to do English language training in Burma, in particular the English language teacher training of teachers in Burma, and how closely we work with the British Council in other countries.

The Chairman: Minister, you have been extremely generous with your time, more generous than we have a right to expect, and we are extremely grateful to you for your openness and frankness on these very complicated issues. We all recognise that we are in a very fluid situation, and you have helped us to acquire a framework within which to prepare our further thoughts and our report. Thank you very much.

Rory Stewart MP: Thank you.