HOUSE OF LORDS

Select Committee on the European Union

External Affairs Sub-Committee

Corrected oral evidence
Brexit: Sanctions Policy

Thursday 19 October 2017

11 am

[Watch the meeting]

Members present: Baroness Verma (The Chairman); Baroness Armstrong of Hill Top; Lord Dubs; Lord Horam; The Earl of Oxford and Asquith; Lord Risby; Lord Stirrup; Baroness Suttie; Lord Triesman.

Evidence Session No. 5 Heard in Public Questions 53 - 64

Witness

I: Sir John Sawers GCMG, Chairman, Macro Advisory Partners and Former Chief of the Secret Intelligence Service (MI6).

Examination of witness

Sir John Sawers.

Q53 **The Chairman:** Good morning, Sir John. Welcome to the evidence session this morning. This is part of our inquiry into the sanctions policy after Brexit. I know you have requested to say a few opening remarks, so please feel free to do so. Just to let the Committee and everyone here know, this is a public session. It will be broadcast. There will be a transcript. It will be sent to you afterwards. If any corrections need to be made, please make them and send the transcript back to us. Thank you very much.

***Sir John Sawers*:** Thank you very much for inviting me to the Committee today. It is a great honour to have this opportunity to say a few words. Thank you for allowing me to make a brief introduction, because sanctions policy and sanctions regimes have formed an important part of my 37-year career in diplomacy and intelligence. That is something that I want to be able to draw on.

I was first involved in sanctions policy in South Africa in the 1980s, working in the embassy there for a Government here that, to put it mildly, was not very enthusiastic about sanctions at the time. I was able to see how some sanctions were not very productive, such as trade sanctions against fruit and vegetables. Other sanctions, such as financial measures and investment sanctions, had a very definite impact on the decisions of the white minority regime. When FW de Klerk came into office, they had enough foreign reserves for only two weeks' worth of imports, and that helped drive change through the South African system, which led eventually to the transfer to full democracy.

I have seen sanctions regimes work effectively in Serbia, where eventually the isolation of the Serbian leadership from the European Union in particular led to the downfall of Milošević after the vicious wars in the 1990s. I saw sanctions against Iraq, where, had we but known it, the sanctions were very effective in denying the Saddam regime the resources to pursue his weapons of mass destruction programmes—of course, at considerable cost, because there were comprehensive trade sanctions on the Iraqi people.

Since then, we have developed more effectively targeted sanctions systems. We saw how sanctions against Libya forced, or at least led, Colonel Gaddafi to change his policies and drop his programmes on chemical, biological and nuclear weapons. We have seen how sanctions developed against Iran had a progressive effect, changing attitudes in Iran, changing the debate among the leadership and leading eventually to a new style of leadership emerging, at least in the presidency if not yet in the supreme leadership, and the negotiated agreement to limit Iran's nuclear activities, which are very valuable.

We have also seen sanctions against countries such as Russia and North Korea that have not yet had the impact of changing the policies of the leaderships in those two countries. In both cases, we can say that the leaderships would like to get out of sanctions, if they can, and it is an important tool that we have in our armoury for exerting some pressure and some coercion over those leaderships to move in the direction that we would like to see them move.

Reflecting on this, the features of effective sanctions regimes are, first, that they are as targeted as possible on the decision-makers and the leadership of the regimes that are the target of sanctions, and that they focus on vulnerabilities rather than being broad-brush sanctions that affect the people as a whole. The most effective sanctions we have seen have been financial sanctions in the last 20 years.

They also need to be as comprehensive as possible in their application. There is not much point in one country applying sanctions. We have seen a number of cases where the US Congress has applied sanctions and they have really not had much effect on the target country. We imposed unilateral sanctions against Russia after the Litvinenko killing. I have no sympathy at all for apologists for that awful crime, but the reality is that, while the sanctions we took may have made us feel a bit better, they did not have any impact on the Russian leadership. That was partly because it was just us taking them, so we need to think about how we can build sanctions regimes as widely as possible with those who share our values—above all, those in the European Union and in North America, and other OECD partners such as Japan—in order for them to be effective.

The vehicle through which we have conducted sanctions regimes for the last 20 or so years has been the European Union, so Brexit, assuming that it goes ahead, will clearly have an impact on how we take part in coercive foreign policy strategies. It is not just the compiling of sanctions regimes; it is our whole approach to how we deal with difficult countries such as Russia, Iran and North Korea, or with terrorist organisations such as al-Qaeda and ISIS. Sanctions tend to be part of a wider strategy, and we need to think about how the United Kingdom is going to play a role once the centrepiece of our co-ordination and application of sanctions policy are no longer available to us.

Q54 **The Chairman:** Thank you so much, Sir John. You have had sight of the questions already, but looking around my Committee I suspect that your opening remarks have raised several other questions, so do not be surprised if they deviate from the questions that we have sent to you. However, to give you comfort, I will stick to the first question that we have sent. It follows neatly on from your opening remarks, considering both UN and EU regimes and the extent to which, and how, information that underpins sanctions listings is shared among EU Member States and with other third countries such as the United States. You have already touched very briefly on the States, so it would be helpful for us to hear from your perspective in more detail how you see that sharing happening after Brexit.

***Sir John Sawers*:** Of course, the listing of individuals or entities under a sanctions regime is the last step in the process. The first is the framing of a strategy. The second is the design and creation of the legal basis for a sanctions regime. The last element is to identify individuals or entities that should be subject to sanctions.

There is quite a well-developed mechanism for doing this. Of course, that draws on confidential and secret information as well as open-source information. If you are a regime like Iran conducting a nuclear programme, you are going to want to disguise, as best you can, the individuals and the companies you have set up in order to advance that. It is not as if you can look on the internet and find out which companies are involved in the Iranian nuclear programme; you have to have intelligence information that underpins the identification of these companies.

Likewise, I was involved, when I was Ambassador at the United Nations, in updating the al-Qaeda and Taliban sanctions list. Nearly all the information about that came from confidential, and often secret, sources. The information had to be presented in a way that could be used, first, to justify putting a name or an entity on a list, and then, as the jurisdiction has improved on this, to be able to defend it in court, as necessary. As you know, there have been cases in the European courts that have challenged some of these listings, and the European courts have determined that they need to be defensible in open court and not just with a 'nudge-nudge': "Yes, we have this from secret sources. We know this is a bad guy. He should be on the list".

The mechanism is one that has evolved over time. You have talked to people from the Foreign Office and the legal community who have been involved in this in some ways in a more detailed way than I have. There is a flow of information between the principal capitals in the European Union and with the United States to try to identify the right people and entities to target. Then we have to make sure that we have the right justification for use in public, and if necessary in court, in order to sustain those listings.

It works within countries, between the Foreign Office, the Treasury, the intelligence community if it is terrorism, MI5, the Home Office and the business department. You put together a picture of which companies and individuals are most engaged in the sanctionable activity and compile that, with the help of partners. There is always a debate: "Yes, this company is on the margins. Should it be in or should it be out?" The exchange of information works fairly well, but it has to rely quite heavily at the outset on confidential information.

Q55 **Lord Stirrup:** Can I take that a little further? You have described, to an extent, the balance between open-source information and confidential, secret intelligence, but I wonder whether that sheds some interesting light on how the mechanisms for doing this will work post Brexit. If one is relying to a fair extent on secret intelligence, that comes from national sources. The United States, the UK and various other countries in the EU will all have their own sources, so there has to be some sort of mechanism for sharing this, clearing this and deciding upon what level of information you are going to use that might be defensible in court.

Those are national discussions rather than EU institutional discussions. Is that correct? If it is correct, it seems to me, *prima facie*, that not a lot would change after Brexit, because we would still be operating on a national basis in terms of the sharing of information. The construction of the regime is a different question, but I am talking here about the actual information sharing. Is that perception, which I have got from your first answer, correct?

Sir John Sawers**:** You are on to a point, and you are quite right to make the distinction between the construction of the regime and the listings that flow from that design. When I was Chief of MI6, there was always an extensive flow of information between my service, GCHQ and the Foreign Office about potential candidates to be listed, say, on the Iran sanctions regime. The work would then be done by the Foreign Office with other capitals, so it is not as if MI6 people would go off to Brussels to negotiate who should be on the sanctions list. That was done by the Foreign Office. Each country would come to its own view as to who should be on the list, and what could be justified publicly and within the EU community as to who should be on the list. Sometimes, there were really serious players whom we could not justify in public and who therefore did not make it on to the list because it could not be justified in a wider EU discussion.

It is not as if there is a network between capitals that produces a perfectly formed list that is then adopted by the EU. There is a discussion in each capital, which then gets discussed and winnowed down or constructed in Brussels within an EU framework, which then becomes the EU sanctions list. Clearly, post Brexit, that will be done with the UK outside the room rather than inside the room. Some aspects of it may not be completely different; for example, the United States has some influence on the individuals and entities that are listed in EU sanctions regimes, but it is more difficult to influence it from outside the room than if you are shaping that list inside the room along with your partners.

Q56 **Lord Stirrup:** You mentioned the United States, and you said quite rightly in your opening remarks that for sanctions to be effective you need them to be applied by as wide a group of players as possible, particularly the important players. One of the most important is the United States, so for an EU sanctions regime to be truly effective it has to be co-ordinated and aligned to the maximum extent possible with the United States. That discussion, about what the EU decides is going to be supportable in open court and what the United States decides, is going on already, presumably. We are talking here about an additional player in that, so it becomes three rather than two, or three rather than however many others it is, but it is not a fundamentally different mechanism. Is that correct?

Sir John Sawers**:** It is a very different mechanism, because the UK will be in a different position.

Lord Stirrup: It will be different for us.

***Sir John Sawers*:** It will be different for us and for the others. Take the Iran sanctions regime, which is a good example because it is relatively recent, having been developed in the last 10 years, and we have seen the cycle of how it works. Through, first, the E3 process with Britain, France and Germany, and then the E3+3 with America, Russia and China, we developed a platform for sanctions at the United Nations, which provided the basis for all countries around the world to apply sanctions against Iran. The European Union and the United States applied additional sanctions on top of that, which were not the same. Each entity developed its own mix of sanctions, applied in a way that could have the maximum effect on the target country and, if I am honest, a limited effect on the countries that were imposing sanctions. Of course, there is a business impact; sanctions affect both ends of the relationship.

The European Union is the largest economic bloc and the largest trading power in the world. Alongside the European Union are the United States and China as the other major trading, economic powers in the world. If sanctions regimes are going to be effective, you need at least two and possibly three of those blocs. The UK is a useful addition. We will be particularly important on financial sanctions, but we will have to find a new mechanism for dealing with that. If Brexit works relatively smoothly and we have good co-operation on trade and foreign policy with the European Union, we could quite quickly get ourselves back into a position where we are contributing to both the design and the implementation of sanctions regimes in Brussels from outside the room. We will have less influence. Above all, we will have less influence over the design of those sanctions regimes, but it will be manageable.

By and large, we will be in a position whereby we are expected to go along with sanctions that the European Union has drawn up and we will be asked to sign up to them. We can then have some influence on the information that leads to the individual listings, but the biggest impact is going to be on the design of the regimes rather than on the listings themselves.

Q57 **Baroness Armstrong of Hill Top:** Sir John, I am sure that you have already dealt with a fair bit of this, but I wanted to go further into the relationship between the sharing of information and the court system. The Committee was told by the FCO that a mechanism was agreed in 2015 that has never been used because there was no confidence in the robustness of the safeguards of the mechanism. We will be entering a system where our courts will have to deal with that rather than the European courts. I wonder what you feel is going to be necessary to make sure that the safeguards are such that there will be a more accepted way forward in dealing with all this.

***Sir John Sawers*:** That is a very important question. I retired from public service at the end of 2014, so I was not party to that particular agreement, but the arrangements have evolved over the last 10 years or so. There were various judgments when I was Ambassador at the United Nations that made the basis on which you could sustain a listing more demanding. These were cases that went through the European courts and through some national courts.

Of course, we also had national cases, particularly terrorism cases. There was the famous Binyam Mohamed case in 2010, where the intelligence community was not able to present evidence in a UK court to defend itself against the civil actions that Mr Mohamed and his fellow defendants were taking, and the case collapsed. The state had to pay millions of pounds of damages to seriously bad people, because the cases could not be sustained in court. That was then corrected by the Justice and Security Act 2013, which was compiled partly in the wake of those cases and enabled UK courts to go into closed session to receive secret information and specially appointed lawyers to act on behalf of the defendants, who could also see this closed information on the basis that it would not be made public. It was an exception to the normal rule that justice should be open.

We have tried to extend that into the European system. Many nation states in Europe quite admire the arrangements that we have come to—they would see them as a typically British compromise—and I do not know the details of the 2015 agreement you extend to, but I know it has always been more difficult to sustain those confidentiality arrangements in multinational structures than it is in national structures. That applies to intelligence handling in NATO or in the United Nations as well as in the European Union. I can understand why that hurdle has not yet been cleared in the European courts, but we have a mechanism in the British courts where, for the UK system, it works pretty well, frankly. It would be good to extend that into the European system, but we have not been able to do it yet.

Q58 **Lord Dubs:** You have partly answered my question in reply to the second question, but could I just extend it a little? In your introductory remarks, you talked about sanctions needing to be part of a wider strategy. I am very interested to know how, post Brexit, we will have an element of influence both on the wider strategy and on the information about individuals. Turning to the wider strategy first, will we be able to have an influence or will we simply have to accept the wider strategy and then play our part at a lower level?

Sir John Sawers**:** As usual in these things, it varies from case to case. In the last 20 to 25 years, difficult foreign policy matters have tended to be handled in small groups, certainly when I have been a senior official in government. This practice began in the 1970s with the Western Contact Group on Namibia, but it certainly developed rapidly in the wake of the Cold War. We had the Contact Group on the Balkans, where Britain, France, Germany, the United States and Russia worked together to wrestle with the political issues emerging from the Balkan wars and crises. We had, as I mentioned earlier on Iran, the E3 and the E3+3.

We have seen some rather unusual formulations, such as on Sudan. When I was Ambassador in Egypt, the grouping on Sudan was the United States, the United Kingdom and Norway, which had very little to do with either the EU or the UN, but formulated the policy that, for better or worse, has led to the creation of South Sudan as a country but has put an end to the war there. There are other parts of the world, such as North Korea, where you have the six-party talks in which no European country is involved. When the countries involved in the six-party talks with North Korea come to a collective view, European countries sign up to it.

One of the big challenges that the United Kingdom is going to face in the wake of Brexit is this: how can we have the relevance and engagement to continue to be part of these small groupings, which essentially form the strategy that is the basis on which international policy is founded? We have had a case in the last five years on Ukraine where a very important grouping—the Normandy format—has been developed between Germany, France, Russia and Ukraine, and the United Kingdom is outside it. We do not have much influence over Ukraine policy. I do not think that was an active decision on the part of the Cameron Government; it happened because we were not especially relevant on it and not sufficiently relevant to be part of the closed group that created policy towards Ukraine, with its knock-on effects on Russian policy.

I was personally involved very closely, when I was Political Director at the Foreign Office and then Ambassador at the UN, in Iran policy formulation, which started in the E3. That is because Britain, France and Germany had common ground on the policy and collective commitment to engage with Iran—the United States stayed outside that particular system—and we, as those three countries, shaped international policy towards Iran for 10 years, until the United States took it over with its talks on Iran.

What is it going to require? In my view, the first and most fundamental element of power and influence in the world is having a strong and effective economy and having dynamic political leadership at home. It is no surprise that we had most influence in the world when Margaret Thatcher and Tony Blair were Prime Minister here, because they had that dynamic leadership and they were leaders at a time of economic success in this country. Those are fundamental elements.

You also need to have the commitment and investment in diplomacy, intelligence, the armed forces and development in order to make an impact. We have a former Chief of Defence Staff on your Committee, who knows only too well that your influence in a campaign involving armed forces is directly relevant to what you can commit to that. That is also true of diplomatic campaigns: how effective is your diplomacy and how effective is your intelligence?

After Brexit, it will be vital that we sustain, and in many ways enhance, our investments in diplomacy, defence and intelligence—we have very high investment in aid already—if we want to have an influence in the world of the sort we have had over the last 30 or 40 years.

Q59 **Lord Risby:** Sir John, thank you very much. Taking up the point that you made, which was echoed by Lord Dubs, about a widely-held base for co-operation on sanctions, I just wonder whether you could explore the qualitative side a bit more. You have described how, in practice, small groups come together and make these decisions.

Let us take two practical examples: first, the Iran situation, where you say the Americans came in late. Of course, they imposed sanctions that have an impact on this country because of financial services. I am interested to know where, for example, Britain, with all the backing that you have suggested, but perhaps not so much in this case now, has driven an agenda much more assertively in the European context than many would have wished to have.

I think of Russia. Germany, for example, has suffered enormously because of sanctions. Many German businesses have had a very difficult time. I noticed this morning that ex-Chancellor Schroeder has said, and I am sure it is not unusual for him to say this, "Let us scrap sanctions altogether". We have had a real impact, more than perhaps any other country, in driving the situation vis-à-vis Russia. From your experience, where we have a particular view, how can we continue to maintain sharp pressure on something like that, qualitatively and in practice?

***Sir John Sawers*:** If you start from the premise that sanctions regimes are effective only if they embrace the main economic partners of the target country, you are bound to have a negotiation and a balance as to the right extent of those sanctions, how deep they should go and how the sanctions regime should be designed. The UK had closer economic ties with South Africa in the 1980s than most other countries, so we were at the lower end of the spectrum on sanctions, wanting to limit the impact on the economic links with South Africa.

On Russia, you are right. Germany, because it has the deepest economic and commercial ties with Russia, has traditionally been the most reluctant to go along with sanctions. However, I am not sure I entirely agree that we had the greatest influence in the European Union on sanctions on Russia, because we were outside the basic process that was formulating policy towards Ukraine, which was the reason for applying the sanctions. The EU sanctions were essentially determined by Germany and France as a consequence of the difficulties that the negotiating process and the failure to implement successive Minsk agreements on Ukraine led to.

One of the surprising aspects of the Ukraine crisis was that Chancellor Merkel and the German Administration were prepared to go as far as they did on sanctions against Russia. Remarks like those from Gerhard Schroeder are probably aimed at Berlin rather than anybody else. It is normal in a sanctions regime that countries with little to lose can be most vigorous in implementing those sanctions.

We see it with North Korea now. China has the most to lose from sanctions against North Korea, and the United States has nothing to lose because it has no business or commercial links. That is one of the factors in the debate between the US and China. There are many others over the right way to deal with the North Korean regime, but that is a natural feature. Just because a country is especially loud or shrill in arguing for a particular case, it does not mean that it necessarily has that level of influence on the outcome.

Lord Risby: The point is that the language of our Foreign Office vis-à-vis Russia has been much more assertive than that of any other European country, despite what you say about the Minsk process. This is why I was interested in your response. Thank you very much.

Sir John Sawers**:** I referred to the Litvinenko case, which, of course, happened on the streets of London, so has contributed to the British attitudes towards Russia. At the end of the day, the sanctions from the United States and the European Union are the ones that Russia is going to listen to most clearly. Frankly, after Brexit, I am not sure the United Kingdom will have much choice but to sign up to those sanctions.

Q60 **Lord Horam:** Sir John, you talked very helpfully about informal groups of like-minded countries getting together, and you have extensive experience of that, as you indicated. The Normandy format and the E3+3, for example, have been very helpful. You pointed out that Britain must try to develop that post Brexit, and it could do so, hopefully, by dynamic political leadership plus defence, aid, intelligence and doing all the things we do fairly well, although we could probably do them with more resources than we have at the moment, in some cases.

Imagine you are there today giving advice to the Foreign Secretary or Prime Minister on what Britain's role might be in the world post Brexit, in addition to the things you have mentioned such as good defence and intelligence, and the areas on which we might have influence. For example, the Commonwealth might be brought into play in some way or other. I do not know; I am just thinking off the top of my head. What methods might we use to maximise our influence and in what areas might we usefully concentrate our efforts?

Sir John Sawers**:** Of course, a post-Brexit Government will have the option to be less involved in the world. That would not appeal to me. I would not advise that, but it is clearly an option for us to become more like Canada, outside the main international groupings, engaged in some areas of particular interest but not really part of global policy-making or international security. That is one option. It is not one that I would advocate, because in my experience if you do not deal with threats and instability in the world, the threats and instability get closer and closer to your shores. It is better to deal with them overseas than it is to have to deal with them at home.

It would be presumptive to give advice to the Government, but my preference would be to see us maintain our ambition of being a power with global reach. It will require the sorts of investment I was talking about earlier in answer to Lord Dubs's question. It will require some prioritisation. We need to determine what is most important for us as a country. Some of it is about our own national security, so dealing with terrorism and cyber threats will be high on that list of priorities for the future. Certainly, the security of Britain requires the security of Europe as well. The stronger Europe is, the better defended Britain is, so that is going to be an important consideration. There are going to be parts of the world—the Gulf is one example—

Lord Horam: The Middle East is exactly one of those areas where Britain has traditional influence—both defence and foreign policy—and other cultural connections. That is where we could play a role.

Sir John Sawers**:** The Gulf is certainly one area that has those traditional ties and very important economic, defence, trade and intelligence connections with the UK, which we need to continue to invest in. There are also areas like Africa. You mentioned the Commonwealth. The Commonwealth is a help, but I would not define it as a vehicle for exerting foreign policy. Africa as a continent where there are traditional ties with the UK is going to be hugely important through the whole of the 21st century. The financial capital of Africa is probably London. Some countries, such as Nigeria, Kenya, Tanzania and Mozambique, are doing rather well. Other countries, such as South Africa, are doing rather badly at the moment. The continent as a whole has real opportunity to play a much bigger role through the 21st century than it did in the past.

There are going to be priority areas for the UK—as I say, terrorism, cyber, the Middle East and Africa will be among them—but you will only be able to play a role if you have the right relationships in place with the world's most important powers: the United States, Germany, France, China and India. You need to 'throw weight', as we used to say in the arms control negotiations: i.e. pack a punch a long way away and have an impact at a distance on other countries. That requires skilful leadership, commitment to those engagements and effective means of diplomacy, intelligence and the armed forces.

Q61 **Baroness Suttie:** If I could turn specifically to the UN now, in terms of co-ordination of statements and voting positions, would you expect Brexit to have an impact on the voting positions and statements between EU Member States and the UK at the UN, or do you not think that, in fact, Brexit will make that much difference?

Sir John Sawers**:** No, it is bound to have a difference. One of the commitments of a British ambassador in the United Nations has been to be involved in EU co-ordination—not always the most enjoyable hours in my life but nonetheless an important way to thrash out a common position among EU Member States in United Nations fora. Other countries really pay attention to what a big grouping like the European Union has to say, so it was worth those hours to build a common position that reflected the UK position as fully as possible and carried the agreement of what are now 28 Member States in the UN.

Traditionally, if individual Member States made a statement afterwards, they would confirm their agreement with the common EU position. Many other countries, such as Norway, the Balkan countries and some Commonwealth countries, would support and align themselves with the

European Union statement, because they would know that it had been worked out collectively and reflected a balanced and measured approach.

Future British ambassadors at the United Nations will not have the responsibility of being part of those negotiations, so it will save them some time but it will also lose them some influence in shaping not just the position of the European Union, because we will not really be shaping that, but the outcome in the United Nations as a whole. Regional groupings in the United Nations are playing an increasing role—the Arab group, the African group and the Latin American group—and the European Union is the centrepiece of the European presentation at the United Nations.

Of course, we have our national role. We have our own seat on the Security Council. Because we have that national role, we play an important part in Security Council business, which is part of the UN business as a whole. The fact that we have a veto adds to our role, but we have to bear in mind that we have not used that veto for 30 years, and we have not used it on our own for over 40 years. It is not something that we will be able to wield with any conviction and, if we did, we would soon lose it. We have an enhanced role at the United Nations, because of our permanent membership, which we will retain post Brexit. I do not see that that would come under pressure. There is always pressure to reform the UN Security Council. In my 30 years involved in the issue, it has never made any serious progress.

Where you are talking about the wider UN policy and the General Assembly debates on the economy, on human rights, on climate change and on political issues, we will be pursuing a national position. We will often want to associate ourselves with a common EU position, but we will not have the influence to shape it.

Baroness Suttie: If I could push on that a little further, do you think that, post Brexit, we could continue to align ourselves in some way with that EU grouping? Do you think that would be practically possible, or do you imagine that we would have to just follow, post fact, what it had decided?

Sir John Sawers**:** That depends, to some extent, on what the arrangements are post Brexit. If we remain actively engaged with the European Union but from outside, and if the basic trade and economic relationships are very close but we are just not as engaged as full members and part of the institutional framework, that will have an impact into the foreign policy world. I cannot quite see the United Kingdom being a permanent observer in the Common Foreign and Security Policy. First, it is a bit unbecoming and, secondly, I do not quite see us like Norway or Iceland, simply signing up to common EU positions without having an influence on them.

We may need to devise new mechanisms whereby the principal capitals in Europe get together and agree a common approach, which is then reflected in a common EU position. That is essentially what has happened over the biggest issues of the last 20 years: the Balkans, Iran, Russia and so on. It might need to be formalised a bit more precisely in order to reflect the fact that we are no longer part of the EU. These tended to be subgroups of the EU, working with the United States and, as necessary, Russia and China. Adding the UK on from outside, there will be some question marks in European capitals as to why. The only answer to that is if we have the impact that we can bring to bear on the issue itself, which makes us an essential player.

Q62 **Lord Triesman:** Sir John, good morning. I have a feeling that you have really answered the question about how we might recreate, maintain and enhance influence, unless you have anything that you would want to add. You have, in many ways, answered that very thoroughly, so I wonder whether I could ask a slightly different question.

Earlier on, you made the point, which I thoroughly understand, that when sanctions regimes have been created and the policy has been formulated about Iran and North Korea, there has been a great deal of commonality in approach. They may have had different methods in the different countries, but nonetheless they had common outcomes and sense of direction. If I understood the point properly, that happens far less if there is no degree of commonality or that central thrust among a number of countries. That, really, is my question. I have been thinking a lot about OFAC.

***Sir John Sawers*:** That is the Office of Foreign Assets Control.

Lord Triesman: Yes. The United States, when it chooses to, exerts influence on its own. Is this model adaptable to any other purpose? Just to give a concrete example, because I think colleagues might find it interesting, if there is an OFAC decision that it is improper to deal with any business entity or any individual from a country—Cuba is the obvious example—that does not mean that we have sanctions against them, that the EU has sanctions against them, in fact that anybody else, pretty much, has sanctions against them.

In banking, for example, the American banks make it clear that they will not deal with any bank that has a correspondent bank relationship with anybody who does deal with them. The net effect in sanctions terms is that you squeeze many other countries out of what would be perfectly normal trading relationships, because of this decision that has been taken in Washington. Are models of that kind open to the UK outside the EU? I do not think I would advocate them.

***Sir John Sawers*:** I would caution you going down that road. OFAC—the Office of Foreign Assets Control overseen by the US Treasury—is a very important vehicle for enforcing financial sanctions, and there is no doubt that financial sanctions against Iran and North Korea have been much more effective because of the vigilance of OFAC in implementing them. They have tended to be multilateral sanctions. When they are imposing unilateral sanctions in an extraterritorial manner, of course it gets much more controversial. Even when they interpret agreed international sanctions in a more rigorous way—and we have seen this over Iran—there can be real difficulties between, for example, European banks and the United States.

I do not think that the UK, post Brexit, will want to threaten to do that to other institutions, because they will simply up sticks and relocate somewhere else. We are a successful base for investment, and particularly for financial services, because we operate a rule of law that is predictable and understandable, and we offer all sorts of other ancillary benefits of being in the UK. If we start to use our role as a financial centre to implement unilateral foreign policy moves over others, we will run into rapidly difficulty and it will end up being counterproductive very soon, as the United States has, to some extent, found.

We are already finding that, for example, in order to avoid sanctions that could be imposed unpredictably by the United States, only countries that are not exposed in the United States are investing in Iran. You end up losing investment as a country because people feel it is a binary issue, and we do not want that to impact on Britain, because the answer will be a whole lot simpler for many companies than it would be vis-à-vis the United States.

Lord Triesman: I asked the question precisely because some people believe that, if and when we leave the EU, we will have a range of alternatives through which we can project our authority, and that might have been one of the ones because of the importance of financial power, but I wholly share your view.

***Sir John Sawers*:** To pick up on the question that you did not ask about whether I had anything else to say on the global situation, I would just say one thing. Our foreign policy and defence policy have been predicated for the last 75 years on a very close partnership with the United States. We are entering into an era where our ability to rely on that partnership is not as great as it was in the past. That is not just because of the personality of the United States President. I think President Trump has become President as a consequence of changes that are taking place in the United States. He is not the cause of them.

As the United States is less willing to bear the burdens of global security and global stability, greater weight is going to be attached to the role of Europe, of which Britain is an essential part. I do not see us being able to hedge our bets by floating freely into the mid-Atlantic and playing the same sort of role at a distance from the European Union in the world that is now taking shape. We now have a more balanced world between East and West. We have new powers rising. We have global threats, such as terrorism and cyber, which we can only deal with collectively. We have a United States that is less interested in working with partners. This is the backdrop against which the UK interest, and the UK projection of power and how we defend our interests, has to be taken.

Q63 **The Earl of Oxford and Asquith:** Sir John, the Government have said that they are looking to develop a deep and special partnership with the

EU that goes beyond existing third-country arrangements. That may strike one as rather a delphic formulation of an aspiration. I wonder if you have a view or prognosis as to how it could be given a more specific delivery. You have talked already very interestingly about your views on special contact groups, and in answer to Baroness Suttie you talked about how new mechanisms may have to be developed between the principal capitals of Europe. Those are ad hoc groupings and ad hoc aspirations, which we are good at, but do you think that this statement of the Government has a deeper aim for an institutional link with the EU?

Sir John Sawers**:** You will have to ask the drafters of that phrase what they meant by it. I am all in favour of deep and special partnerships, but, as you implied, it is a question of how you build them and what substance they have. The ability to build close relationships with the world's greatest powers and deal with problems that emerge within those relationships is vital. It is important to have a partnership with like-minded countries. The three most important like-minded countries through my career were the United States, Germany and France. Nearly all our strategy, through and after the Cold War, has been in partnership with most of those other three countries, and usually all three of them. That grouping of four major western powers, linking Washington, London, Paris and Berlin together, is what we need to aim at.

On certain issues, Rome and Warsaw will have a part to play; on others, Tokyo will have a part to play. But, if we fail to build the regular, day-by-day contacts with our principal partners in the West, we will increasingly be marginalised. When I was Political Director at the Foreign Office, I used to talk to my American, French and German counterparts probably every day. Certainly, when there was an active dossier moving forward, we talked every day, including Saturdays and Sundays. That was the nature of foreign policy co-ordination. When the four of us agreed at Political Director level, we almost invariably carried our Secretaries of State and Foreign Ministers with us, because we were acting under their authority and we knew, basically, the parameters of our negotiating space.

The ability to have those in-depth, constant exchanges and to follow them up by delivering diplomatic weight, military muscle and aid funds, as necessary, is a vital part of being an effective player in the world. That is not dependent on the European Union, but the framework for doing this among the European countries has so far been the European Union and, once we leave the European Union, we will have to create something that does not exist at the moment.

Q64 **The Chairman:** Thank you, Sir John. Before we close, I am going to be completely unfair here. If we were to fast-forward five years from now, what would your predictions be for what the UK's influence will look like, given the comments you have made just now about the changing dynamics of how like-minded countries are operating and the influence they have, and of course the emerging economies elsewhere and their wider influence across countries in their own regions? What do you think we would look like?

Sir John Sawers**:** First, we have to get through these very difficult negotiations. I certainly do not want to say anything that would make the job of the current Prime Minister any more difficult than it already is. If I am honest, my biggest concern is the economic impact that Brexit is going to have. We do not know that yet. I am not an economist, but everything I hear from my friends in the City and in the investment world suggests that the economic impact of Brexit is going to be quite significant. As I said earlier in answer to Lord Dubs's question, your power and influence in the world is directly related to the performance of your economy.

In the short term—in the next five years or so—if I am right that the economy is going to take a hit, our influence will diminish in that period. We will then have to recover from that, and find a new way of operating in the world and of generating substantial economic growth at home, in order to have the level of influence that we would like to have in the world. That is not impossible and I sincerely hope that the Government are able to negotiate arrangements with the rest of the EU that allow for certainty for business and investment as soon as possible, so that the economy does not take a hit.

There is a range of outcomes here. The default outcome is that the United Kingdom is poorer and weaker as a result of Brexit. We would have to take specific actions through the negotiations and over the years following Brexit in order to recover that position and demonstrate a new dynamism. We have done it once before. During the 1970s, this country was going down. I remember studying for my A-levels by the light of candle in 1973. The country was in a pretty desperate state, but we managed turn that round through the 1980s, 1990s and 2000s. It is possible to do that, but it will be a major national challenge for us.

The Chairman: Thank you so very much. It has been a very informative and interesting session, and thank you very much for coming in. The session now is closed and I would like to reiterate that the transcript will be sent. Thank you very much for coming in this morning.

Sir John Sawers**:** Thank you, Baroness Verma, and thank you to all your colleagues for having the patience to listen to me.

The Chairman: Thank you so very much.