



Select Committee on the European Union

External Affairs Sub-Committee

Corrected oral evidence Brexit: Sanctions Policy

Thursday 26 October 2017

11 am

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Members present: Baroness Armstrong of Hill Top (acting Chairman); Lord Dubs; Lord Horam; Baroness Manzoor; The Earl of Oxford and Asquith; Baroness Suttie.

Evidence Session No. 6

Heard in Public

Questions 65 - 78

Witnesses

I: Rt Hon Sir Alan Duncan MP, Minister for Europe and the Americas, Foreign and Commonwealth Office; Caroline Wilson CMG, Director Europe, Foreign and Commonwealth Office; Matthew Findlay, Deputy Head of International Organisations Department, Foreign and Commonwealth Office.

Examination of witnesses

Rt Hon Sir Alan Duncan MP, Caroline Wilson CMG and Matthew Findlay.

- Q65 **The Chairman:** We are now in formal session, which means that we are broadcasting and in public. The session will be recorded. We will make sure that you get a copy of the transcript, and if by any chance there are corrections to be made, we would be grateful if they could be attended to.

Welcome, Sir Alan, and your two officials, Mr Findlay and Ms Wilson, to the meeting. We have a range of questions that you have been warned about, but the Committee often wants to add more and to ask them in their own way. We have had a helpful outline of questions, and a lot of them have arisen from some of the evidence that we have already had, which I know you will already have had access to as it is in the public domain.

The first question is: what is the Government's assessment of the advantages and disadvantages of having an independent sanctions regime, as opposed to being part of the EU sanctions regime?

Sir Alan Duncan: First, may I apologise for my snuffles? I hope I do not collapse into a coughing fit, as I did just a moment ago; if it is good enough for the Prime Minister, it is good enough for me.

The first and foremost thing to say about the sanctions regime is that we must have it. Whatever one's views on leaving the European Union, when we leave we will lose the power to impose sanctions, because at the moment we do them collectively with the EU. We are obliged to implement UN sanctions. We will almost certainly want to replicate EU ones, but an advantage is that we will have the autonomy to impose sanctions of our own, should we ever so wish. However, this is not just about disadvantages and advantages; it is about necessity. We believe that this is an essential duty and that we need to have the power in law to be part of a sanctions regime. As I said, we are obliged by treaty to implement the UN ones. We need that power.

- Q66 **Lord Horam:** Sir Alan, while we have been in the European Union, the UK Government has played quite a substantial role in some of the sanctions regimes, although not all. I am thinking of Russia in particular, with regard to which we seem to have played a strong role on the financial side. As you rightly say, we have to have an independent sanctions regime anyway if we go outside the European Union. To what extent do you think we will wish to influence the European Union's sanctions regime when we are outside, if we are outside, in the future? How would we go about that?

Sir Alan Duncan: I have been travelling the world for over a year with a clear script, which is that we may be leaving the European Union but we are not leaving Europe and we are not leaving the world. One of the aspects of our global approach is that we will remain an essential part of the security, defence and rules-based international order, as we are now,

even to the point where we are going to want to demonstrate even more pointedly that we remain so. It is inconceivable that we will not be a strong and important part of collective Governments' action on sanctions, be it through the UN, in which we are a major player, the P5,¹ et cetera, or replicating what the EU does.

As you mentioned, we are the country that has London in it, the main financial centre, where so many aspects of the sanctions regime are directed: freezing assets, controlling money, things like that. We are going to be part of this collective endeavour, I have no doubt. Through exactly what mechanisms remains to be designed. If they are done through the EU, as at the moment, and we are not around the table, the question is what table we will be sitting around when it comes to sanctions. I am wholly confident that the UK will continue to play its full part, that a mechanism will be designed, and that because this Bill must go through—and I am sure it will—we will play our full part as part of the world community in sticking up for what is right.

Q67 Baroness Manzoor: You have partly answered this question, Sir Alan. A number of countries regularly align themselves with EU sanctions regimes, including Norway and Switzerland. Would the Government consider this approach, or do we think that the UK would be more aligned with the US sanctions regime, as well as the UN sanctions regime of course, which we are obliged to be part of?

Sir Alan Duncan: Norway and Switzerland implement UN sanctions. They also have powers to implement autonomous sanctions. Norway and Switzerland rarely, if ever, implement their own unilateral sanctions. We, as a larger country with a financial centre, might conceivably do so on some occasions, but I cannot say that there are any plans to do so at the moment. We will look for a tailored arrangement to work with the EU. Our fundamental intention is that by giving ourselves the legal power to implement sanctions, we will do so in a way that invariably will replicate and work alongside EU sanctions, rather than just be a one-off power in addition to them. We will be the UK. We will have our autonomous power. We are a major economy, a financial centre, a member of the UN and the defence and security establishment, and a member of Europe more widely, but the thing about sanctions is that they work best when people work together.

Q68 The Chairman: In our previous evidence it has been very clear that there has been very close contact, often on a daily basis if not on a weekly basis, between those in the European Union who are working on sanctions and those in the UK who are working on sanctions. That refers as much to the informal mechanisms as to the formal ones, but it means that when it comes to the formal mechanisms they know where the UK is coming from and how we want to shape the nature of the sanctions. A concern of this Committee is how we are going to do that in the future.

¹ The five permanent members of the UN Security Council.

Sir Alan Duncan: I understand the question and why you use the word “concern”. I am more optimistic. We are such a significant country because of the financial centre and our membership of the P5.

The Chairman: We have to make sure that that continues, though, and that is not clear at the moment.

Sir Alan Duncan: I am not sure if you are referring to the financial centre or the P5. Certainly I hope both will continue. I was going on to say that the 27 will always want to say, ‘What is the UK going to do?’ before they shape their sanctions. In shaping their sanctions it will always be in their interest to work with us. Even when we are not in the EU, this is one of the areas in which we will still be in a very strong position in our dealings with the EU. I am optimistic that there will be a natural and instinctive wish to co-operate and work together on sanctions. If the FCO officials want to chip in, by the way, please do if you think I am missing anything.

Matthew Findlay: All I would add is that I am sure we will still have a substantial diplomatic representation in Brussels, just as the United States does. There will be regular interaction with the experts in Brussels through those channels. I expect that we will also have smaller informal groups, such as the G7, what we call the Quad of France, Germany, the US and the UK, and others—which will provide us with opportunities to feed in our strategic views on the value of sanctions as part of the political discussion.

Q69 **Lord Horam:** The Prime Minister has said that she wants a close relationship with the European Union after Brexit, but she also wants to have a close and comprehensive agreement with the European Union. Do you think that will include things like sanctions, as well as trade and other matters?

Sir Alan Duncan: It could do. Legally, we would be autonomous. Whether it needs to be part of an agreement like that is not openly stated at the moment. As I was saying earlier, I think this will naturally come together anyway. I am an optimist about the wish of countries to co-operate on these things, because we are an essential component of the global effectiveness of sanctions. Therefore, if the EU says, ‘We’re going to do it our way and never mind the Brits’, it would make its sanctions less effective, which is not in its interest. We are very much the stronger for working together on sanctions, and I think that is how it will turn out.

Q70 **Lord Dubs:** Sir Alan, can I turn to our co-operation with the United States on sanctions when we are outside the EU? Do you think our co-operation will change at all?

Sir Alan Duncan: It will remain, and remain very strong. The first area in which it will pretty well remain unchanged is in working together in the UN, where we obviously are very close partners and allies. As I said earlier, sanctions work well when people work together, so we would want to work with the US and the EU. I do not think there will be any

dramatic change. Conceivably, and I am brainstorming here, in theory we could have US and UK sanctions together; at the moment, we can only have sanctions as part of the EU. In legal theory that would be possible. It would be a new permutation. Again, we do not foresee that happening. What we are trying to do with this Bill is make sure that we can continue in the future with what we have already.

Lord Dubs: Looking at what President Trump is trying to do, it is possible that he might wish to exercise sanctions against Iran that would not be in line with EU sanctions. Outside the EU, would we be more vulnerable to pressure from the Americans because of our financial institutions? Would the Americans say, 'If you do not go along with our view on this, your financial institutions will be limited in what they can do in the United States'?

Sir Alan Duncan: I would prefer not to speculate about any particular country at the moment. What is important is that we discuss the legal framework that we are trying to put in place. Your sort of question is very much one for political decision in the future, and I do not really want to speculate on hypothetical country decisions, if you will allow, at this session.

The Chairman: That is already happening, as we understand it, on Cuba.

Matthew Findlay: As you say, in the mid-1990s there was quite a divide between the US and Europe over Cuba sanctions. There was the Helms-Burton Act, and in response to that the EU introduced a regulation that said essentially that European companies could not comply with US sanctions. That was resolved politically when Clinton was President and that regulation has not been used in practice in the last 20 years. There is a general desire on both sides of the Atlantic to avoid getting to that point. All our diplomacy on Iran has been trying to preserve maximum transatlantic unity of approach, and that is very much what we are all about at the moment.

Q71 **The Earl of Oxford and Asquith:** Sir Alan, there is always some interest in the use of, or reluctance to use, confidential information to underpin sanctions listings. Do you think that after we leave the European Union there will be any significant changes to the use or the sharing with other like-minded EU Member States of confidential information in that respect?

Sir Alan Duncan: Our preference is always to invoke sanctions based on open-source material that can be disclosed. Currently, we cannot use our intelligence material in EU courts, for instance. The Bill coming to your Lordships' House will provide for some closed-material procedures in exceptional circumstances. It is something that we envisage being used very sparingly, so there is a slight difference, which would probably be more Treasury-focused than us. There is that slight change, but it would be a very rare event.

Q72 **Baroness Suttie:** Sir Alan, I would like to turn now to the impact on both UK businesses and foreign businesses operating here in the UK. Has the Government assessed the possible impact of complying with an independent UK sanctions regime as opposed to an EU sanctions regime?

Sir Alan Duncan: I will ask Mr Findlay to expand on this, but the answer is yes. Indeed, the Government published a full regulatory impact assessment on 19 October, which was the day after the sanctions Bill was introduced to your House. It looks at the effect of the Bill on relevant private sector organisations, civil society organisations and public services and concludes that the impact would be very low. Yes, we have done that. I do not know if Matthew wants to add anything to that, but that is the basic answer to your question.

Matthew Findlay: As the Minister said, we published this assessment, which went through the usual processes of consideration as part of any legislation. The essential argument is that we will be looking to continue the thrust of the sanctions policy that we have been applying. The Bill in itself would not mean any new sanctions regimes or new burdens on business. Business in this country already has to comply with sanctions. I should say that it has to comply with EU sanctions, but businesses that operate internationally also have to worry about US sanctions, so there is already familiarity among compliance officers with this challenge. If in the future we were to dramatically diverge from the EU, it would become more complicated. As the Minister has said, that is not the current thinking.

The Chairman: You raise some interesting challenges in some of what you are saying there.

Baroness Suttie: Could you expand a little more on what you have just said about the possible impact of divergence from EU sanctions? Have you done analysis of that and the impact on business in the UK?

Matthew Findlay: The impact assessment that we published was an assessment of the primary legislation, which as the Minister said is setting a framework. We would then look to introduce secondary legislation and statutory instruments in due course to set up the individual sanctions regimes. We would of course have to have statutory instruments for all UN regimes. The question then is whether we carry over everything that we do now as part of the EU. Our argument would be that, if we were to do a 100% cut and paste of everything that is happening now, there would be no change to business. There would be no additional costs in any way. The issues will emerge if there are some particular regimes on which we go in a sharply different direction.

As I said, businesses have their compliance functions. They will look at the range of regulation to which they are exposed. They will look, for example, at what the US sanctions law dictates, as well as EU sanctions law and UK sanctions law in the future. The aim will be to make sure that we have maximum alignment, both to facilitate compliance by business and because greater alignment gives you greater strategic impact. That

will of course depend on the negotiations and how that relationship works in future.

Q73 Baroness Manzoor: Maximum alignment needs maximum resources if you are to continue. What work is the FCO undertaking to review its capacity and resources to develop policy on sanctions and to maintain the review structures in relation to the existing sanctions after Brexit?

Sir Alan Duncan: I know your Committee heard last month from Paul Williams, who is the Foreign Office Multilateral Policy Director. He chairs the cross-Whitehall sanctions group, which meets regularly, reviews policy, and looks at compliance and, indeed, resources. He also chairs a sanctions Bill project board so that all the policy and resource is up to snuff. There will be an initial burst. As you have just been hearing, the cut and paste, the lift and shift, or whatever you want to call it, will require us to take existing, extant sanctions regimes from the UN and the EU and plonk them into our new legislative regime. That will require resources and statutory instruments. We have a dedicated sanctions unit, and it is him and a bit more besides. My confident judgment as the Minister is that that unit is fully on top of the task and has grasped the detail and the administrative processes very capably. I am confident that, assuming the legislative passage of this Bill is as we hope, there will be a fairly seamless shift, so that Britain's reputation and efficacy as a participant in international sanctions will continue uninterrupted.

Baroness Manzoor: In relation to resources, are you working very closely with the legal system to ensure that there is no duplication of effort, particularly in relation to arbitration that may or may not occur?

Sir Alan Duncan: I will say yes, but then ping the question to Matthew Findlay. I want to interrupt and say yes because we are working very closely with the Treasury, which is a fellow department in the lead on this Bill. If you are looking at asset freezes, financial restraints, the banking system and all that kind of stuff, the Treasury is an essential part of this Bill. I can assure you that it also has its full panoply of lawyers. Do you want to add anything, Matthew, on arbitration and duplication?

Matthew Findlay: I fully support what the Minister has said. The process of any legislation involves a lot of interaction with lawyers. In the Foreign Office, we have a substantial team of legal experts on sanctions. They have been involved in the process of drafting the Bill and we have had to go through various stages of clearance, a test that the Ministry of Justice runs looking at the impact of the Bill on the court system and making sure that the Bill complies with our obligations under the European Convention on Human Rights. We are taking a lot of legal advice, and that includes advice from external counsel, too. I am confident that we are looking at all the angles. The fundamental point in future is that those who are bringing appeals against their designations will come to the UK courts rather than to the EU courts, so there will be a change there that we have to prepare for.

Q74 Lord Horam: Again on sanctions, before we discuss foreign policy more

generally, Sir John Sawers gave us some very interesting evidence last week. One of the points he made was that financial sanctions on the individual are very often the most potent form of sanction. Does the Foreign Office have a view on that?

Sir Alan Duncan: I think we agree, and we have that flexibility. At least, we would have our own autonomous flexibility. There is no reason why such sharply-focused sanctions cannot already be part of UN or EU sanctions.

Lord Horam: You would agree with his assessment that essentially that has proved to be a particularly strong form of sanction.

Sir Alan Duncan: Yes. Where you are going for some top people who are really behaving badly, if you get them directly and focus sanctions on them *ad hominem*, those sanctions are going to be that much more effective. The more personal they are, the more effective they are. I think that is a statement of the obvious, actually.

Lord Horam: It is useful to have the obvious on the record sometimes.

Sir Alan Duncan: Sometimes the obvious is not always labelled as such.

Lord Horam: Thank you for saying that.

Matthew Findlay: The main type of financial sanction is an asset freeze, as the Minister has said. We also have some slightly more complicated types of financial sanctions: there was a ban on providing any lending to Russian state-owned banks, for example. It is about banning certain forms of credit. Our assessment is that those sanctions have also been quite effective in their impact on the target and in affecting calculations of decision-makers. There is a variety of financial sanctions.

Sir Alan Duncan: At the risk of overdoing the Latin, travel bans are *de facto ad hominem*. They are very specifically and personally targeted.

Q75 **Lord Horam:** Leaving sanctions alone and coming on to foreign policy co-operation after Brexit, on a slightly separate tack Mr Findlay made a point in an answer to a previous question that we are very familiar with: namely, that there are already *ad hoc* groups of countries working together inside and outside the European Union, for example over Iran. The Normandy process in relation to Ukraine does not include us but includes France, Germany and so forth. Do you think that after Brexit we will need a more formal relationship between UK foreign policy formulation and the European Union one? For example, it has been said that we should seek to participate in the political and security committee after Brexit. Is that something the Foreign Office would be in favour of?

Sir Alan Duncan: I will turn to Caroline Wilson in a moment to discuss the broader concepts. I would start by pointing out that we are in the P5, the G7, the G20 and NATO. There are invariably groups for specific purposes: the P3+1 and the P3+2. As you implied in your question,

groupings often emerge and are established for specific purposes, such as the Quartet on the Middle East. These things will continue.

I sense that you are asking whether, if we are not sitting around the EU table, we need some kind of mechanism to replicate the foreign policy dimension of an EU structure. It is a bit early to say how that might be tailored, in what respect, and for which purposes it might be necessary. I would emphasise that the UK Government's view is absolutely clear that we are not shrinking, retreating, retrenching, pulling up the drawbridge or anything like that. We will want to make it absolutely clear, and it may require more effort to do so, that we are a full participant on the world stage in the areas that matter in defence, security and foreign policy. Whether we need specific structures at an early stage for that it is perhaps a bit early to say, but we ain't going away. That is the main message in answer to your question. Caroline, perhaps I can ask you to add anything to that.

Caroline Wilson: As the Minister said, it is early to be talking about specific structures, but I am sure the Committee is very familiar with the paper the Government published on foreign policy, defence, development and security co-operation,² where we have evinced the desire to have a very broad-ranging and deep security partnership with the European Union, in particular on foreign policy and defence. Quite how we do that is another matter, but we have proposed, for example, specific forms of dialogue and consultations with the option of agreeing joint positions, as well as specific co-operation on crises, consular assistance, development and so on.

Lord Horam: We have not specifically commented on this idea of being a member of the political and security committee.

Caroline Wilson: We have not as yet. What is important is that this is part of the negotiation. Sometimes, as you know, if you suggest something and the other side perceives it as a British idea, it is not always the best start to negotiations. We are very much open to discussion with our partners on what form of co-operation and mechanism might work best. Indeed, that could be an option.

Lord Horam: Thank you for that diplomatic response.

The Chairman: We hear from you that it is too early to make decisions and so on. We understand that. On the other hand, as the Europeans have said, the clock is ticking. There is a real anxiety, which has just been reflected in the Urgent Questions on the floor of the House, that we will get to a stage when it is too late. We just need some reassurance from you, Sir Alan, that you are not just putting us off and that work is going on that will mean that this country is not disadvantaged on 1 April

² Department for Exiting the European Union, Foreign policy, defence and development - a future partnership paper: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/643924/Foreign_policy_defence_and_development_paper.pdf

2019, which will affect the country's ability to be seen as strong and stable, given that businesses and so on will be making their decisions before the end of next March.

Sir Alan Duncan: It is more than my life is worth to risk putting you off, so I fully take on board what you are saying. I fully appreciate what you are saying and I totally share, as everybody does, your wish to ensure that Britain's influence within Europe, however you define it, is in no way diminished. Quite what structures are designed for that purpose is as yet unclear, but I totally agree that this has to be part of the broader settlement that we reach with the EU. I say again that there are many organisations of which we are and will remain a part: the UN, NATO, the OSCE and things like that. The EU is not the only one, but it is a very important one. I hope, particularly in the areas of defence and security, to which you are principally referring as the main foreign policy objectives, that we will play a full and co-operative part, working with lots of countries, not just countries in the EU but aspirant members of the EU and those around the edge of eastern Europe that feel that Russian influence is undermining their sovereignty and things like that. We are going to play our full part.

I spent much of the last year going ever farther east in Europe to make the point that, as we leave the EU, we are not leaving them on their own. That message has resonated. I think it has got through, be it in Ukraine or the Balkans. Indeed, I focused a lot on Turkey. Britain is going to remain a very strong voice and a very strong influence, spending our 2% on defence and our 0.7% on development, a combination unmatched by any other European country. That is not going to go away. We are there.

Q76 **Baroness Suttie:** You have already touched a little, Sir Alan, on the capacity and resources of the FCO in relation to sanctions. Last week, we took evidence from Sir John Sawers, who told us that he believes that after Brexit the UK will have to enhance its diplomatic efforts around the world, particularly with EU capitals. Do you agree, and do you think it will require an increase in the FCO's budget and staff numbers to do this effectively?

Sir Alan Duncan: I can agree with Sir John Sawers by pointing out that we are doing this already. Since the referendum, we have already increased some of our overseas network in Europe. We have 50 new positions, which will be increased further. Only last week, I opened a spanking new, newly-furbished embassy block in Budapest, which has increased its staff by 20%. That is a very tangible illustration of the increased attention that we are already showing. We have a very strong physical presence in all the EU countries already. The Foreign Office would never say no to extra funding in general, but we are adapting our resources to focus on the sort of increase you called for. Perhaps Caroline would like to add to that.

Caroline Wilson: Obviously it is about resource, about effort, about new ways of working. Clearly we will have to work harder to influence once we are outside, and we will have to think about the balance of activity

between Brussels and EU capitals. That is what we are considering currently. This is also a great opportunity for us to do more in our bilateral work with EU Member States. We very much welcome the Foreign Affairs Committee's announcement of an inquiry into the future of bilateral relations and our work on bilateral relations with European countries.

Baroness Suttie: Can I just push you a little further on whether you would expect the UKRep³ operation to have to expand in whatever new form and whatever new capacity, after we leave the European Union?

Sir Alan Duncan: If I may say so, I think that is a very good and pertinent question. I imagine, and again this is speculative, that it would very much depend on the nature of the arrangements that we reach with the EU on departure. It could be the same; it could require more. I do not know what our latest vibes are on that.

Caroline Wilson: It is exactly as the Minister said. It really depends on the type of partnership and the type of mechanisms that we need to service that partnership in future with the European Union. I anticipate that we will still need a substantial number of staff in Brussels. Other current third countries, such as Canada, Australia and Japan, have substantial numbers of staff. We anticipate that there will still need to be substantial investment in our representation. It will not be called a 'representation' of course; it will have to take a different name.

Lord Horam: From what you said in answer to Baroness Suttie and previously, I got a hint that you are looking at priorities in the way you staff up for Europe, which you obviously have to do in the light of what may happen, and that you were thinking more of priorities for European capitals as opposed to Brussels. Is that a correct reading?

Caroline Wilson: To the extent that there are 27 other European capitals and only one Brussels overall, it may be more than the number of people in Brussels, but we have not got to that stage of thinking yet. We have to work out where best to deploy our people and how to deploy them when we are no longer in the Council structures. As you know, the existing Council structures are quite an efficient way of working when you have 27 countries all together. Really, it is that point that we then have to consider as we work out the future architecture.

Lord Horam: There was a time, when I was on the Foreign Affairs Committee in the House of Commons, when the Foreign Office was deliberately minimising its place, its footprint, in Europe, because it had other interests. Britain has other interests around the world, in new countries such as Kazakhstan and so forth, and wants to increase all that. Has that gone into reverse to some extent? That is what I am getting at. It has to go into reverse a bit, because Europe becomes more important.

³ The United Kingdom Permanent Representation to the European Union.

Sir Alan Duncan: It does a little, yes. As I just said, we have 50 new places within the European network.

Lord Horam: That is going to be typical of what may happen.

Sir Alan Duncan: I caution slightly against the suggestion that this is either/or; that it is either 27 capitals and no UKRep or the other way round. We will have to do all.

Matthew Findlay: There is an overall programme of change in the Foreign Office, which the Permanent Under Secretary is leading, but that has involved quite a lot of restructuring in London and some shifting of resource around the overseas network. That has included reinforcing the Europe network, but it has also involved putting more people in the Middle East and more generally in the neighbourhood of Europe, as well as reinforcing some of our broader multilateral missions, such as our mission in New York. It would not be fair to say that the resourcing is going into reverse. Europe is one area of the network that is being strengthened at the moment.

Sir Alan Duncan: There is a Department for International Trade dimension to this. For instance, we are beefing up our consulates in the US, with more trade but the same buildings and staff working together. It is all one United Kingdom in operation abroad.

Lord Horam: Coming back to one of the things that Sir John Sawers said last week, Britain has to decide what kind of player it is post Brexit. Does it still want to be a truly global player, as it believes it is at the moment—I would certainly wish it to be so—or does it want to be more focused on the neighbourhood of, let us say, Africa and the Middle East?

Sir Alan Duncan: No, we wish to remain a serious global player, full stop.

The Chairman: You are raising all sorts of other questions as you are going along. If we are going to increase our diplomatic presence to that extent, it is going to cost more money. Will that come out of other aspects of the Foreign Office budget, or are you looking to increase the overall budget of the FCO?

Sir Alan Duncan: I am not sure this is the moment or the forum in which to stray into these areas.

The Chairman: No, but you raised that.

Sir Alan Duncan: Something helpful I can say is that we are increasingly making good and efficient use of these central pots of money, such as the good governance fund and the prosperity fund. They do not go directly into the core funding of our embassy network, but they seriously empower our missions abroad to have effective influence and representation in their countries. These pots are increasingly appreciated, particularly in countries that have rank corruption. We are looking at helping them with good governance in public finances, in setting proper

legislation for the effective implementation of the rule of law and things like that. You are looking very sceptical.

The Chairman: As you were saying, this is probably not the forum in which to pursue my scepticism. I want to know, so that we have it on the record, where in the exit negotiations the Foreign Office will feature on the future of foreign policy and Common Security and Defence Policy co-operation. When do you expect those to take place? If you cannot say in terms of months, that is fine, but we need to get a feeling that this is going to be addressed before the deadlines. I would also like to ask how you are going to structure that future relationship.

Caroline Wilson: At the moment, the negotiations are focused on exit issues, which are rather narrowly defined. As you will know, the Government's position is that we wish to move on as rapidly as possible to talk about the future on a broad basis in terms of both security and the economic partnership that we seek with the European Union. You will be familiar with the European Council's conclusions this month, and we are now working to the European Council in December, which we hope will permit us to move on to talk about the future. As for when precisely these issues will be discussed, I cannot say at this moment. You will also know that the Prime Minister has evinced the desire for there to be an implementation period to provide certainty for businesses, citizens, consumers and so on. We also look forward to discussing that as soon as possible.

The Chairman: I can see that we are not going to get any further on that one, but at least we have it on the record now.

Q77 **Lord Dubs:** I hope that a discussion of transitional arrangements will not be seen as a hypothetical issue at this stage. On that assumption, do you think that the planned transitional arrangements should include provisions for foreign policy co-operation?

Sir Alan Duncan: We have sort of covered this already in saying that we appreciate the questions you have been putting to us about what these potentially new bespoke structures might be, but that we cannot point to a particular design plan at the moment to say what they would be. Foreign policy continues; this whole process is a foreign policy exercise, in some respects. I am sure that they will figure in the transition plan, but, again, there is no specific detail that I can honestly put before you at the moment, unless Caroline has anything to add.

Caroline Wilson: The Prime Minister has said that she wishes us to continue to participate in security measures during an implementation period. Of course, precisely what that means has not been defined. You will be familiar with the fact that obviously foreign and security policy co-operation, as the Minister has said, is rather different from other forms of co-operation under the treaties, but that still needs to be resolved.

The Chairman: We appreciate that you cannot state what it will be,

because that is an issue for negotiation, but do the Government know internally what sort of structures they are looking for?

Sir Alan Duncan: I have not been privy to any such detailed discussions.

The Chairman: That is my anxiety.

Sir Alan Duncan: I do not feel equipped to give you an honest, informative answer, except that the Foreign Office, like the great ship of state, will sail grandly on. After we leave the EU, DExEU will have completed its job, but the Foreign Office will still be strong across the world, as professional as it always has been, with renewed purpose, as we discussed earlier in this session.

Caroline Wilson: We have many people who are very well versed in precisely how the European Union operates and the different mechanisms that might be possible. I can assure you that we are thinking a lot about this and we have a fairly good idea of all the different possible permutations, including the precedents for third-country participation. Having said that, we feel that we are rather unique, given the capabilities and the amount that we bring to the table on foreign and security policy in particular. We have a wide menu from which we can draw when it comes to negotiations.

Q78 **The Earl of Oxford and Asquith:** Our last question is formulated in very general, broad-brush terms and is on foreign policy priorities. Indeed, in your responses to Baroness Suttie and Lord Horam you have answered a lot of it. It is really designed to give you an opportunity to comment on general foreign policy priorities following our departure from the EU. British foreign policy has always relied very heavily on regular, daily contact between the capitals of our like-minded partners, whether it is in Paris, Bonn, Berlin or Washington. This is just an opportunity for you to comment on how you see the future main channels of execution of our foreign policy. We in this Committee very seldom talk about the Commonwealth, for example.

Sir Alan Duncan: I was about to. That was a perfect cue, thank you. On leaving the EU, we remain a permanent member of the UN Security Council, NATO—with the largest percentage expenditure of anybody, really, and although dwarfed by the US we are at least meeting our commitments—the G7, the G20, the OSCE, the Commonwealth as you say, and the Five Eyes intelligence community, which we did not mention earlier but which is very important to our international influence. We are expanding our presence in the Middle East, for instance with a new base in Bahrain and naval work in Duqm in Oman. We will remain a very important global power.

There is the soft power of DfID, with our 0.7% and its ODA⁴ expenditure, to which I would add one more thing that is often undervalued and

⁴ Official Development Assistance

understated but is of enormous importance: the calibre and dedication of our diplomatic network. We offer through them something that many countries do not, which is intellectual rigour and intellectual honesty. That is a commodity of inestimable value, which the UK has offered over centuries and continues to offer. That is not going to go away, and I hope it will be more significantly understood as one of our contributions to the world.

The Chairman: Thank you, Sir Alan. As I expected, you have given a very upbeat assessment, which we appreciate. As I said at the beginning, we will let you have a look at the transcript of what you have said today. It will be an important part of our overall inquiry, so thank you very much indeed.