HOUSE OF LORDS

Select Committee on International Relations

Corrected oral evidence: UK foreign policy in changed world conditions

Wednesday 5 September 2018

10.35 am

Watch the meeting

Members present: Lord Howell of Guildford (Chairman); Baroness Anelay of St Johns; Baroness Coussins; Lord Grocott; Lord Hannay of Chiswick; Baroness Helic; Baroness Hilton of Eggardon; Lord Jopling; Lord Purvis of Tweed; Lord Reid of Cardowan; Lord Wood of Anfield.

Evidence Session No. 17 Heard in Public Questions 187 - 203

Witnesses

I: Sir Martin Donnelly KCB CMG, former Permanent Secretary to the Department for International Trade, 2016-2017; Sir Simon Fraser GCMG, former Permanent Under-Secretary and Head of the Diplomatic Service, 2010-2015.

II: Ms Bronwen Maddox, Director, Institute for Government; Dr Robin Niblett CMG, Director, Chatham House.

USE OF THE TRANSCRIPT

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

Examination of witnesses

Sir Martin Donnelly and Sir Simon Fraser.

Q187 **The Chairman:** Sir Martin and Sir Simon, welcome. Thank you very much for coming to join us in the Committee this morning. There are some formalities first. This is a fully recorded session. There will be a transcript afterwards; feel free to change inaccuracies and things that you think need correcting. I remind my colleagues in the Committee that they should declare any relevant interests when asking questions. I think that covers the formalities.

Sir Martin and Sir Simon, as you know, the Committee is wrestling with general issues, and with specific conclusions and issues within those general issues. By that I mean that we have been deluged with papers and submissions in the Committee and have been asked to read endless books, many of them by Americans, to the effect that the rules-based order is under attack, that nationalism, protectionism and populism are on the rampage and that that is affecting the entire nature of international relations, changing the patterns of power in the world and creating new dangers and threats that we knew nothing about a few years ago. That is the general.

The specific, of course, is the outcomes: Mr Trump and America being a wobblier friend than they have been in the past, and having many disagreements with us: our own Brexit move, the rise of China as a world power, the renewed aggression of Russia, and the continued chaos in the Middle East. To most people, and most of the witnesses we have had, all of that is an entirely new situation.

Both of you have been dead centre in our diplomacy. We are not asking for a complete survey of world affairs, but could we have some comments on how you see our diplomacy and the implementation of our foreign policy being altered by these huge changes, assuming that you accept the general picture I have described?

Sir Martin Donnelly: I will highlight two points, from a primarily economic perspective, and let Simon give a wider view. The trend you mention towards global economic rebalancing has been going on for decades, as we know. However, using China as shorthand for this, it is clear that we now have a major move of economic investment, power and influence towards Asia, which is putting new challenges to a rules-based system that was designed primarily between North America and Europe. Some of the questions that are now being raised by the US Administration could be seen as a symptom of the question of whether the economic system we have been used to, which had a lot of credibility globally until the financial crash of a decade ago and which no longer reflects accurately the economic balance of power in the world, serves anyone’s interests. President Trump’s Administration are taking a much more transactional approach to that.

Personally, I would argue that it is all the more important to strengthen that system—in trade, in finance, in economic affairs and in the G7 style

of overview of how the world economy is going—but we have to recognise that, without more effective involvement of the new players, the challenges to it are likely to be greater.

The second aspect is the whole digital, cyber and, increasingly, artificial intelligence revolution, which will become even more important over the next 10 years. For a decade, we have been living in a data-driven, connected world, where cybersecurity becomes fundamental to our economic prosperity and our wider national security. Our systems are struggling to catch up with that, not just nationally, where the UK is doing a lot, but globally. How do we manage global cybersecurity? How do we manage access to data? How do we manage issues around the internet? All those things are now central to our economic well-being.

The Chairman: We will follow up your words about how our system catches up, in your phrase.

Sir Simon, could you give us your assessment?

Sir Simon Fraser: I certainly agree with your opening comments that there is a tremendous amount of change. There are geopolitical shifts. There are changes within societies, particularly Western democracies, that we are grappling with to understand and respond to. Therefore, the challenges in foreign policy are very great. In many areas, we are in uncharted waters.

It is very important to understand that before we think and talk about how we are going to pursue our foreign policy, and the mechanisms, resources and organisational arrangements that we are going to put in place, the first priority is that we understand what our foreign policy objectives and priorities are. I cannot think of any time in my career when there has been less clarity, frankly, about the purposes and objectives of British foreign policy. I guess that is not surprising, given the national change we are going through. I sometimes feel that many of the assertions that are made by Ministers are a combination of ignorance and wishful thinking, and we need a bit more clarity and deep thinking about what, for example, lies behind the objective of Global Britain that we are now pursuing.

In our discussion, we need to focus first on the objectives and priorities of the policy and to understand those. We need to think about the international mechanisms and relationships that will be available for us to pursue them after Brexit. In the light of that, we need to think about the organisation and resource that we need nationally to achieve our goals.

The Chairman: Those are very fair assessments to start with. I will pick out systems catching up, priorities, and how, having established the priorities, we can organise our own affairs to pursue them.

Q188 **Lord Hannay of Chiswick:** Further to your very enlightening responses, would you agree that the nomenclature of the BRICS is a bit out of date and is a false path to go down in the economic sector, given that Brazil,

Russia and South Africa are either in recession or not growing at all? India and China, on the other hand, are crucially important. We need to get rid of that label. At the time, it was probably quite a clever piece of branding, but it is now out of date. Could you comment on that?

Secondly, can I ask you to comment on a remark made by the new Foreign Secretary in Washington during the Recess? He said in a speech that 95% of our policy was identical to or in harmony with that of the United States. By implication, therefore, only 5% was not. I will not go through the long list of what I would put into the 5%, except to say, I am afraid, that it does not stack up very well. Could you comment on that?

Sir Martin Donnelly: I will kick off on BRICS. Yes, I agree. Some years ago, it was a very helpful reminder that we had to see the world in different ways, but BRICS was always a somewhat arbitrary group, and Jim O'Neill has accepted that. It is very important that we understand the world as it is today. Some of these shorthand terms have only a limited life.

I would focus on the fact that China, as essentially the second largest economy in the world, depending a bit on how you measure it, is and will continue to be a massive global investor, directly and indirectly. Whether it is raw materials and agriculture from Brazil or the increasing links, around the Belt and Road concept, through central Asia and beyond, China's consumption patterns are becoming extremely important, not just in economic and business terms, and digitally, but in how trade lanes work and how naval power is used globally. We have to see what is happening with the developing business and investment links across the world.

The point I would underline on that is that there is perhaps more unease about new investment, not just from China but from elsewhere, as regards ownership and the domination of supply chains or particular sectors than there was 10 or 15 years ago. This is a global issue that has to be handled, at least partly, through global institutions. If at the same time we are sceptical about global institutions, we will find it much more difficult to maintain open capital, investment, services and, indeed, trade in goods flows than we have in the past. The American Administration's attacks on the World Trade Organisation, imperfect though it is, are definitely a move in the wrong direction for achieving that. I would certainly put that in the 5% figure.

Sir Simon Fraser: On BRICS, I agree that the term needs to be evolved, but the underlying concept that we need to get to grips with—the shift that is implied economically and therefore politically in world affairs—remains valid. There is no doubt in my mind that if you look forward 30 years, China and India will be very major players, in different ways, in international politics and the economy. Whatever you think about South Africa and Russia, and others that may be emerging, the idea that we have to adjust our thinking, which was introduced through the BRICS concept, is still very important and valid.

On the point about the United States, I believe that our international relationship with the United States remains very important and, in many ways, structurally very strong. It is a dense and complex set of relationships across many parts of policy, society and economic and individual life. We should not exaggerate divergence from the United States. Clearly we disagree with the current Administration on a very important number of major foreign and international policy issues: climate, trade, the Middle East and elsewhere, and Iran. We have to be clear about that.

It is interesting that when you look at those issues you find that, although we are leaving the EU, our policy naturally aligns with that of other European countries. For me, that underlines the fact that Europe remains very important in the group of partners based on our geographical and values interests. As we go forward, we need not only to think about how we manage the relationship with the United States, particularly if there is a possibility, or probability, of President Trump having a second term, but to do so in the context of how we manage our new relationship with our European partners, where there is a tremendous amount of work to do to replace the structures and systems of co-operation that we have enjoyed as members of the EU.

A final point is whether we can achieve the leverage between the two of them that in the past has been one of the instruments of our foreign policy.

The Chairman: We analyse what is happening in the world. Quite rightly, Sir Martin says that the Chinese are all over the place. I see that Xi Jinping is claiming that they have put $60 billion of aid and investment into Africa in the last five years, which rather dwarfs anything we are thinking about, and much more besides.

Can we bring our answers back to what we do about the enormous turmoil here, in the United Kingdom? The more we can get those sorts of answers, the more helpful it will be to our Committee.

Q189 **Lord Reid of Cardowan:** I hope this does not transgress against what you have just said. It is about China. Our inherited understanding of the phenomenon of rich, industrialised, economically strong countries over the centuries expanding their investment and trade in other parts of the world is that it is subsequently, or sometimes simultaneously, accompanied by a whole panoply of other, non-economic issues—culture, the flag, religion and, above all, the military—because it constitutes an investment that has to be protected.

The Chinese say that they are going to change that historical pattern; their approach is to use economics, aid, investment and so on, but to refrain from involving themselves in the politics or, indeed, in the expansion of their own military. That is denied, of course, by the way they are expanding their navy. Is that possible, in your view? Is it a natural concomitant of the sort of investment the Chairman referred to—the $60 billion going to Africa, the Belt and Road, and so on—that they

will inevitably become involved in political and military positioning throughout the globe?

The Chairman: After 70 years of "America first", is it now "China first"? That is the question.

Sir Martin Donnelly: There is a choice ahead for China. The example I would use is how the United Kingdom engaged with Central and South America for a century in the 19th century. Until 1915, the United Kingdom exported more to Mexico than the United States did. A lot of the infrastructure in South America was funded from the UK, but it was always essentially a commercial relationship.

If you are dealing with countries where there is a level of political instability, the problem is that you face choices about whether to allow default so that you do not get your investment back and have your assets treated in a particular way. You have a range of responses. In Africa, China has lent very large sums of money on concessional terms, but they are loans nonetheless. There will obviously be continuing concern in China about the future of that investment, but you have a choice as to how you respond.

Lord Reid of Cardowan: Can I press you a little further? Significantly, you chose to illustrate the choice by citing Central and South America. I accept what you say about Argentina, Mexico and so on. On the other hand, the overwhelming bulk of presence in Africa, Asia and the Middle East—not just the British, but the Spanish, the Portuguese and the Germans, in Togoland and so on—included a military presence. Central American and some South American states are the exception that proves the rule, are they not?

Sir Martin Donnelly: Africa is certainly a very different story. The links between building up a port for commercial investment and being able to use it for military purposes are clearly there.

Returning to your challenge to us, Lord Chairman, I would say that this increases the importance of the work of the UK and related allies on governance. It is in no one's interest to find, say, African countries under great pressure because their governance systems are collapsing, and other investors, whether Chinese or European, then facing difficult choices about how to respond, or how not to respond. Britain's role in trying to maintain a degree of good governance in difficult parts of the world plays into avoiding some of those unpleasant trade-offs down the path.

Sir Simon Fraser: One of the unfortunate consequences of what is happening in our countries—in Western democracies—is that China is now able to pose as some sort of champion of the international system, which is a great shame. It is a system that we invented and that has worked very much in our interest.

I do not believe that we should see Chinese power in the future as purely an economic phenomenon, although that is the way we have looked at it over the last 20 years, and it has grown extraordinarily. With that economic power comes political and military power, and, certainly in the region, territorial and military ambition. We have to understand that, but I do not see China at the moment deliberately pursuing a policy of seeking to subvert the international system. China seeks to benefit from within that system; it is playing a long game, which is what China does. As time goes by, the psychology and the balance of power within that system are shifting in China's direction. Then we get all these questions about how we adapt the system to accommodate China, on which, frankly, we do not have a very good record.

Q190 **Baroness Coussins:** Can I follow up some of Sir Simon's introductory remarks? I agree that there is a lack of clarity on the purpose of UK foreign policy and that hiding behind slogans such as 'Global Britain' is not good enough. Without going into detail on specific policies or the mechanisms for conducting foreign policy, can you set out for us a few headline bullet points on what you think the overarching purpose and objectives of UK foreign policy should be?

Sir Simon Fraser: As I said before, we need to think about the objectives and the policy priorities, and then about the instruments that are available to us to pursue them.

My view on the priorities of our international policy is that, first, as has already been discussed here, we have to seek to uphold and adapt a system of international relations based on shared rules and a shared understanding of what is right and wrong and the rule of law in the world. That is hugely in the interests of this country, and as things evolve I believe it will be even more in the interests of this country, as we see China, America, Russia and others behaving in undesirable ways, potentially.

Secondly, we need policies that will address the big challenges that we face relating to the environment, climate change and energy, which will be huge issues for us in the future.

Thirdly, we have to understand and adapt to the changes in the global economy that Martin talked about, which relate both to the geography of the global economy and to the functioning of the global economy, as expressed through technological change and its social and economic implications.

Fourthly, we have to look at the new security agenda that is facing us, which we touched on: the way that conflict is now expressed, proliferation, terrorism of course, and cybersecurity and all the issues around security of data, which will be a huge international challenge for us.

Finally, I would point to the long-term but extremely challenging problem of demography, particularly in Africa, in the next 30 or 40 years, which

will be a massive challenge for Europe and therefore, by implication, for us. If I were to highlight some big headline issues within which we need to organise our policies in individual different parts of the world, those would be my starters.

Q191 **The Chairman:** I have a final question in this section. In the swirling scene that we are discussing generally, who will be our best friends? Are Governments our best friends, or are peoples our best friends? Every Government we can think of is running a bit scared and is in rather a muddle, including ours, if I may say so.

Sir Simon Fraser: Relations between people obviously matter, but when you are conducting international affairs, in the end they are international; they are between nations and between Governments, whether expressed through bilateral or multilateral relationships and instruments. The relations between Governments matter a lot. We can talk about the relative benefits of bilateral and multilateral organisation of those relations.

To go back to Lord Hannay's point, my view is that we have to think about how we develop different and new relationships with countries such as China and India and with emerging powers. The Government have been seeking to do that. When I was in the Foreign Office, we tried to focus on that. At the same time, the core relationships this country is going to rely on will be with those that share our values and are our closest economic and security partners. They are in Europe, in North America and in other English-speaking countries around the world. It would be very unwise for us to downgrade those relations in pursuit of new relations.

Sir Martin Donnelly: I stress the importance of working with those who share our values, which essentially are liberal democracies around the world. There are encouraging developments in parts of Latin America that we also need to bear in mind. We should be looking to work with people who share our view of what is important and who are committed to a rules-based approach.

In addition to the important government links, we need to put more effort into political links, such as the links in Europe between families of political parties, which increasingly determine the parameters for policy-making, and, more widely, into links with the international business community, which in practice has a huge impact on day-to-day economic developments that affect people's lives around the world. We see that most obviously with the big digital communication companies at the moment, but it is true in many other sectors. An important dialogue with business is part of that connection with the world.

The Chairman: We have got your point: like-minded around the world, and deep and special in Europe. How do we here at home and in Whitehall get organised? Lord Hannay, this is your question.

Q192 **Lord Hannay of Chiswick:** Yes. I want to go from the macro to the

micro. In the past 15 or 20 years, quite a bit of disquiet has been shown about the phenomenon known as 'siloisation'. It is an ugly word, but I think we all know what we are talking about. It cropped up first in the context of aid, where the feeling was quite widespread that the British aid budget, which is pretty substantial, was not necessarily operating in a functionally well co-ordinated way with British foreign policy in all respects.

Similar concerns have arisen over security issues. Take the invasion of Iraq and its consequences. There did not seem to be much consistency between what the Ministry of Defence was trying to do and what the Foreign Office was trying to do, and none at all between how they set about actually doing it.

Now I fear that we may be facing another, newly invented, piece of 'siloisation', in the trade policy field. We have set up a department, the Department for International Trade, which seems to be busy appointing people called trade commissioners around the world. It is not at all clear how their activity in the trade policy field, which will be very important to this country, will be properly co-ordinated with our foreign policy more generally and operated on the ground.

I will give you an example, but please do not address it, because it is a bit personalised. The appointment of the consul-general in São Paulo, who is in charge and is doing a full-time job on trade and investment in Brazil, as the trade commissioner for the whole of Latin America, seems a bit odd. That is quite a lot of countries. You could be diverting somebody's fully employed daytime job into hopping on to a plane and going to about 15 or 20 other countries. In any case, how does a country such as Peru, Mexico or whatever know who it is dealing with on trade policy? Is it the trade commissioner or the ambassador?

Perhaps you could comment on those three examples. As I said, I do not want you to focus on the specific example that I mentioned. I gave it only for the purposes of illustration.

Sir Martin Donnelly: That individual is very competent. To step back, having worked on several sides of this, as Simon has, I hope we have some claims to a bit of objectivity. I stress three things.

First, there must be a shared culture. It goes back to Simon's earlier point about what we are trying to do. It does not matter what nameplate is on the door. What you do not want are separate organisations spending a lot of time co-ordinating themselves while the rest of the world carries on its merry way uninfluenced by the UK. The cultural point is absolutely vital. Everyone working in these areas has to be clear that they are pursuing the same objectives, so that we do not have a different definition of prosperity in one department from another, and if there are resource issues they are solved rapidly and effectively. From that point of view, fewer organisations are on the whole better than more organisations, but the culture is critical.

Secondly, we need continuity of approach. For 12 years, which in British government terms is a long time, we had the UK Trade & Investment

model of shared control between the Foreign Office and the business department in its different guises, with people on the ground, in embassies and high commissions, working through the head of post, the ambassador, to the centre. The advantage of that was that business understood where to go for assistance with first-time investors, with large and more complex issues, with questions of inward investment and with getting high-level diplomatic support if there were tax issues and so on. We have chosen to move away from that system, and inevitably, however good the new approach may be, it will take some years for people to understand how it works. We must be very cautious before we break things, promising ourselves that something new will be better. The costs are high and the outcome uncertain.

The final point I want to underline is that we need continually to ask ourselves whether we are getting this right from the point of view of the users. Small businesses have different needs from large complex firms. Investors in the UK can raise a whole set of policy issues, from the status of visas through to the state of our internet provision in parts of the country. We need a system that focuses on that and delivers those answers effectively, and involves ministers and officials, but above all gets effective feedback from the users. The temptation is to see trade policy as about high-level meetings, when really it is often about a lot of spade work, building trust that there can be a relationship in a contractual area that will benefit the UK.

Sir Simon Fraser: I agree with everything Martin said and therefore will not repeat it. I will make three quick points. First, if we are talking about the organisation of Whitehall in this session, it is not just about the international departments. If we are to have successful foreign policy after Brexit, there has to be more co-ordination between domestic and international policy. We have to project a successful economy and society in the world. That is the number one challenge.

Secondly, in the international departments in Whitehall, we have, slightly paradoxically, a problem of over-centralisation combined with the problem of over-atomisation. We have power being sucked to the centre—to Number 10, the National Security Council secretariat and so forth—which has been a trend over some years. At the same time, we now have seven or eight departments dealing with different aspects of international affairs: the Foreign Office, the MoD,[1] DfID,[2] DIT,[3] DExEU[4] in Europe, Defra[5] and the Treasury. There is atomisation, and we have not yet fully succeeded in finding the right way of aligning those efforts. Given the challenges we will face in the future, we need to work on that.

Thirdly, in the field, which Martin has talked about, when I was in the Foreign Office we had a very strong campaign, One HMG Overseas: our

[1] The Ministry of Defence
[2] The Department for International Development
[3] The Department for International Trade
[4] The Department for Exiting the EU
[5] The Department for the Environment, Food and Rural Affairs

representation drawn together under the ambassador or head of post in any country with different parts of government aligning behind it. I agree with Martin that that is the most efficient way of doing it. I do not feel that the creation of the Department for International Trade was either necessary or a good idea. We could have aligned it in the Foreign Office, as do the Governments of Australia, Canada and many others, which our Government purport to admire. That has atomised it.

In the specific case of the appointment of trade commissioners, we are now seeing one of the manifestations of that that could be quite challenging. If you have in a part of the world an ambassador sitting on a tiny Foreign Office budget, a head of DfID office sitting on a budget of several millions and a separate person from a different department in charge of trade policy, you have to ask yourself how you will be able effectively to co-ordinate those different activities.

The Chairman: Do you see any sign in Whitehall, now you can stand back from it, that this sort of increased co-ordination is working, that the paradox of needing many flowers to grow but also a central strategy is realised, and that DfID, to take an example, will work more closely with the Foreign Office?

Sir Simon Fraser: There is evidence of that, and there is a good side to what has happened through the establishment of the National Security Council, and the secretariat under it, and its ability to co-ordinate Whitehall. That has had some benefits. DfID is being aligned more, while respecting its development objectives, to the strategic purpose of the broader international policy of the Government. There is some evidence, but I do not think it is by any means universal.

There is a big challenge for the Foreign Office in establishing its role as essentially the co-ordinating international department that should be leading the thinking on foreign policy in London and its delivery overseas, but it has been hollowed out and I am not sure that it is in a fit state at the moment to assert itself as far as it should.

Sir Martin Donnelly: To add to that last very important point, there is a lot more for the Foreign Office to do in co-ordinating effectively across home UK departments, many of which are inevitably outward looking. When I was Permanent Secretary in the business department for six years, we had Foreign Office staff on secondment very successfully playing senior roles in trade policy, in our European policy and elsewhere. One of the challenges was to help the rest of Whitehall understand what the Foreign Office can do, and for the Foreign Office to have the resources in post to do it. That should be a major priority for us, obviously in the European Union countries now, but more widely, because we need that input to make effective policy and to have an impact.

Baroness Anelay of St Johns: For the record, I worked with Simon when I was at the Foreign Office. My first year there was his last year there.

How do we improve our delivery and ensure that there is more government co-operation? I was very much aware of an absolute determination from the moment I got to the Foreign Office that there should be co-ordination between departments. Ministers seemed to scurry round all the time—I certainly did—on cross-Whitehall meetings, but how can we better ensure that that willingness to co-operate is translated into real co-ordination of policy and delivery?

Lord Hannay has already talked about trade commissioners. We also have input from No. 10 about the appointment of trade envoys, which is outside the remit of both the Foreign Office and any of the economic departments. Now that you are on the outside looking in, how would you do it better? How would you better co-ordinate the departments?

Sir Simon Fraser: It is a big challenge, and we all know that when we work as a Minister or senior official in Whitehall, we spend an awful lot of time scurrying around different meetings trying to co-ordinate different parts of government. In part, that is good, because you need checks and balances in government and you need different aspects of policy to be prioritised by different departments. That is part of what is good about the system, but it also carries an opportunity cost and a frictional cost.

In the field of international affairs, despite the challenges that it posed for my department, the Foreign Office, the creation of the National Security Council was on balance a good thing; it produced better co-ordination of international policy, the best example being the Libya campaign, which I think was run very differently from the Iraq campaign and in a much better and more transparent way. Net, it has probably been a good thing.

The equivalent does not exist, or certainly did not exist, on the economic side, so there has not been a parallel mechanism at the centre of government for co-ordinating international economic policy, and I felt the lack of that. I always felt that the Treasury institutionally was very hesitant to go towards that, possibly because it was a dilution of the Treasury's power in that area. I do not know. The National Security Council was slightly lopsided and ended up having a group of people and Ministers who were essentially on foreign and security policy but who ranged across a broader area of international policy in a slightly unsatisfactory way. That is the first thing one could look at for better co-ordination.

Secondly, there is the fundamental question I alluded to earlier of the role of the Foreign Office within the system. The Foreign Office is the place where professional expertise in international policy and diplomacy, which is a profession with its own skills, resides. We have to make sure that that is respected, understood and sufficiently empowered within the system to influence the nature of decisions that are taken and their execution. At the moment, I am not sure that the position of the Foreign Office has been quite clarified. It is a problem for foreign ministries more broadly. I hope that the new Foreign Secretary will address it and help to give the organisation confidence to assert itself in servicing the centre and supervising the delivery of policy around the world.

Sir Martin Donnelly: I have some additional comments on the working level that I think complement what Simon has said. We have to recognise that the departmental structure is a 19th-century solution to 21st-century issues. We have to build a culture that takes the best parts of maintaining those different sets of expertise and outlooks, and works more efficiently.

A few years ago we did that well on China. We had a China task force approach across government, which pulled together a set of quite detailed cross-departmental objectives, not just in trade but in our cultural relations and our approach to visas and so on, and set out, 'This is what we're all doing together. Let's measure ourselves against it'. We need to take that sort of approach much more.

We also have to be honest: sometimes there is a need for political activity, but it does not necessarily translate into specific results. Over many years, some of the visits by Prime Ministers, organised by No. 10 at short notice, taking trade delegations, have been, let us say, less useful than others. Businesses grumble that sometimes they are used for short-term political goals. That may be fair enough, but we must separate it from thinking that they move the dial on the underlying competitiveness and investment relationships of British companies. We need to listen to our firms and not use up their good will unhelpfully.

The final point to stress is that this is inevitably a long-term process. Trade and economic investment relations do not fit short-term political timescales. People do not make investments in order to allow press releases to come out, to put it bluntly. We have to build a system that uses all our strengths in a medium-term way. A good example is the system in European policy, which Lord Hannay will remember well, having had to run it. For decades, we had a system of Friday meetings that pulled together every department working on issues, some of which lasted literally for years before they reached a conclusion. We made sure that everyone was on the same page and moving in the same direction. We need that sort of shared targeting in specific areas. We need to make sure that our meetings are not just about exchanges of information between separate bits of the system. We need to work on problems over time and bring in Ministers at the right point.

The Chairman: That is exactly what we want to get on to now. Cutting across all this is the Europe repositioning issue. Before I turn to Lord Jopling, do you want to put another question, Lord Reid? If so, perhaps you would make it as short as you can, because we are running out of time.

Lord Reid of Cardowan: In my view, the elephant in the room is the resistance to co-ordination by people in various departments in what was classically called the turf war. From my own experience, I have scars on my back. It can be rationally evident to everyone that co-ordination is much more necessary and yet, although a seamless threat over foreign and domestic issues was recognised years ago, I can tell you that trying to establish the Office for Security and Counter-Terrorism was a bit of a

fight. Among the main resisters, although it accepted the rationale for the office, was the Foreign Office, because it did not want it to be situated in the Home Office.

Similarly, the National Security Council, which I fought for but did not win—it had to wait for the Conservative Government, who sensibly brought it in—had great resistance from the Treasury because, as you said, it diluted the Treasury's power, so we ended up with a National Security Council that excluded from its agenda discussions of economics, which is the whole basis of power. Would you address bluntly how to overcome the resistance of the civil service in its departmental roles to establishing that which is absolutely obvious to everyone as necessary?

I am not suggesting that this is only the civil service; it is also true of industry. We have the example of Kodak, which invented the mobile camera but would not develop it; its organisation could not be shifted because it made all its money from celluloid. We have seen it in the retail sector where it has been obvious for 20 years that the front shops will be overtaken by online activity. I am not suggesting it is only the civil service, but unless we can overcome the resistance and turf wars of people in siloed departments we will never achieve exactly what you are saying is necessary, which is a co-ordinated approach across departments.

Sir Simon Fraser: I accept that there is a problem of 'departmentitis' to some extent, in that people join one department. It is less the case now in the civil service that people have a single identity with an individual department. More and more people like Martin and I work across different departments so they have a broader view. Nevertheless, as I alluded to at the beginning, there is a system of checks and balances, and there is competition within the system for resource and control of policy. You will never avoid that. Therefore, Martin's point about culture is very important.

I agree that you need mechanisms to cut through it when it gets counterproductive, as in some cases it does, and there has to be a system to impose a solution. Often that goes to the centre, and either Jeremy Heywood or the Prime Minister's team impose a solution. In the end we accept that. For example, I was not happy with the reforms to UK Trade & Investment that were taken through by Lord Maude when I was PUS, but in the end I recognised that they were going to happen.

This is not just about civil servants and industry; it is also about politicians and Ministers. A lot of the competition is led by Secretaries of State who compete for policy control, different policy angles or political influence in Cabinet in different ways. It is very important not to exclude that factor. Civil servants are working in that context all the time and often do not have the freedom to make what they might themselves think were rational decisions, because that is not what their political masters are instructing them to do.

Sir Martin Donnelly: I agree that there is a problem. We also see it between the Armed Forces and the purple element. It is understandable. To overcome it to meet specific challenges, whether it is Europe, China, cybersecurity or anti-terrorism work, where we have made a huge amount of progress culturally as well, takes time and requires an open and honest debate about the legitimacy of different approaches and how they are to be fairly included.

My challenge to the system would be: do not do these things overnight, do not change them in six months, and do not respond because there is a short-term political need to find a job for someone. Do not change departmental structures on that basis; let us have a much more rigorous approach to how we set up structures. If we do not get the culture right, we know the structure will not work. We know it takes time to change a culture, so we have to be prepared to put in two, three or four years of work before we get results, and we must not mess around with it in the meantime.

Q193 **Lord Jopling:** I want to come to the implications of Brexit. There are so many imponderables: whether we have a deal or no deal, what reaction Parliament will have to whichever of those it is, and whether we get a second referendum. Let us assume that we are going to leave. Our leadership tells us that we are. In that event, how should we prepare the structure of the UK's foreign policy relationships with key allies in Europe and with the European Union broadly? Of course, the Committee will have to come to a conclusion about its report before those imponderables are decided. Therefore, we will have to apply ourselves to those possibilities, realising that they are not very certain.

Sir Simon Fraser: I will concentrate on the foreign policy side and Martin can talk about some of the broader questions. Across the board, we have to prepare ourselves for how we will relate to other countries in Europe, and the European Union per se, as a third country, which is effectively what we will be, including having an embassy in Brussels, I imagine, rather than permanent representation there. We will have to make quite big psychological adjustments.

On the foreign policy side, whatever you think about Brexit, in international policy terms it is going to be disadvantageous for this country. I think it is a mistake strategically in international policy terms, but we will have to make the best of it. In my view, the European Union has been one of the major multipliers, if not the major multiplier, of our international policy in a whole range of areas. That will no longer be available to us in anything like the same degree. We will not be present at a whole series of meetings that happen day by day at different levels in Brussels and between capitals in the European Union, so we will have to find ways to access that thinking and influence the decisions that come out of it. That is a big challenge, which will need more resource applied to it by our diplomacy in all forms and by our policy-making in London.

We also need to think about the forms it will take. Some people say that we can rely on better bilateral relationships with key European countries.

Clearly, we should seek to strengthen bilateral relationships, although I find it hard to think that they will be stronger when we are not in the European Union than they were when we were in it, so we will have to work hard at those. Nevertheless, we have a lot to offer in the field of security, defence and foreign policy, and we must make the most of those assets.

We can also think about informal groups that we could put together with key countries to work on specific issues in Europe. That is a course to follow, but in the end I believe we will need a formal structure—some sort of treaty—for foreign and security policy co-operation, because, let us face it, when crises arise you need a mechanism that clicks into operation: the exchange of information; agreement on how you are going to respond; and the deployment of resources, whether military or other. That has to have a certain automaticity, so we will have to try to find a new formal mechanism for foreign policy co-operation, including moving into security and defence.

Lord Jopling: Of course, we have NATO, which does that.

Sir Simon Fraser: NATO will continue to exist, but let us take, for example, the co-ordination of European policy on sanctions, which is done through the European Union. It is a hugely influential instrument of our foreign policy. We will not be in future European Union discussions of sanctions, so what is the mechanism by which we will feed in our views? Project the Skripal case three years down the line. How would we influence European policy effectively in our direction? Those are the sorts of things we need to focus on.

Q194 **The Chairman:** Is there a kind of new task force for Europe in the way we talked earlier about a new task force for China? We are moving into a fascinating area of post-departmental structures.

Sir Martin Donnelly: Yes, because, adding the economic and trade dimensions and being very hard-headed about Britain's continuing extremely large interests across European policy-making, we have to accept that we are excluded from an intense rolling debate that goes on week by week and month by month. It will require more resource not just in Brussels but in home departments, with people making more effort to find out what is going on in capitals in their area. That will require more language skills and time. It will also require some ruthless prioritisation.

We cannot expect to have the same impact on all areas of European policy-making, from emission standards for diesels through to state aid rules and the question of the next definition of chemical safety, from outside as from inside. That is simply a statement of fact. What do we prioritise? Otherwise, we risk running after the ball in all areas and having less impact, and not knowing which issues we require to work on most.

We need a task force approach. One area we might look at is whether we need a Europe Minister based for at least part of the week in Brussels to

lead this effort, because it will be political as well as technical. Another area is the link between Parliament and the European Parliament, which is becoming extremely important in the detail of policy-making and where we will have a bigger hill to climb to influence it. We need to use our party links and wider institutional links, and if they are not there we need to build them.

We need to accept that there will be more disputes and arguments between ourselves and the European Union collectively, and we have to put those in the context of our deeply shared interests going forward and manage them in a way that prevents particularly polemical media input perhaps suggesting there is just a constant low-level war with Europe. That would be deeply against our interests, and we will have to work very hard to prevent that being the default position.

Q195 **Lord Grocott:** Sir Simon's phrase was that the FCO needs a psychological adjustment to a post-Brexit situation, and that is what my question is about. You have both spent many decades in the diplomatic service. Famously, the British civil service at all levels is politically neutral and does not publicly express views on matters of great national interest, particularly if they are likely to be at variance with what Ministers are saying, but when you leave the Foreign Office those restrictions no longer apply. We get some picture of that in the House of Lords, where lots of senior diplomats of one sort or another turn up and begin to express their unfettered views on various issues. Without misrepresenting anyone, I would say that the near-unanimous view of those who have been let off the leash is that, to use Sir Simon's phrase, it is all a big mistake but we have to make the best of a bad job.

Two questions come from that. It would slightly trouble me if I was a Minister responsible for exiting the European Union and Lord Hannay, who has been very straightforward on these things, turned up as a top civil servant and said, 'Welcome, Minister. I'm here to help'. It might worry me slightly that he may not necessarily be the most useful person to facilitate the exit.

My question is twofold. First, is there a groupthink or an assumption within the FCO, particularly on the part of the people at the top who have spent their entire career with us being a member of the European Union, that they just have to make the best of a bad job? They are all remainers, and you would not really get very far in the FCO if you were a passionate leaver. Is that a correct assumption to make?

Secondly, if the FCO has to reorient or change its objectives and take a different view of the world post Brexit, which it undoubtedly will, are the present people the best ones to implement that decision? It is very difficult late in life—I am rather later on in life than you are—to change your views of things and think in a new mindset, as it would be in any organisation. This is not a criticism of the Foreign Office. If a successful retail organisation such as John Lewis said, 'We're terrific at selling furniture. Now we're going to start selling cars as well', would the people who had been selling furniture be the right people to mastermind the car-

selling department?

First, is there a groupthink and group assumption within the Foreign Office? Secondly, is it possible to work enthusiastically towards the political objectives of the Government if there is such a groupthink, as I rather think there might be?

Sir Simon Fraser: First, to be absolutely clear, I do not speak on behalf of the Foreign Office now but on behalf of myself. Secondly, if I was a Minister and Lord Hannay turned up to give me advice on how to deal with Europe, I would take that advice because I would respect his expertise and his knowledge of the subject. That is a very important point, not *ad personam* but because we need knowledge and understanding of the very complex issues we are now facing. It is fair to say that during the referendum we were not fully exposed to all the complexities, and the Government themselves were not fully aware of them.

Having made those observations, I do not think there is groupthink. What is clear is that people who work in the Foreign Office or any other organisation and any other part of government learn from their experience and observations of what happens in the world and draw their own personal conclusions. I worked with two Foreign Secretaries when I was Permanent Secretary. One of them was Lord Hague, and the other was the current Chancellor, Mr Hammond. I have to say that I felt that both of them came to the Foreign Office with a strongly Eurosceptic tinge to their thinking. Both of them, having experience of being Foreign Secretary, decided that the best thing was to remain in the European Union, presumably because that was the objective conclusion they reached intellectually through their experience. Baroness Helic, who was intimately involved in that, may want to comment. That also applies to civil servants.

Secondly, whatever your personal view as a civil servant, your job is to be dispassionate and loyal to government policy, and to work for the best outcome. It is not about making the best of a bad job; it is about doing the best you can in the circumstances to make the best of the job in hand, whatever that job is. Civil servants have experience of working for governments of different political complexions. Presumably, it is not possible for most people to agree with the politics of all gvernments, but they work for them loyally, and I think that applies in the case of Brexit too.

I do not have concern that there is foot-dragging or reluctance in the Foreign Office or other parts of the civil service. Civil servants are doing their best. They have a huge challenge, which they are addressing with great loyalty, and they are working incredibly hard. It has to be said again that the political direction for them to work to has not always been absolutely clear. In those circumstances, they are doing the best they can and I am confident they will continue to do so.

Sir Martin Donnelly: I worked inside the Foreign Office for six of my 36 years in the Civil Service. For the rest of them, I was a consumer of Foreign Office services in the Treasury, the Business Department and elsewhere. We have a superb Foreign Office machine around the world. I was consistently impressed by its professionalism. In recent years, it has been under-resourced to do some of the things we have asked. Some of the individuals I met were harder to work with than others, but they were all consistently competent.

Inside Whitehall, to echo Simon's point, one of the challenges of professionalism is that the Minister does not come back to you a year later and say, 'Why didn't you tell me this might happen if we implemented this policy?' The world is as it is. We have to give our best professional assessment of the consequences of actions. Those may not be perfect, and no one has 100% forward vision, but they are given using expertise and professionalism.

It is not possible to pretend that on the evidence available there will not be significant and probably lasting negative economic impacts for jobs and growth as a result of the UK leaving the European Union. How large those are depends on the choices we make, but I would strongly argue that, on the evidence available, it is just not plausible to say that is not the case. It does not mean that you do not choose to leave the European Union; it means that you do not pretend that the world out there is different from the way it is.

Q196 **Lord Hannay of Chiswick:** I would say to Lord Grocott that the Prime Ministers I worked for ranged from Macmillan to Blair, they all took a clear view, which was not inculcated by me, that Britain's place was in the European Union, but that is by the way.

To follow up the point about our relationship with the European countries after we leave, a senior official involved in the discussions on security issues said that the trouble is that we are not going to get a relationship with the European countries that will be load bearing. It would not be a good idea if I identified him, but the words he used struck me like a bolt of lightning. We will get a relationship that will not be load-bearing. How are we going to handle that situation if it occurs?

Sir Simon Fraser: It depends on what load-bearing means. Broadly, I agree with that. If it means that we will have automaticity to be in meetings and part of decision-making processes, and therefore contributing alongside other European countries in dealing with problems, I do not think we will get that. We will be outside that loop, and we will have to seek the best compensating mechanisms, but I think it will be less good than it is now.

One answer to Lord Hannay's question is that maybe we would seek other load-bearing relationships elsewhere. Some might suggest that we should invest more heavily in aligning our foreign policy with the United States or others and take alternative routes. That is one option. I do not

think that would be a successful alternative and that we would have load-bearing influence in that relationship if we were to seek it.

In the end, I come to the conclusion that our situation will be less advantageous in future than it is at present. Therefore, we have to work as hard as we can to find areas where we have a very strong contribution to make, and where others recognise that contribution, and trade it to maximise the impact and benefit that we can derive from it across the board.

Galileo is one of the examples one might put on the table. Having originally opposed the project and invested quite a lot of money in it, we now find ourselves, rightly or wrongly, potentially excluded from it, and we will have to create some sort of parallel version of it. That seems to me an undesirable position to be in, and I expect there will be other examples of a similar nature.

Sir Martin Donnelly: We are essentially facing a position that challenges our ability to make strategic alliances with European countries that give them things they want. We will have to be less transactional in order to build slightly deeper foundations with European countries. For example, we might choose to continue to support European migration control work in the Mediterranean and elsewhere, even though we will not be in a controlling position.

We will have to accept that we will be takers of the policy rather than shapers of it, but we will need to show that we are committed to wider European objectives, even if there is no immediate direct advantage to the United Kingdom; otherwise, we will be essentially in a transactional relationship. On the economic and trade front, that is a relationship with an economic bloc that is more than four times as important as we are, so we are unlikely to win a straightforward transactional negotiation in those circumstances. We must show that we have a broader vision, and we must be prepared to put resources into supporting that.

The Chairman: I will steal a final five minutes of overtime—we have kept you much too long—and ask Baroness Helic to ask questions about the story, if there is a story, and how we get it out to the wider world.

Q197 **Baroness Helic:** Lord Chairman, you have already posed my question, so I would like to endorse what both Sir Simon and Sir Martin have said. I had the pleasure and honour of working with both of them when I was in the Foreign Office. For the record, from my personal experience, Lord Hague came to the Foreign Office as a Eurosceptic and he was one when other Eurosceptics probably did not even know the meaning of the word. He was also a pragmatic Eurosceptic who had experience of working with Brussels, and he said exactly what you have just said, which is that you can multiply your impact by working with other countries, and you have extreme influence when you are within the structure.

I feel obliged to comment on the work of our diplomats. They have exceptional skills and are exceptionally professional. If I had one issue

with our Diplomatic Service, it is that I find it is often too timid and should be much more challenging. It should challenge not only special advisers but Secretaries of State and Ministers, because you need someone with a collective memory and knowledge that hardly anyone who comes from the political side can match. That would be extremely helpful.

That brings me back to the question that the Chairman has already asked. You probably answered it at the very beginning. There is lack of clarity in our foreign policy today, so how we communicate the narrative for something that is slightly missing is quite a skill. I am sure that you will enlighten us by telling us how you would do it, or, if you recognise clarity in the foreign policy of the current Government, do you think they are doing it in the right way, and how could they do it better?

Sir Martin Donnelly: I will be very brief. We have to be honest. Trying to set out a somewhat grandiose narrative that does not reflect our experience or the experience of those we are dealing with is, frankly, counterproductive. People around the world looking at us recognise that the United Kingdom is deeply divided over its future relationship with Europe. That came out of the referendum, and it remains the case. If we pretend otherwise, we are simply losing credibility.

We have to say that we are a mature democracy wrestling with some very difficult issues and this will take us some time, and we expect a degree of understanding and perhaps tolerance from others who have had similar challenges. Frankly, taking a Panglossian approach is not worthy of the United Kingdom, and we should not do it.

Sir Simon Fraser: I entirely agree. You cannot communicate something that does not exist. We need to face the fact that we have a big challenge in thinking through the consequences of the major strategic change in our position in the world on which we are embarked. We have to be grown up about it and take time to think it through, and tell other people that, although it is a big challenge for us, we still have aspirations to be an influential country in the world; we still abide by our values and what we believe should happen in the world, and the way it should be run with the rule of law, human rights and all those things. We need to continue to project that, but we cannot just communicate it through simplistic headlines that have no substance behind them. If I may say so, I do not think the most recent Foreign Secretary was particularly successful in communicating our vision in the world. I hope the next one will take a slightly different approach.

I talk to a number of my former colleagues who are ambassadors around the world. They say to me, 'We really want to do our best, but it's very difficult for us to know exactly what message we should be transmitting'. It's getting better, but it's a huge professional challenge for them. If our diplomats are reduced to a situation in which all they can do is tweet banalities or rather tendentious stuff from their departmental press office, I do not think that is going to happen. Martin is right: we have to be very

realistic and honest, and engage other countries in an adult discussion about the consequences of what we are doing.

The Chairman: Sir Simon and Sir Martin, it has been a fascinating session. There are lots of things we have not even touched on. We briefly mentioned under-resourced diplomacy. That is very high in our minds. In this new world, we will need a lot more and better resourced diplomacy, which is more agile and better able to deal with fast-changing situations. You have cast a lot of light on a number of issues with your great experience. We are extremely grateful to you.

On behalf of the Committee, I thank you both for your patience in answering our questions.

Examination of Witnesses

Ms Bronwen Maddox and Dr Robin Niblett.

Q198 **The Chairman:** Thank you very much for being with us this morning and sparing us your very valuable time.

Everything that is said is on the record. There is a transcript afterwards, and you are free to make corrections to it if you think that it does not represent what you said. I remind my colleagues yet again that they must declare interests when asking a question.

Both of you are active and central in some very powerful and influential institutions. I saw you sitting in the Committee, so you have probably heard roughly what we are about.

I will start our discussion in the same way as we did with the previous two witnesses—two very senior diplomats. In this world, where people are talking about populism, protectionism, nationalism and even nihilism replacing the old rules-based order with which we have felt comfortable for the last 70 years, what are the main big new priorities that we should be facing, and how do we begin to shape up to them? We will generalise on that question for the moment and come to more specific aspects a little later.

Dr Niblett, I remember that you wrote a fascinating paper way back, long before Brexit, about the fact that the world was changing and that we would have to change our diplomacy and priorities to meet entirely new conditions. How do you feel about that now, in this present turmoil?

Dr Robin Niblett: Thank you for the opportunity to join the Committee this morning and to share some thoughts on this very important topic. It is much appreciated.

That was a big question. It is possible that those of us involved at the margins of international affairs, such as me, and those in the thick of them, got swept up, at the end of the Cold War period after 1990, in managing the process of globalisation rather than thinking about its disaggregated effects. Chatham House was probably as involved in that

as anyone—looking at big studies on how you manage financial regulation and deal with the impacts of climate change, how you promote more integrated markets, and internet governance. We could go through the list of the things we have done in the last few years. It was all important and needed, and reflected an increasingly interdependent world. We need to work together across borders to make those things better.

I suspect that many of us involved in the world of foreign policy analysis, or even delivery, became detached from the disaggregated effects of globalisation. We tend to operate in a very rational space, especially if we are not elected to any particular office, as I have not been. We look almost dispassionately at the net effects rather than the specific effects. We are having to reinject into our thinking, and this would apply to any Government, the effects of emotion, identity and tribalism, and the disaggregated effects within countries of being parts of the process of globalisation. Those are very difficult elements to bring into dispassionate analysis, by definition of the terms.

Anyone involved in delivering foreign policy today and engaged in international affairs needs to look much more closely at the base from which they are operating, at the mood and satisfaction level of that base, and the insecurities of that base. We have to appreciate that they are emotional. On the walk here I passed, as Bronwen may have done, a pro-Brexit and European Movement mini-protest on either side of the street. It might be small, but it is passionate, and those views are deeply held. It is sometimes very difficult for people like us to engage in that.

The Chairman: We heard the civil servants or diplomats earlier talking about being not passionate but dispassionate, which of course requires a different mindset.

Dr Robin Niblett: Maybe that is their role as civil servants, but I think you were asking about those involved in politics.

The Chairman: Bronwen Maddox, can you give us your take on the overall scene, and then we will come to the priorities within it?

Ms Bronwen Maddox: Thank you very much for the chance to be here. I will make two points. One is that it is much harder than it was to keep arguing for the kind of international rules and values that for many years, or centuries, we have said that we stand for in Britain, because they are under more challenge internationally. There was perhaps a presumption, to which Robin referred, that those rules and values had triumphed beyond dispute. That argument is very much in play, and now Britain finds itself trying to argue in its foreign policy for a rules-based international order, an argument that it thought it had won. That adds a different tone to the foreign policy, and the need to make a case in a way that we have not had to. We have been pursuing particular objectives in our foreign policy over some years, but not with the sense of having to defend the kind of values that we stand for.

On the second point that I think was embedded in your question, politics has changed, which has led to some of this populism. People feel a lot of grievances and feel detachment from those who have been leading them. We are going through what is sometimes described as the bonfire of the promises, as democracies with ageing populations and tight national finances have to go to people and say, 'Look, all those bargains you thought you had with your Government are being rewritten, and not in your favour. Now please vote for us again'.

Over recent years, we have all seen the rise of those grievances, and that changes the climate in which any Government make foreign policy. They have a much more constant dialogue with people. We have just been hearing about one cause or another, with a placard saying, 'Bend it my way'. Under those pressures, it is much harder to form something that you might call a coherent and consistent national foreign policy. We can all think of countries where, if you try to put together a foreign policy from the impulses of people—or, indeed, the President—you end up with something that is hard to describe as a single foreign policy. The pressures are more difficult, and the case that we are making, and the framework in which we are setting our foreign policy internationally, is cloudier than it has been.

The Chairman: That is a very fair initial summary. What do we do? Baroness Hilton, your question follows from that.

Q199 **Baroness Hilton of Eggardon:** Yes, it follows directly from that. Assuming that Brexit is happening, where do you think our priorities ought to be? Do you think that we have actually damaged our relationship with our fellow Europeans to a large extent by pursuing this policy, or will we be able to work with them in future on establishing a rules-based community?

Dr Robin Niblett: In the near term, on your sub-question about whether we have damaged relationships with European countries, net, the answer is yes. There may be a couple of countries in the European Union that welcome it, but the net effect, at a time of such deep global instability, of a country such as the United Kingdom pulling out of the European Union is to leave many countries feeling, at a minimum, deeply disappointed. Some are angry. Individuals in countries and in Governments, and civil servants, have seen us, for the reasons Bronwen mentioned, as upholders of the rules-based order that the majority believe in, and they will not have us at their shoulder on every occasion.

The Chairman: Could you speak up a bit? The acoustics are rotten and some of us are not as good at hearing as we could be.

Dr Robin Niblett: They will not have us at their shoulder on every occasion. The more important element is where we put the emphasis. I have said before and will state again that Britain's first circle of interest and influence, even outside the EU, will be via Europe. I do not think that we start with the United States; that is a simple way of putting it. That is a point I made three or four years ago, before Brexit and Trump, so it is

not a *post hoc* comment. It is just geographical and historical; it has been ever thus, even when we had our empire, much of which we used to leverage and strengthen our position within Europe, as much as we did for anything else, and it worked.

My view would be that we should be deepening those relationships and making sure that the exit is not so damaging that we are incapable of doing so, or at least to point to that ambition. I know that is difficult politically, but my job is to say what I think. I appreciate the difficulties of taking that line politically if you are in government right now, but to me it would reflect the reality. The Government are doing some of that, engaging on everything from managing illegal migration to counterterrorism, and focusing on the Sahel. We share continental Europe as our first line of defence and interest, so I would put that firmly and squarely at the front.

The second circle is the United States, inevitably. It is the most powerful nation in the world and the one that in its DNA and structure represents the principles and values that we believe are most effective for the United Kingdom's interests internationally. It would inevitably have to be a partner of ours, and we would want it to be, to the extent that it can be, wherever we go. An adjustment we need to make is to focus much more on Congress, business and civil society to broaden the focus that we have on the United States, including those in government, beyond the obsession with whoever is in the White House. We can see that that has been a pretty bumpy ride, with very different views and a pretty diverse set of perspectives over the last four Presidents.

Our emphasis thereafter would be on a very important group of countries that we may not have identified quite as clearly as we might have done. Which of those countries share with the United Kingdom the benefits of a rules-based international order? I use those words very specifically; I am not throwing in other elements. Which countries share that and have the desire and the capacity to be partners? That includes countries in the EU. Not all of them are interested in being international and being activist about it, but France, Germany, the Netherlands and Sweden are. We know the list. I would add Canada, Australia, Japan, South Korea and Singapore.

Others may want to be part of the group. Being thoughtful and picking particular areas where Britain has real interest, whether it is on internet governance, reforming the WTO, or climate—we can pick our areas—and being a partner in trying to strengthen the rules-based order as a more independent player, as we will be after Brexit, would be a positive thing to do.

In doing that, we may want to be a little radical with some of the institutions. As our incoming chairman, Lord O'Neill, said the other day, does the G7 have the right mix? It represents the democracies with the strongest economies, and there may be some others that want to pick up some of the load. The OECD could be a great partner; it is a norm setter

and contains many of the countries I have mentioned. We should be a little creative in that space.

There are areas where it will be harder to have influence, hence my emphasis that we have to choose. I was looking at the written evidence given to the Committee by the FCO, where I saw the US first and Europe maybe second, with the Middle East as an area where we can have influence. I think we are going to have a lot of influence in the Middle East right now, with the way it is. Indo-Pacific is too vague for me. China will be very important as a partner in some areas and, obviously, as a competitor in some areas as well. We will have to be very sophisticated, once we are out of the EU, in how we manage our relationship with China in particular. I had better stop, or I shall keep going.

The Chairman: Bronwen Maddox, could you answer that question as well? Just to take up Robin Niblett's point, America is the richest country, but is it still the most powerful in this networked world, particularly with all our present difficulties with Mr Trump?

Ms Bronwen Maddox: If you will forgive me, I shall take a quick circuit around the first questions. Yes, I think we have damaged our immediate relations with the EU, although I am sure that we will find a way to repair them. We have to bear in mind that Europe is changing, perhaps quite fast, with the rise of populism and new parties and the still unresolved questions about migration. We may find ourselves in a many-year adjustment of our relations with Europe, as Europe itself is changing quite fast. That seems to me a possibility.

As to what we should concentrate on, the US and China are the biggest, and I shall come to the US in a second. Yes, we can pick up other alliances. I have just come back from South Korea, where they said very pointedly, 'You lot stand up for a rules-based international order, but you are leaving a big part of it. What should we make of that?' They are not without comment themselves. Obviously, we have to consider security questions. Russia is not going away, and its desire for influence right across the eastern border of Europe is there.

On the US and the question of whether it is still the most influential state, yes, it is, both in itself and from where we are, given that we are on the far reaches of China's belt and road initiative. Most of the weight and money on that is further east. At this point, the US still has that role commercially, politically and even diplomatically. It is still a member, even if an uncomfortable one, of many of the world's institutions. I agree with Robin Niblett that our prime focus of engagement after Europe needs to be the US, and there are many ways of dealing with it. It is a country founded on the idea of bringing together people with very different views and has many expressions of that, and we have many routes into it.

For all President Trump's personal idiosyncrasies, he clearly represents something about political views in the United States. There is an enduring level of support for him. However long his term as President, and there is obviously a range of possibilities, he clearly stands for something that

represents a big block of opinion among Americans, and that is not going away.

The Chairman: Should we make policy in this nation on the assumption that President Trump is a passing problem and things will go back to how they were before, or that he is an outcome of much deeper forces?

Ms Bronwen Maddox: The second.

The Chairman: That is a pretty important decision that we will all have to make.

Baroness Hilton of Eggardon: Does that mean that America will continue to pursue isolationist policies and withdraw from international organisations in the way that it has under Trump, if you are saying that he is supported by a large part of the American populace?

Ms Bronwen Maddox: He clearly speaks for a lot of Americans who have little interest at this point in, for example, fighting another war or paying, as they feel it, a lot of money to international institutions. But that is absolutely the right next question, because he is unlikely to be succeeded by someone with quite as much of an isolationist, 'America first' agenda as he has, or who makes as many threats to withdraw America very quickly from world institutions.

American isolationism has waxed and waned over the decades and centuries, so it is not entirely a new phenomenon. It is the sometimes apparently improvised nature of what he suggests, or the speed with which he suggests withdrawing from NATO, for example, or the WTO, that disconcerts America's allies at the moment. There is a strain of feeling in the United States, and we cannot assume that it will go away, but I would be surprised if it were replicated in quite the way President Trump has articulated it, once he has served his term, however long that is.

Q200 **Lord Hannay of Chiswick:** I want to go back to the first big question and ask whether you feel that one has to be careful to distinguish between understanding some of the forces that have been unleashed, partly by globalisation and partly by the 2008 financial crisis, and the roots of all that, and sympathising or trying to join or emulate those policies, even when we are fairly clear that they are inimical to our national interest. Surely we have to be rather careful in distinguishing between those two. Understanding why these things happen is important, but there were attempts to sympathise with them in the 1930s, and they were not a huge success.

Dr Robin Niblett: I completely agree with that point, which draws a very important distinction in understanding the sources and roots of the frustration that has led to a lot of political upheaval that is still playing out, as we have seen in the recent Italian elections, across much of Europe and other parts of the world. To my mind, populism is a thing done by politicians. Politicians take advantage of people's anger, generally or almost always without answers that have any positive near-

term effect. The most dangerous populists are those who are seen to fail the first time, because then you end up with even deeper populism; they will never take the blame for their failure. I am very alive to the risks of allowing an understanding of the roots to evolve, potentially, into some sort of sympathy for the policies.

To pick up on one of Bronwen's comments right at the beginning, as you have gone back to the beginning, this is a time when we need to think very firmly, as Britain, about the root principles that we believe ensure the stability, growth and justice internationally that we aspire to and think is good for our people, as well as for others around the world. Internationally, the rules-based order, which has been a long-fought concept, deserves all our support.

The more complicated part is where as a country we lay emphasis on the domestic elements of stability. How important do we believe are the domestic governance arrangements of other countries in influencing a rules-based order and international stability? How far forward does Britain put itself on that map and call out countries whose domestic governance systems we may see as leading to instability? We might criticise Viktor Orbán in Hungary, but then we might not criticise Xi Jinping in China. We end up in a very complicated space.

My view on these things is that we in Britain and the countries in the West that aspire to an international rules-based order need to put emphasis on some pretty basic principles of good governance domestically, with separation of powers, primacy of the judiciary and the rule of law, which really exists only if you have separation of powers, and an independent civil society, to which we as think tanks belong, as well as the media and so on. Not everyone may be there, but we should call out any backsliding that takes place, which is to your point, and we are seeing backsliding in Europe. We may not want to lecture other countries, whatever the stage of their political evolution, development or cultural desires, but if we have this stuff we should protect it and call out those who seek to undermine it. I am firmly of the belief that those are essential principles in the long term for every country to be able to achieve the kind of prosperity that we have had net in the West.

The Chairman: Bronwen Maddox, do you want to add to that? It is really all about China. How do we deal with a country that does not believe in being rules based but is a power, is doing very well, and seems to defy the old precept that you need democracy and freedom for economic growth? It apparently needs neither.

Ms Bronwen Maddox: And it intends to give money to a lot of countries and become an alternative to western sources of aid. We in the West might say, 'Look, we'll give you money with these conditions, but you need to improve your governance or your Government', but China will say, 'Look, we're an alternative source of money, and you don't need any of those constraints'. It is a real issue, and we need to be alert to it and keep arguing.

I absolutely agree with the thrust of the question; you do not want to craft a policy, whether abroad or at home, that fits itself to various populist impulses, because you can end up with something very ugly or, at best, incoherent. At the same time, populist forces are articulating real challenges to policy. One of the most difficult for the Government at the moment is what to do about migration. This is not just about the UK; it is about many countries. Governments have struggled to come up with an answer that has adequately addressed people's views, and the failure to come up with something is perhaps one of the reasons why more extreme parties are saying to people, 'We'll solve this one for you'.

It is not the domain of this Committee, but the question of how much to spend on public services that are under some strain, with national finances where they are at the moment, is another issue capable of producing populist forces. People say to the Government, 'Come on, spend some more money for us'. That is difficult for governments to address, and I have no easy answers, other than that politicians and governments need to spend a lot of energy explaining to people why they think that some things are possible and others are not.

Q201 **Baroness Coussins:** We have heard from a number of witnesses to our inquiry that the private sector—international business—is, or should be, a player in the development and conduct of foreign policy. This has come up mainly in relation to technology, defence and artificial intelligence, but also in relation to development and aid. What is your view about the extent to which the private sector should be more or better engaged in international relations?

Ms Bronwen Maddox: There are a lot of elements packed into that question, which is a very interesting one. I wish that the concerns of business were considered more often when British foreign policy is being made. It is sometimes striking how it barely features in the conversation, as I felt was the case discussing Brexit in the early months after the referendum vote. On the other hand, I slightly recoil from the suggestion in some interpretations that there might be of that question that business should be involved in making foreign policy, which needs to be made by government on behalf of the country and what the country stands for.

At the end of the question, you had a coda about aid and the role of business in delivering it. How aid and development generally get delivered is becoming much more complicated, often in good ways. The aid industry is no longer monolithic, and countries receiving aid now have much more active businesses within them and many more contacts with business, so businesses are able to give some help. That seems a more positive angle, but I am not party to the previous discussions you have had on that matter.

On your first, prime, question, I wish that business interests were more considered in our foreign policy than they sometimes are. On the other hand, you would not want it to become all about trade. Indeed, one of my concerns about foreign policy after Brexit, if Brexit happens, is that

Britain is so concerned about a scramble to do trade deals that it becomes all about trade.

The Chairman: Of course, you could argue that Baidu, Alibaba, Tencent, Facebook and the other great algorithms of the world are already making foreign policy, riding right past the interests of Governments and foreign policymakers. Is that not part of the problem? In that sense, business is already too influential in shaping international policy and opinion.

Ms Bronwen Maddox: They are making their own rules; I would not say that they are making policy. It is a big challenge for Governments making foreign policy in the digital age not only to take advantage of the opportunities and deal with the new threats, such as cyber, but to decide what to do about companies that simply regard as discretionary where to declare profits and therefore pay tax. Large companies on that scale are making their own rules, rather than making the country's policy.

The Chairman: Dr Niblett, do you want a say on that?

Dr Robin Niblett: I may come back to that very interesting point at the end. On the initial question, it struck me that if we in the United Kingdom are deeply interested in a rules-based order, interestingly enough multinational companies in general may become good partners in that process. I have watched the reaction of most multinational companies to President Trump's changes to some of the regulatory structures in the US, and the bulk of them have said, 'That's very nice, but we're not interested'. That has applied largely on climate, and to a pretty big extent to some of the loosening of human rights obligations, and to some extent to some of his loosening on anti-corruption.

What is interesting about multinational companies today is that they have global brands, and it is actually easier to hew to one regulation, and even to the higher standard in many cases. It will be very interesting to see what happens with GDPR, the general data protection regulation, and whether that becomes something that is easier for companies to stick with. Although it has been a bit of a pain for them at the beginning, in the end at least it sets one standard across the world.

As Governments struggle in some ways to embed a rules-based order, in engaging with companies and having policies that they can be brought into they may become soft projectors of some of those rules just for ease of doing business and for enlightened self-interest. That is an interesting dimension, and you need as a government to think intelligently about how you design regulation and who you have at the table.

Recently, via the Financial Stability Board, I have been somewhat involved in conversations on the G20-mandated Task Force on Climate-related Financial Disclosures. It is a bit of a mouthful, but you can imagine what it means. In essence, the G20 Governments have all committed to the Paris agreements on climate and how we are going to get only a 2% increase in temperature. We have not quite worked out the policies on that, but if it happens, all the big energy companies will have

stranded assets inside the soil and the value of their share price will go down, and that will become a systemic financial risk: 'Aha, let's ask the FSB[6] and banks to ask the energy companies about their plan'. We have ended up with a rather strange situation where, by reverse engineering, Governments are trying to get companies on the energy side to tighten up even further their approaches to climate. My sense is that it has been a very ineffective conversation so far, and it has a long way to go.

We need a different way of thinking about it. I suppose the point I am making is that it is really about regulation rather than trade. The regulatory space will become a key area for global competition in future. Britain has been pretty good at regulatory writing. We have tended to do it in the EU, but we will not be doing it in the EU in future; therefore, our clout in this space may decline. It probably will decline in the near term. We may be able to pick it up through the OECD,[7] as I said earlier, and through the Financial Stability Board and some other organisations.

In determining the terms under which companies do foreign direct investment, it is critically important for aid to be replicated by more sustainable forms of assistance. If it is done on an unsustainable basis, as we are seeing in many countries, it will be useless. I am not sure whether I am articulating it clearly, but there is a real opportunity to think creatively. It will be a little tough for the UK to play it as it does Brexit, but we should not give up on that goal.

The Chairman: We come back to our own organisation, facing this entirely new world with new conditions.

Q202 **Lord Purvis of Tweed:** You are expert observers of the machinery of government. If we need a more thematic approach, is the current structure of our outward-facing departments around the world sufficient to co-ordinate a policy or set of policies? Are they working too independently? Has that become worse because of some of the changes that our previous witnesses have indicated in the Department for International Trade, for example? How does it compare with previous attempts to try to have a more co-ordinated set of outward means of delivering a policy?

Ms Bronwen Maddox: There are a lot of contexts in which people call for more thematic cross-department working in Whitehall, and an awful lot of that is justified. I would pause before rushing to say that this is one, however. The outward-facing departments have been weakened and confused by many years and many enterprises when a lot of policy was made right at the centre. I am thinking first of the Iraq years, and of EU policy itself, on which the Foreign Office developed a lot of expertise, but then, inevitably, the Prime Minister of the day would take on.

The outward-facing departments—the Foreign Office, DfID and the MoD to some extent—have been very good at working together, often very

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[6] The Financial Stability Board
[7] The Organisation for Economic Cooperation and Development

fast, in response to changing events or to things that Britain needed to do. Their handicap at the moment is the lack of a clear direction, it seems to me, rather than any problem of machinery. Although there are silos in Whitehall and impediments and interests that stop officials and Ministers working together, given cause, and cause for urgency, they tend to cut through that fairly fast. Brexit has in some ways given that cause. We have seen a lot of examples in the past year or so of departments working very flexibly together; people moving between departments very fast, back and forth, and moving between jobs in departments, almost more than you would want for the build-up of expertise.

In terms of fluidity, Brexit has been a shock to the system, which has forced, and sometimes attracted, civil servants from all over Whitehall to work together in different ways. I gave a talk at the creation of the International Trade Profession, a group of people who identify themselves by their trade expertise in government, and was struck by the very bright people at all levels across Whitehall who turned up saying, 'Maybe I want to be part of that'. Many of them were very committed.

What makes things difficult, and I do not want to labour the point because it is completely obvious, is that until there is a destination agreed on Brexit and we know whether there is going to be a deal and what it is like, it is very hard for departments to co-ordinate. To try to get structures working before that is clear is to put form before content, and the content tends to drive these things. I would absolutely sign up to most descriptions of and anecdotes about the kind of silos that there can be in Whitehall and that can be a real impediment. For example, we are going into another spending review next year, and there is a big case for departments to work together to try to get savings, yet everyone knows that it is very hard. Given the urgencies of foreign policy and the particular urgency of Brexit, I am not rushing to say that that is top of my list. It is producing as many counterexamples as it is examples of a problem.

Q203 **The Chairman:** That is very wise. Is it about having more co-ordination, as the officials said, or is it just about the lack of a clear direction and a story to inspire all departments in their different ways to act in the right direction? Is there a story missing from all this? We might just finish by asking the experts in front of us what the story should be post-Brexit, post-Trump and post-rising China, in a Commonwealth network and in a world of networks. What is the story and how will it bring all those departments to sing from the same page?

Dr Robin Niblett: In Tom Fletcher's 2016 study, there was a comment about the need for a sense of common narrative and purpose, and how important that would be. Bronwen made the fair point that it is a pretty difficult thing to strike today from the heart of government, when inevitably we are in a period of such upheaval through the process of Brexit.

We have both been trying to articulate some of that narrative in our commentary. In the end, it will be essential that the narrative is owned

centrally, because—speaking to the question—whatever happens, centres of government, the Executive, whether in democracies or autocracies, are hogging foreign policy for obvious reasons. Their reputation is connected to it, and their future in many cases is connected to it. We watched Xi Jinping hog what was a pretty collegiate system across China with a much more centralised system. Then there is Turkey. It is not just a function that we have seen in the United States or the United Kingdom; it is a global phenomenon, driven partly by social media adding even more pressure and speed to a desire to control messages from the middle. Whatever systems we have will have to exist from that reality. Therefore, the central message becomes all the more important.

The message I would go for is quite simple. Britain has been a builder of rules-based international relations and a huge beneficiary of them, and it will benefit from them and need them in future. That will always have to be voluntary in international affairs; you cannot compel. In the 1980s, British international relations theorists came up with the theory of international society and the idea that international law evolves over time and is amplified through a basis of self-interest and self-policing. The UK will have to become, and should become, an absolute champion of the expansion of that concept.

In doing that, we need to pick like-minded allies. Partly, they will be European allies. It may or may not be in partnership with the EU as an institution over time. I hope that it will be. We need to broaden the circle, and at this time, with the expertise that has been invested in additional Foreign Office capabilities internationally, the deeper expertise and greater co-ordination that we will have to feed into all our institutions and the idea of going back to our core mission, which we have held for close to a century and which very much appeals to the internal dynamics of Britain's narrative—the kind of nation that we are—the rules-based approach is the way to go. I would put that absolutely front and centre.

The Chairman: That about sums it up. You have both been very clear that that is where we should be. I wonder whether it is a musical scene; we need a good score, which is the rules-based order, a good conductor and a good orchestra. I suspect that is really what we are trying to move towards.

I thank both of you for sparing us your time this morning. We are very grateful to you. Your comments will be very helpful to us in trying to put together our report. Thank you very much indeed.