

Speech by Sir Simon Fraser at Chatham House: 29 September 2015

Post 2008: British Foreign Policy in an Age of Uncertainty

Context: Cold War and After

I started work in the Foreign Office 36 years ago and in July I stood down after five years as Permanent Under-Secretary. It has been a wonderful, rich experience. Today I will draw briefly on that experience in order to propose some guidelines for how we approach British foreign policy in the uncertain years ahead. These are entirely my personal views.

Looking back I divide my career into three phases. The first decade spanned the closing years of the Cold War. Although momentous change was brewing, and despite the strategic dangers of those times, it was in fact a decade of relative international stability. A world of known alliances, clear ideologies, and a strong superpower corset that contained regional problems. A very different world from today's.

The second and very exciting phase covered almost twenty years between 1989 and 2008: from the fall of the Berlin Wall to the financial crash. This is how I now define the Post-Cold War period.

The 1990s were optimistic years of economic growth and US leadership among confident democracies. Collective international action removed Saddam Hussein from Kuwait. We achieved peaceful transformation in much of Central and Eastern Europe. We completed the Uruguay Round, Europe's

internal markets opened and globalisation brought benefits on the back of new technologies. We saw the take-off of growth in China, which led to an unprecedented reduction of poverty. But of course there were dark sides. The Balkan conflicts were a terrible scar on that decade. New forms of international terrorism emerged, as did the negative sides of new communication technologies.

As we entered the new millennium I think Western policy lost some of its bearings. First in the way we handled the shock of 9/11. Of course that appalling, world changing event demanded an uncompromising response; but I would argue that we allowed it to shift our psychology too much from confidence towards fearfulness. Then there followed the series of bad judgements over Iraq, which diverted resources from Afghanistan, divided the West, and damaged the reputation of American and British policy making. All this time China's amazing growth was changing the structure of the world economy, and ever faster globalisation posed novel challenges for political, economic and financial governance, to which our response proved inadequate.

I date the third phase of my career from 2008 because I believe the financial and economic crash has been the most significant global event since 1989. As well as being a huge economic setback, it has damaged public confidence in Western governments, business elites and the positive narrative of globalisation. Seven years on we have still not fully worked through its consequences, not only for our economies, but also for our politics, our social cohesion, our confidence and the capacity of Governments to act. And in foreign policy, as in other areas of our life, 2008 turned out to be the start of a new chapter.

Description: Post 2008

What have we so far learned about this new era? When the Coalition Government took office in 2010, the focus was overwhelmingly economic: austerity and recovery at home; trade and investment abroad. I was asked to prioritise relations with new markets in Asia and Latin America, and to strengthen the economic and commercial skills of our diplomats. We knew that the world was changing fast, but I think we assumed that, despite the crash, it would be evolutionary change managed through mechanisms such as the G20 in a global system that was broadly a continuation of what went before.

The reality was far more disruptive. We were plunged in 2011 into an extraordinary cycle of crisis. I am cautious in attributing cause and effect, because in foreign policy, as in life, stuff happens. But I believe that, to differing extents, those crises can be linked to three mutually reinforcing phenomena: the far reaching consequences of the economic crisis; the scaling back of Western, notably American, foreign policy ambition after Afghanistan and Iraq, and the rapid spread of technologies that revolutionised how people share information and opinion.

Analysis

I will not catalogue the events of the last five years, but let me say a few words about three issues to illustrate my point. In the Middle East and North Africa, for years people had been saying that republican autocracies from the 1970s could not survive without reform. But few, if any, foresaw the scale of the 2011 explosion of economic and political frustration, which was caused by local

failures of government, and was catalysed by means of communication that bypassed state control.

We faced a spiral of events, and I believe it was the correct and only practical policy choice for us to support the popular call for change. I also believe that the circumstances we faced justified our military action in Libya. But it is clear that our aspirations for peaceful change in countries that lacked strong political culture and institutions were too optimistic. We underestimated the resilience of the regime in Syria, and had difficulty reading the dynamics of Egyptian society. And as things turned for the worse across the region, both our domestic post 2008 economic preoccupations and the after-effects of Iraq affected our will and capacity to act.

In Ukraine the EU had long been working sensibly towards a closer relationship through economic and trade policy. But you can argue with hindsight that we might have foreseen in 2013 that the combination of formally signing a deep Free Trade Agreement, with the internal unrest facing President Putin on his return to office, and the perception that had arisen of greater reticence in Western foreign policy, could result in a more aggressive Russian response in Ukraine, and opportunism in Syria. Not that this justifies Russia's illegal acts.

Within the EU itself, the risks inherent in the inadequacies of Eurozone governance had long been identified. So when events after 2008 placed these arrangements under extreme strain, an economic and political crisis was on the cards, even if we could not know exactly how it would play out, and it was not the UK's direct responsibility.

It is hardly surprising that Western governments were tested by such tumultuous events. Hindsight may suggest that in some cases we could have been better prepared, but, in the thick of real time action and decision making, it is one of the most difficult things in foreign policy to imagine and predict big disruptive events, or the consequences of improbable combinations of events such as we experienced. Spotting discontinuity is one of the hardest parts of diplomacy.

The scale and speed of those events was phenomenal. In the Foreign Office perpetual crisis management left limited time to think. Along with the big policy calls came multiple incidents threatening British people around the world. Evacuating embassies or responding to terror attacks like those in Algeria, Kenya and most recently Tunisia, required a huge effort, as did natural disasters like the Japan tsunami, Nepal earthquake or ebola. There is growing expectation from the public, the media and politicians about the level of assistance we offer British people abroad. Of course we must do our best, but in a post 2008 negative sum resource environment the risk is that we are too busy coping with events to be able to shape them.

The Future

So what comes next? Predictions are clearly a mug's game, but in the medium term I expect four familiar issues will continue to loom large on our foreign policy agenda. Managing a prolonged and uncertain crisis in the Middle East, which is feeding Islamist extremism; events in Europe and above all settling our own relationship with the EU; establishing an acceptable relationship with a revanchist Russia that's trying to reassert its geopolitical role; and all the time seeking the right, positive strategic response to the evolution of China.

But that list of priorities, described in those conventional terms, fails to capture how foreign policy has spread into the domestic arena and demands fresh approaches. Three examples are terrorism and extremism, cyber security and migration.

In one sense ISIL is the latest and worst example of a familiar phenomenon of terrorist organisations exploiting ungoverned space in countries in turmoil. But the alarming new development, apart from their unparalleled brutality to local populations, is the way in which, through their virulent ideology and communication skills, they are fostering extremism within our own societies and communities. Nowadays I have noticed that policy makers increasingly see the Middle East through the prism of domestic security.

As for cyber security, the internet, wonderful as it is, is creating enormous problems for protection of official, commercial and personal information from international crime, espionage and even unconventional warfare. Countering this requires a huge investment of expertise and resource. And it raises profound legal and ethical questions about the balance between security, commercial freedoms and individual liberty.

Migration, refugees and the movement of people will be one of the most difficult challenges. In one form this has long been at the heart of our national debate about the EU. In another it is a consequence of uncontrolled regional conflicts and humanitarian crisis. In yet another it is a consequence of material expectations fed by new technology. These are international phenomena that profoundly affect domestic economic, security and social policy, as well as raising hard moral questions. All three examples illustrate how making foreign policy increasingly requires an integrated approach across Government.

What Does This Mean For Our Future Policy?

Rather than offer detailed policy prescriptions for individual issues I want to propose four guiding ideas for our future approach.

First, prioritisation and clarity of purpose. It's essential in this fluid and uncertain world that we have a clear view of where our long term interests lie and keep a focus on important strategic priorities while we grapple with urgent events. How we patiently over time develop our relationship with China is an obvious example.

It is equally essential that we project a confident, positive vision for the world that is stronger and more attractive than what others are offering. In recent years, as we reacted to grim events, our worldview has shifted away from a sense of opportunity towards greater insecurity. That is understandable, but we cannot afford to surrender the initiative. This does not mean arrogantly preaching to others about our superior values, or seeking to impose on them particular forms of government. But it does mean championing our model of society and a world based in tolerance, market-based prosperity, pluralism and the rule of law.

It also means using our soft power intelligently. There is probably no country, other than the US, with a more influential global brand. I believe our influence can lie increasingly in the attractive power of our institutions, our language, our capital city, our legal system, our education, our creativity, our diversity. Using these assets requires a concerted approach across government and beyond. It also means that the policy choices we make on difficult issues like Europe, migration or visas should not undermine our dynamism or our reputation as an open, confident place.

Second theme, the economy. Economic success underpins security and power. We must continue to focus on growth, competitiveness and innovation. Our international policies should favour science, transparency, smart regulation and open, rules based trade. That is why it is essential to press for economic policy reforms within the EU, which are vital both for our future economic success and, frankly, for us to remain comfortable as EU members. It is also why we should sustain our commitment to dynamic growth markets, even as they pass through ups and downs.

Third, it is essential that we maintain the ability and will to underpin foreign policy with legitimate use of force, exercised usually with others. We still possess impressive instruments of hard power and it is an important signal that we have committed to spend 2% of GDP on defence. This resource should provide cost effective, flexible and relevant capabilities. Our commitment to spend 0.7% GNI on development aid is also important. As well as direct alleviation of poverty, this money should be used, within the international rules governing development spend, to support wider foreign policy goals of prosperity and security.

Successful defence and successful development depend on successful diplomacy. In the age of uncertainty we need to think clearly, we need to understand change, we need to know where our interests lie and we need to negotiate to get our way. That's what diplomats are for. The agreement to halt Iran's military nuclear programme was a powerful reminder of what diplomacy can do, and also of the costs of failure, since the likely alternatives were either war or Iran with the bomb.

Here too we need the tools to do the job. Over the last 5 years we took about 25% out of Foreign Office running costs, while still expanding our global diplomatic presence. The total FCO budget is £1.3 billion a year; just £2 out of every £1000 the government spends. It is about one tenth the budget of the US

State Department and three quarters of the budget of the French foreign service.

But in fact, once you strip out fixed costs like UN or NATO subscriptions, we spend under £650 million a year on the Foreign Office's activity in 168 countries. We give more than half that amount each year in bilateral aid to Ethiopia alone. Now that the Government has ring fenced some £50 billion of annual international spending for defence and development, would it be proportionate or coherent to make a further significant cut in the relatively tiny budget of the Department whose thinking and diplomacy ties all our international work together?

Fourth and finally, relationships and the international system. It is obvious that our national interest is best served by a strong, rules based international system that commands wide support and compliance and where all countries feel their interests are properly protected. Contemporary problems of security, economic cooperation, climate change, migration and technology require vigorous multilateral action. Yet the recent record is hardly encouraging. Since Libya the UN Security Council has been hamstrung on key issues. The European Union is barely rising to the challenges. The WTO is struggling to progress open trade. The UN did not greatly impress on Ebola. Agreed reforms rebalancing representation in the IFIs have stalled.

I believe the UK can lead in this field. We still enjoy disproportionate leverage in multilateral organisations. We are the world's diplomatic drafters. I hope we will preserve our instinct for looking out on the world and working with others for practical solutions.

As for our bilateral relationships, we are right to build ties with countries that will be richer and more powerful in the future. We should continue to reach out

to China, India and others, while being realistic about their different interests and priorities. But as we do this it would be a mistake to underinvest in core friendships. In foreign policy, when the going gets tough, the people we need most are those with whom we have the strongest economic and security links, who live near us, who share our values. Those relationships for Britain lie in Europe, North America and the Old Commonwealth.

The biggest single task ahead is to clarify our position in Europe. We will have a decisive referendum soon, preceded, I hope, by a debate that reflects the huge importance of this subject in so many areas of national life, and realistically appraises the alternatives to EU membership. I hope to play a part in that debate. It is clear that the EU needs reforms and is not at present dealing convincingly with the problems and risks of the post 2008 world. But so far as our foreign policy is concerned, since that is my subject today, I believe that being outside the EU would weaken us. It would reduce our ability to shape responses to the challenges we face, and would diminish our influence in our most important international relationships with Germany, France and of course the United States.

Conclusion

And so I conclude where I began: we are living in uncertain times. The 2008 crash has had a dramatic impact on the world and the fallout continues. We face a long, taxing struggle against Islamist extremism. We will soon take a defining decision over Europe which could also determine the future of our own union. Resources are tight; public opinion is uncertain and the powers of government seem increasingly circumscribed. I believe it is really important that, as we address these challenges, and the many others that will arise, we remain an active, confident and internationally engaged country. Others in the world look to us for ideas and for action and we have much to offer.

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