

JOINT COMMITTEE ON THE NATIONAL SECURITY STRATEGY

The National Security Strategy (Third Review) Written and corrected oral evidence

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Dr Fatih Birol – oral evidence (QQ 50-67)

HC 178

Evidence heard in Public

Questions 50 - 67

MONDAY 15 JULY 2013

Members present

Margaret Beckett (Chair)
Lord Clark of Windermere
Lord Lee of Trafford
Lord Levene of Portsoken
Baroness Neville-Jones
Baroness Ramsay of Cartvale
Lord Sterling of Plaistow
Baroness Taylor of Bolton
Mr James Arbuthnot
Sir Malcolm Bruce
Paul Murphy

Witness

Dr Fatih Birol, Chief Economist and Head of the Economic Analysis Division, International Energy Agency

Q50 The Chair: Dr Birol, thank you very much for coming. Welcome to this hearing of the Committee. I apologise for having kept you for a moment or two before we could ask you to come in. As you see, there are quite a large number of us. Not everybody will necessarily ask you a specific question; what we will try to do is steer the questions in particular areas. What I would like to do to commence is to say that, of course, we are aware of the work that the organisation does, and that you produce your report looking forward each year. I suppose you are probably about half way, or a little more, through the next session. What I would particularly like to ask you to flag up to us is, on the one hand, what, if anything, you feel has changed—particularly major things—since your last report, and what are the issues in that report that you would particularly highlight to us at this moment in time?

Dr Birol: First of all, thank you very much, Madam Chair, for inviting me here. It is a great pleasure and honour. In effect, we are in this forthcoming edition of the *World Energy Outlook* analysing the impact of a change that has already happened: namely, in our 2009 edition of the *World Energy Outlook*, we said a silent revolution is starting in North America and it will affect everybody, which was the shale gas revolution in the United States, Canada and Australia. It is affecting everybody now, and there are two major implications of that. First, it is changing the geopolitical map of energy. There are big losers and winners there,

in terms of countries. Secondly, it is redefining the competitiveness of different countries in the world, relative to each other.

In this forthcoming *World Energy Outlook*, we are looking at how the unconventional energy revolution in the United States is affecting the competitiveness of different countries in the world; we are looking at the heavy industries, such as iron, steel, petrochemicals, aluminium, cement and others, and we are looking at how the different countries' trade balances are affected by that. We look at the US, China, Europe, Japan and the Middle East, and we see that some countries' competitiveness is adversely affected, whereas some countries are enjoying a better position vis-à-vis others in terms of their economies in the years to come. Energy is becoming much cheaper in those countries, whereas it is becoming more expensive in the others, so the cost of energy will be a crucial determinant in the years to come in defining the competitiveness of different countries. Among other things, we are analysing this issue, Madam Chair.

The Chair: Is this happening to a degree, or in a way, that you did not foresee in 2009?

Dr Birol: In fact, to be honest with you, we were the only one who was able to foresee such a silent revolution in the United States. As you rightly implied, many other players—including some key gas-exporting countries—were not able to see that coming, and therefore were not able to position themselves. I would forgive those who did not foresee this happening, but I think that after we indicated that this will affect everybody, the ones who were not able to take our warnings seriously and not able to read the game—what was happening—are the ones who are losing today. It is very important to understand what is happening today in the very dynamic energy markets, and discuss those implications in terms of both economic competitiveness and redrawing the “geopolitics of energy” map.

Q51 Lord Lee of Trafford: Dr Birol, obviously we look at this issue through a UK prism and UK eyes. The United Kingdom Government's *Energy Security Strategy* projects, as has been stated, a fall by 7% between 2011 and 2020 in total UK energy demand. Do you think, with your knowledge, that is a realistic projection? It does, I have to say, seem rather strange and surprising to a number of my colleagues here.

Dr Birol: This should be as a result of a few factors, and most importantly, this should be the result of the UK's intention to use energy more efficiently. The UK can have the same lifestyle, the same economic situation and the same level of comfort in terms of energy, but use energy more efficiently. The economy and people's comfort should not suffer from using less energy, but that energy should be used in a more efficient manner. This should be the main driver of why one might see such a trend. In fact, the UK is not the only one. Several other European countries that take energy efficiency seriously expect such trends in the next years to come.

Lord Lee of Trafford: Do you believe that to be realistic?

Dr Birol: I think energy efficiency policies that are put in place are, in many cases, difficult to implement. I would not say that this will happen, but to aim for such efficiency improvement is a very important policy driver. I would subscribe to that, but whether or not those policies will be 100% implemented and therefore we will see this amount of reduction is something that remains to be seen.

Q52 Lord Levene of Portsoken: Has it ever been done before, significantly?

Dr Birol: Yes, in many countries. For example, Denmark is a champion of that. Japan is a champion of that. Many countries push very strong energy efficiency policies, and when you

look at the United States today and the President's Climate Action Plan, the main pillar of it is energy efficiency. Perhaps you might have heard that when we published—as Madam Chair mentioned—our previous *World Energy Outlook*, we came up with a message: namely, that the United States is making giant steps towards energy independence. This is the message that we came up with, but many people read this message incorrectly. They thought that the United States was making these giant steps towards oil independence mainly or exclusively as a result of increasing oil production in the United States—so-called “unconventional oil”. Yes, this is the first leg of that success story, but there is another part of it that comes to your question.

The first Obama Administration has successfully, for the first time in 35 or 40 years, introduced new, stronger fuel efficiency standards for cars and trucks. That means US cars in future will use less oil. Currently, as of last year, an average car in the United States uses about nine litres for 100 kilometres, whereas in Europe, it is six litres for 100 kilometres. What the first Obama Administration did is push down domestic oil consumption as a result of using energy efficiently. The US success story of making giant steps towards oil independence has two legs: one, increasing oil production after years and years and reversing the trends, and second, pushing down domestic oil consumption as a result of efficiency.

Efficiency policies do deliver. We have seen this in the United States very recently, but there is a history of this in Japan and several northern countries, and the last country that is putting a lot of effort in here is China, which is the most important country when it comes to energy consumption. China is putting a lot of emphasis on energy efficiency, but perhaps driven by different reasons from many other countries. China is trying to use energy more efficiently, not because of environmental reasons but mainly to bring the cost of energy down—to get the same output, same economic growth, same miles driven, but with lower energy. That is China's five-year plan. All the countries are pushing the energy efficiency button, and I am happy to see that the UK energy strategy also puts a strong emphasis on that.

Lord Levene of Portsoken: Could I just come back on that? All of what you are saying sounds very good, because it is what we want to do. The question really is, “Have they actually done it?” because this is talking about total UK energy demand. It is great if Governments say, “Look, we are going to reduce the amount of oil we use every year.” The question is, having said that, is there actually a track record of where they have successfully done it and the total energy demand is less?

Dr Birol: I have just mentioned Denmark. Denmark has decoupled energy and economic growth. As a result, we have seen that while the economy increased, energy demand decreased, mainly because of the efficiency policies.

Q53 Sir Malcolm Bruce: You were set up as an organisation 40 years ago, on the back of the OPEC oil crisis. How good have you been over those 40 years at forecasting? I accept entirely that you foresaw the current trend in America, and that is significant, but across the piece, how accurately can you forecast? Also, for policymakers, is there not the difficulty that the timescale for deciding what energy mix you are going to pursue may be rather different from what the forecasters are telling you?

Dr Birol: You are right. The forecasters have the difficulty of convincing the policymakers, especially after the financial crisis. It affected the reputation of all the forecasters, not only economic forecasters. However, with the *World Energy Outlook*, we have first of all been able to forecast a couple of very important developments. One, as I mentioned, is the shale

gas revolution. Secondly, in 2007, we said, “China will soon be a coal importer.” Nobody believed us, because it was impossible to see that a big coal country like China would import coal, but this has happened. China is a coal importer today.

More importantly, for example, in 2008, when oil prices went down to \$30 as a result of the financial crisis, I said—a couple of blocks from here, in a press conference—“Don’t believe this. The era of cheap oil is over. We will see oil prices reach around \$100,” and for five years, oil prices have been around those levels. For me, when you look at the history of oil, it has never been the case that oil prices have been \$100 and above for five years in a row. These are the things that we have been able to foresee. What we were not able to foresee was, in the year 2005, China’s emerging demand for oil as an energy source for its growth engine. Everybody expected it to grow, but it was a very sudden increase. That was not right, but in general our track record is extremely good. There are always surprises in the energy business on a daily basis, but the general trends have been very accurate in our forecasts.

Q54 Sir Malcolm Bruce: I can pick you up on both the American example and, indeed, the debate within the UK. American shale gas and oil has helped America reduce its carbon emissions by switching away from coal, which it appears now to be exporting to China—which creates another set of potential problems. In the UK, even within the coalition Government, there is a debate about the extent to which falling gas prices may take pressure away from both energy conservation and, more to the point, supporting alternative and renewable energy. For policymakers, these are really difficult problems. We know investing in renewable energy is more expensive than cheap gas, and the second problem we have is that in the UK our oil and gas are mostly associated. If the price of gas falls—I represent a constituency that is driving the oil and gas industry—the recovery of that oil becomes perhaps prohibitively expensive. What might be very good news for the world could be a disaster for the UK’s domestic energy industry.

Dr Birol: I should tell you fully, then. First of all, you are completely right. The United States’ emissions in 2012 went back to the levels of 1990—a big reduction. This is for two reasons. One is natural gas replacing coal substantially, the shale gas. The second reason is the one I mentioned a few minutes ago: their cars are being produced more efficiently than in the past. However, coming back to gas and coal, to me, the introduction of shale gas in the world is as big as nuclear energy being introduced in the 1970s. The implications are so strong.

Shale gas has such a big impact on US carbon dioxide emissions that this has been very good for global climate change, but the reason that Americans started to use a lot of shale gas was not because it was cleaner, not because it was domestic, and not because it was innovation, but because it was cheaper, full stop. We should be very clear here. However, what we saw when it happened was penetration of shale gas. Gas prices were about \$2.5 or \$2.6; now it is increasing. It is coming close to \$4, and if it continues to increase, we may well see coal coming back around \$5. If the gas prices in the United States come to \$5, we may well see coal come back, because it can probably be done cheaper than gas. Therefore, I applaud the recent Climate Action Plan of President Obama, where he puts some restrictions on inefficient coal-fired power plants. There is a regulation there so that there will not be a strong comeback of coal, even if gas prices go up, so that the CO₂ emissions savings will be there.

In terms of efficiency and the energy crisis, I think we have two types of efficiency measures. First, there are government regulations, which we call minimum efficiency performance

standards. For our refrigerators, washing machines, cooking instruments and light bulbs, there should be certain and, we believe, strict efficiency performance standards, and the manufacturers should not be able to produce anything below those standards, which would reduce the energy efficiency of those countries. I know that the UK energy strategy puts an important accent on that. The second one is on the price drivers, and you are completely right: if energy prices go down substantially, the appetite for saving energy will go down. Therefore, Governments need to look at different options, and I believe a carbon price is one of them, but the current carbon prices are definitely not at a level that they would give a significant signal to consumers.

Q55 Lord Sterling of Plaistow: You made the point just now that, with Obama's Government, it is twinned: number one, the oil can be more independent, and the other is to bring down the cost, which obviously makes industry much more effective. However, the fundamental difference between the Americans and here—and something I was involved in 20 years ago—is our tax structure. When you tot up the amount of tax in this country on anything to do with energy, forgetting about the VAT, there is a huge difference from the way the Americans and others operate. Is that not a huge disadvantage to us in the future?

Dr Birol: I think the tax structure and the currency fluctuations all play a role. However, I will have to give you numbers. I am sorry, Madam Chair: I will give a few numbers. I am trying not to flirt with numbers but, until 2009, natural gas prices in the United States, in Europe and in Japan were more or less the same. They were very, very close to each other. After the shale gas revolution, they started to diverge, and last year European gas prices were about 500% higher than US natural gas prices. We have never seen this in history, and there is no other commodity of such importance where you see such huge price differentials. Japan was even higher than Europe, and much higher than the United States.

Therefore, even though the tax regimes and the fluctuations in the currencies do play a role, the main driver is that the natural gas prices are very different. If the natural gas prices are very different, since natural gas is a main input in many countries for electricity generation, electricity prices are also very different. Therefore, Europe is—and will remain—a high energy cost region vis-à-vis the United States and China, the country that gets more than two-thirds of its energy from cheap coal. I think Europe has to look at a couple of options as to how to address this issue, including the tax regimes, tax policies, and perhaps beyond that the future of the European manufacturing industry. Are we going to rely on heavy industries in Europe in the next years to come or, given the very fact that heavy industry's cost composition has a strong share of energy, are we going to look at other options in Europe? That remains to be seen. As Madam Chair mentioned, we are working on the next version of the *World Energy Outlook*, and we are coming up with very striking analysis on the impact of the unconventional oil and gas on the competitiveness of different countries and different sectors.

Baroness Neville-Jones: Could I just follow up on your point, Dr Birol, about the differential between US and European-level prices? Tell me if I am wrong, but I imagine that a large part of that is driven by the gas market, which is regional rather than global. In your view, is this differential likely to remain at this level or get even bigger in the next five or 10 years, or do you think—as a result of adjustments that have been made to long-term contracts with, say, Russian suppliers, which is beginning to happen—that differential will actually decrease?

Dr Birol: This is also another very excellent question.

Sitting suspended for a Division in the House of Lords.

Q56 The Chair: We have a quorum back, and since it was Lady Neville-Jones who asked the question and she is now back, perhaps you would like to carry on. I am sorry about that.

Baroness Neville-Jones: It was about the differential in the gas prices.

Dr Birol: If it is going to stay with us or not. Now, with the differential, of course, there are two tendencies: one in the United States, and one in Europe. I would be very surprised if the United States was able to continue to produce shale gas at the price levels of last year—about \$2.6 or \$2.7. I expect this to increase. This is one piece of good news for the competitors. Secondly, for Europe, I would expect that Europe will use this opportunity of the United States and also Canada and Australia exporting additional gas, and will negotiate strongly with the major gas exporters when it comes to renegotiating the existing long-term contracts.

The United States—with the shale gas revolution, and with the exports coming into the picture very soon—gave a present to Europe. I do not know if it is a deliberate present or not, but this was a present to Europe, because it makes the Europeans and other gas importers' hands stronger. When those long-term gas contracts were made between Europe and Europe's natural gas-importing countries such as Russia, North Africa and so on, the markets were the markets of sellers. Now, markets are turning to the markets of buyers. Buyers' hands are getting stronger, and within the next 15 years, about two-thirds of those long-term gas contracts in Europe will expire. If Europe can make good use of the changing market conditions and push the prices down from current levels, this will also help narrow that gap. One, due to what is happening in the US, the gas prices may go up slightly, and in Europe they may go down slightly if the negotiations go successfully.

However, the bad news for Europe is that the differential, which was up to four or five times in 2012, will remain in the future. It will not be at that level, but there will still be a significant difference of cost of natural gas between Europe and the United States, and Japan and the United States. This will be, for me, a key driver of the changing competitiveness of the heavy manufacturing industry in Europe. We are already seeing that several heavy industries in Europe are moving to the United States, to enjoy lower energy costs. Therefore, I believe the news is not very bright for Europe, but Europe could do a few things. One of them I just mentioned: the renegotiating of the long-term gas contracts, bringing them much more in line with the realities of the gas markets; secondly, using energy more efficiently, including natural gas; and thirdly, I believe Europe in general made the mistake of making less use of nuclear power, which generates electricity at a lower cost. Some countries in Europe decided to phase out nuclear power plants, and this will have implications for their electricity prices as well.

Baroness Neville-Jones: Thank you.

Q57 Baroness Ramsay of Cartvale: Dr Birol, I wonder if I could ask you to give us some predictions and also analysis of one specific area: the Arctic, and specifically Russia and the Arctic and what might happen there. Just over a year ago, President Putin raised the prohibition on foreign companies being able to sign agreements in the Arctic, and almost immediately—it seemed to me—Italy, France, and Norway's Statoil signed agreements and were apportioned areas with Russian agreement and collaboration. How, in the present world situation, would you see that being taken forward, and are they taking it forward? Do you think the Russians would have reasons to want to take it forward now, given the general world picture, which has changed since they signed the agreements?

Dr Birol: First of all, the Arctic has substantial hydrocarbon resources. This is for sure. However, the Arctic is one of the most difficult areas in which to produce oil. You need very sophisticated technologies, and you have many geological challenges. This means that the economic cost of production is very, very high and, looking at the global oil markets, I would be very surprised if within in the next 20 years we see any significant amount of real production of Arctic oil coming to markets. This is a bit different from when oil companies were drilling, but some of them changed their minds very recently and left the Arctic business. Looking at the oil—which would come much cheaper from different countries and different basins—and looking at the huge technological and economic challenges in the Arctic, I would not expect significant production growth coming from the Arctic within the next 20 years. This is our expectation.

Baroness Ramsay of Cartvale: Thank you.

Q58 Lord Sterling of Plaistow: Dr Birol, I am still very heavily involved in international shipping, and was certainly involved during the first Gulf War. One of the questions that we would like to ask you is, rather like Lord Levene said before, it is all very well in the long term, but what sorts of things could happen in the short term? Even back then the two key factors were whatever we had ready for shipping and, if in actual fact Saddam had mined the Gulf and taken out the Suez Canal—which is very simple—the effect that would have in the shorter term on LNG carriers, world stock markets, use of oil, and so forth. That is one part proposed to you. Indeed, you could say that, given what is happening at the moment in Syria and what has been happening in what I thought was the Arab spring but is more like an Arab autumn, at best, in Egypt, it is not beyond the realms of possibility that somebody will say, “Well, to hell with it. We are not capitalists on the jihadist front, and so, do we really care? Why not take out the Suez Canal and cause huge distortion? Does it matter a damn if it gets up the nose of the Americans and Europeans and so forth?” Is that something you have put into any of your equations?

Also, the final point was one that you yourself make. They were very interesting stats, by the way, from your organisation. You also state that, in the longer run, from the point of view of reserves, the Middle East will still be a key factor, even more so than any other part of the world. That is really putting it together.

Dr Birol: In fact, the growing production coming from the Middle East in the next years to come makes those choke points, as we say, much more critical. For example, I think the most important one in the long term is the Strait of Hormuz. Today, about 40% of internationally traded oil goes from Hormuz, and in 20 years’ time, as a result of the Middle East being an even more important producer than today, slightly more than half of international oil will go through Hormuz. This is definitely something that the world has to pay attention to. They have to make sure that the oil will flow from that strait to the rest of the world.

The only thing I would like to say here is that, in line with the discussion we had about the United States, in the past the oil from there would go to the US and to Asia. Now, the United States—for the reasons I mentioned of increasing domestic production and decreasing domestic consumption—will import less and less oil from the Middle East, which means that Hormuz becomes more and more critical for Asia, rather than the United States. This is the important implication, and as such, Hormuz is the most important shipping route in the world in terms of the security of oil supply.

When it comes to Egypt, of course, Suez is very important, especially for Europe. About 6% of internationally traded oil goes from Suez, and there is also a pipeline called Sumed that

brings the oil from the Gulf through Egypt to Alexandria. That is more than 300 kilometres. The security of that pipeline, plus the Suez, is crucial for Mediterranean and European oil markets. We hope that the Egyptian Government continue to secure both the pipeline and the Suez Canal, and this will continue to function normally. Up until now, there has been no problem, but I think it is important to keep an eye on what is going on, both for the strait and for the pipeline in Egypt.

Lord Sterling of Plaistow: I had one other point. There is a view that, whatever one thought of Saddam in Iraq or Bashar in Syria, they were both capitalists. They are both capitalist countries, whether or not we agree with what was happening there, or happens. In practice—and the Russians are concerned about this—if the whole area and the Gulf went strongly Islamist, not in a normal fashion but with a very strong jihadist background that is much less interested in capitalism, are you taking a longer view as to what effect that could have on the whole picture?

Dr Birol: Iraq today is a country where the cost of production of oil is one of the cheapest. We have been talking about the United States, the US oil boom and everything; the cost of production of oil in Iraq is about 30 to 35 times cheaper than in the United States, per barrel. The ground is very, very fertile, and there are several fields that have not been developed yet. We expect Iraq will be responsible for almost half of the growth in global oil production in the next years to come, without major efforts. The only thing that can stop Iraq from producing so much oil is the internal discussions between Baghdad and Erbil, in the Kurdish regional Government. If those problems are solved, we expect Iraq to increase its production. Today, it is about 3.2 million barrels per day, and it will come to about 6 million barrels per day by 2020. As such, it will be a major exporter.

In the last three or four years, we saw a major increase in Iraqi production. We had the Libya crisis; we have the Syria crisis; we have Iranian production decreasing as a result of the international sanctions, and all of this lost oil has been compensated with the increase coming from Iraq and the United States, so that oil prices were kept at the levels that we had. Otherwise, we might have seen different price trajectories as a result of the Libya, Iran and Syria developments. Iraq played a very positive role, as did Saudi Arabia and others, in comforting the markets.

Q59 Mr Arbuthnot: If an oil tanker or perhaps two were to sink, or to be sunk, or to explode within the Suez Canal, what would be the consequences for Europe and the UK?

Dr Birol: We may well see several days of not having oil deliveries from that region—up to about one month or so—because you have to use different routes, and this would delay the deliveries of oil coming from that region. This may be one month or beyond. However, the UK and many European countries have different measures to take, which includes the stocks that they have that are organised by the International Energy Agency, my institution. In such cases, those stocks can potentially be released if warranted, as was done during the Libyan crisis. If it takes longer than that—if the lack of delivering oil is longer than that—then this may have implications beyond that.

Mr Arbuthnot: What implications?

Dr Birol: The implications would be that we might not have enough oil, and this would have implications for oil prices and oil markets, but this can be handled with European countries and other IEA member countries together, in terms of looking at different options, which could include those stocks as well.

Q60 Lord Clark of Windermere: You have quite rightly pointed out the energy revolution in the United States of America, and of course one implication of that is that they will no longer be net importers of energy for fuel. Now, of late, the United States Navy has been the great defender of free passage throughout the world, and with the downsizing of navies in almost every other country in the world, is there a recognition of the threat that could cause, and is there any talk in the United States of not needing to maintain the United States Navy across all the seas of the world when they become self-sufficient?

Dr Birol: First of all, our numbers show that US oil imports in general will decline substantially as a result of the increase in production and decrease in consumption. This would have implications, I believe, for US energy policy, and maybe beyond that. However, I would be surprised if the US interest in and engagement with the Middle East was substantially affected by the fact that oil imports will decline. No country is an energy island, and the US is included in that. Therefore, I would expect that US interests for the region will remain, even though the changes in energy trends may have implications in general. It is not only the United States: I believe that other countries should also be concerned with the security of oil coming from the Middle East and from elsewhere, and this should increasingly include the major Asian oil importers such as China. As I mentioned, the bulk of the Middle East oil in the future—more than 80%—will need to go to Asia, rather than going to the other countries. It is Asia that demands a lot of oil, and in Europe and the US, oil imports will be at a minimum level.

Lord Clark of Windermere: Chair, I think I ought to have declared orally that I am a non-executive director of Sellafield.

The Chair: Thank you.

Q61 Baroness Neville-Jones: I wonder if I could tempt you to narrow the focus of our discussion a little, and talk a little about the UK's position and particularly our ability to maintain supply. There are obviously two definitions of that: one would be our access to markets, and the second, obviously, is the resilience and the good functioning of our internal supply situation, both in normal circumstances and most particularly in crisis. I wondered, first of all, if you had any general comments on that analysis, and secondly what you see as being the chief challenges for the Government of a country such as this in, say, the next 10 or 15 years in the energy markets in maintaining supply.

Dr Birol: There are three major challenges, and they are not all going in the same direction. One of them is that the UK's energy infrastructure is one of the oldest in the world, which means that the United Kingdom has to increase the production of energy—oil, or gas, whatever—not only to meet the growth in the demand but, most importantly, to replace the outgoing or retired facilities. This is one. Secondly, the UK has to have energy at an affordable cost, and thirdly, the UK wants to move more in the direction of a low-carbon future. All of these three are very difficult to reconcile. It is not a very easy issue. However, there are some buttons that would help all of them.

The very first one, I would say, would be reducing energy demand growth: namely, efficiency. Efficiency is crucial, like the Americans are doing and like the Chinese are doing. The Japanese and Koreans are the champions of this, and the UK could continue to use efficiency measures. The UK would then need less and less new energy infrastructure to be built. Secondly, it would bring the cost of energy down—that is the second dimension I mentioned—and thirdly, since energy will not be used, it will not affect carbon dioxide emissions. It will be low-carbon. So efficiency is one. Then, I think the UK should push the renewable energies that make economic sense and provide economic benefits to the

country. This is especially in the context of high-quality wind: I would say the UK may want to look at that.

Dr Birol: Thirdly, I would say nuclear energy. There are some discussions in the UK, but I believe looking at the long term, nuclear energy generates electricity at a lower cost than many other technologies, and without emitting carbon dioxide emissions. Fourthly, I would say that the UK may want to look at the sustainable production of shale gas, which is already the intention in many corners of the UK. This may be another issue to look into. There is not one single solution, but the combination of these policies could help to replace the old infrastructure; keep the costs down as much as possible; and at the same time, lower the carbon footprint of energy.

Q62 Baroness Taylor of Bolton: Can I just ask you why one particular type of energy has not really featured in what you were saying, either about this country or indeed Europe, which is hydro? It strikes me that there is a lot of opposition to nuclear; there is a lot of opposition to shale; there is lots of opposition to wind—not that I share that particular opposition—but we, in Europe, would have a lot of potential in terms of hydro. Why has that moved off the picture so dramatically?

Dr Birol: In fact, when it comes to energy, there is a lot of opposition to everything, as far as I know, to be very frank with you. Even with hydro, for example, there is a lot of discussion. However, hydropower is a wonderful technology that generates electricity. It is also very low-cost, economically very good, and also does not create any carbon dioxide emissions in line with the framework. In Europe, we have already exploited a big portion of the potential we have, but whatever we have left in Europe, I think we should continue to push ahead. It is one of the so-called low-hanging fruit in our energy system, and I think all of the European countries are pushing it forward, as well as developing countries. If I had to make a top five to “push the button” on, without giving a second thought, hydropower is definitely one of them, in terms of economics and in terms of environmental footprint.

Baroness Taylor of Bolton: So why do we not hear more about it?

Dr Birol: Because, in Europe, unfortunately or fortunately we have already exploited it. We are already using a big portion of the hydropower potential we have. We cannot go beyond that: we cannot make rivers or anything. We are already using a significant proportion of the hydropower we have. There is very little left that we can push to make use of. That is the reason. All the big rivers and the big dams are already being used. The only thing we can use, in addition to the rivers—which are the main source of hydropower—is tidal energy, which is very costly for the time being.

Q63 Mr Arbuthnot: In view of the expertise you have been showing in other areas, I feel it would be unfair to ask too much of you on the issue of energy infrastructure and the resilience of it. However, do you believe that, for example, British energy infrastructure is resilient to something like Hurricane Sandy, solar weather or cyberattack, compared with other countries?

Dr Birol: We have recently made a report, which we call *Redrawing the Energy-Climate Map*, from the *World Energy Outlook* series. What we say is that, up to now, we have been discussing the impact of energy on the climate, which means that energy is responsible for about two-thirds of the emissions that cause climate change. This is one fact, but if the energy sector cannot find a solution and reduce the risk of climate change, and if the temperature gets warmer, it will have at least two major effects on the energy sector. One, as a result of the lack of availability of water, we will have problems for electricity

generation, because we need water for the power plants to cool down. We have to cool them down; we need water for that, and we will have less and less water, including Europe, but also China, the United States and elsewhere. This is one.

Secondly, and more importantly for the UK, we will see far more cyclones and storms, and this will have implications for offshore oil and gas production. We have highlighted three regions in the world where infrastructure could be affected significantly and their resilience could be put in question, and these are Western Australia, the North Sea, and the Gulf of Mexico. Therefore, UK offshore oil and gas production can be negatively affected by cyclones or storms, such as was the case in the United States with Sandy.

Of course, if it goes beyond that, we may well see the transmission and distribution lines and other things being affected. Therefore, if you believe climate change is an issue—which I do—one should look not only at how to reduce the carbon footprint of the energy, as we discussed, but how to increase the resilience of our existing energy infrastructure, and look at adaptation to the impact of climate change. Many countries are doing this. For example, New York put up major new funds in order to increase the resilience of the country, ranging from the energy sector to the others, and I think the UK is definitely one of the countries that need to look at adaptation to climate change and increasing the resilience of the infrastructure very carefully.

Mr Arbuthnot: One other question: if—and clearly this is a very, very big “if” —the national grid were not to be available for, say, a month, what would happen to the cooling of our nuclear power stations?

Dr Birol: This is definitely beyond my capacity, but I would say that having the national grid out of the system for one month is of very, very, very low probability. One month is a very long time, because there are many backup systems that could come into the picture when there is a certain period of time off the grid.

Mr Arbuthnot: So the answer is, “It will never happen.”

Dr Birol: I would not say “never”, but it is a very, very low probability, I would say. In every country, we have very strong back-up systems.

Baroness Neville-Jones: Electricity from France.

Q64 Lord Sterling of Plaistow: Dr Birol, I have to say that I think this conversation today is most interesting. I think that one of the most serious things facing this country is our lack of a long-term energy policy. We have only about eight days of gas that we keep here. There are various elements; I could go on endlessly about our various worries, and I really think this is our real problem. We are trying to make up our mind about what we should be doing and what we should not be doing, whether it is offshore wind farms, which I am dead against, or whether it is tidal or whatever it is.

There is one country that you have not commented on much. A few months ago, I was having a long chat with Oleg Deripaska, who heads RUSAL, and he said to me that one of the reasons why they make as much money as they do is that, because of his relationship with Putin and so forth, he gets his electricity at one-third of the normal cost. In making aluminium, as you well know, the energy factor is absolutely crucial. When you look at the extraordinary resources of Russia—somewhat unlike China—it controls its own territories. It is theirs. If you took a long-term view on the political position of Russia and what they want to achieve to get back into the limelight again, would you see them playing a part that America may not do and feeling that by supplying Europe and this country with cheaper

energy, they would start to get themselves back into being a superpower again, which appears to be an underlying ambition?

Dr Birol: I should start by saying that Russia is, and will remain, the cornerstone of the global energy system. Russia has oil, gas, coal, hydropower, uranium—almost everything—so we have to be clear. However, Russia and Russian experts were not able to see the shale gas revolution. They thought it would be one year, and then it would disappear. This was not the case, and if they had seen that, they would have definitely positioned themselves differently and would follow a different business strategy.

I should think that Russia's relationship with Europe will change significantly. Currently, Europe is Russia's biggest client by far, but I believe that for two reasons, this will change, and we are seeing the first signs of the change. The European share of Russian energy exports will decline, and Asia's share will increase. Two reasons: one, in Europe, energy demand is stagnant, and second, Europe is trying to diversify its energy from Russia in order to improve the options and therefore energy security, with much more different supplies. Russia will still be very important for Europe, but there will be diversification, and demand is not growing very strongly in Europe.

When we look at Asia, China is growing very strongly. The ASEAN (Association of Southeast Asian Nations) countries are growing very strongly, so I would not be surprised if Russia turned its face slowly but surely to Asia, and we see many projects under discussion now going there. Russia cannot afford not to have significant amounts of energy revenues. The Russian economy today relies on a substantial amount of oil and gas export revenues, and Russian gas revenues now are going to suffer for two reasons. One, the amount of gas Russia will export will be lower than what they thought before the shale gas revolution, because more gas is coming. Second, shale gas is putting downward pressure—as I mentioned before—on the prices, giving strong cuts to the importers. Therefore, Russian and other exporters will also be having challenges in terms of price. Both quantity and the price will be a challenge in front of Russia, which is definitely a very important signal for the Russian economy. I would not be surprised if in the next years to come, Russia will turn its face to Asia—slowly, not immediately—and while Europe stays as a major client, Russia will find new clients, mainly in Asia, while Europe of course finds new countries to get energy from. There will be diversification there.

Q65 The Chair: You said that Russia did not see the shale gas revolution coming, and you said earlier that you, like me, believe that we will see—or may already be seeing—an impact of climate change. There is one factor that nobody ever mentions much nowadays, which is the tundra.

Dr Birol: The tundra, yes.

The Chair: I have long wondered what impact that is likely to have on Russia's capacity to continue to be an energy producer.

Dr Birol: First of all, Russians did not see it. Mr Putin himself admitted that Russia did not see that it was coming, so I should not get the credit here. Mr Putin himself underlined it, and he was rather critical of the Russian experts. In terms of tundra, I would not see that it would have major substantial effects for Russian energy trends in the next years to come, because Russia has substantial oil and gas reserves, from which it can easily—if the prices make sense—increase production. The main challenge for Russia is whether the markets are there, the buyers are there, the projects are there and it is feasible to push the projects forward.

The Chair: One of the other factors that has been talked about much, and which you touched on your report, we have not mentioned today. That is solar power. Where do you see that coming in the general energy mix?

Dr Birol: Solar power, Madam Chair, is very important, especially in Africa. We talk about the energy challenges—prices, cost, energy security and others—but in Africa today, more than 550 million people have no access to electricity. They have no electricity, and the amount of electricity consumed in the entirety of sub-Saharan Africa, where we have 800 million people, equals the electricity consumption in New York, where you have around 20 million people, just to show you the difference between rich and poor in terms of energy. Solar power can be one of the off-grid solutions we use in Africa.

However, I am not of the opinion that within the next two or three years, solar power can be a technology that could redefine our energy system, such as shale gas and the other technologies such as wind, for example. Solar power needs very specific technical conditions to be there. The radiation levels need to be sufficient and the cost of solar power are very high compared with traditional energy technologies, and therefore they need a substantial amount of government subsidies. Of course, solar power is very good at reducing carbon dioxide emissions and enhancing energy security, but the current share of solar power is not 10% or 1%. It is 0.1%, so very, very low. However much it increases, it will not be a game changer. That is just to be, I believe, on the realistic side; at least, I think so.

The Chair: What about carbon capture and storage, which we have also been talking about for a long time?

Dr Birol: This is a very important issue, Madam Chair. I believe we have a substantial amount of fossil fuel reserves, and in many cases they are much cheaper than many other technologies. Unfortunately, the more we use them, the more we are in trouble in terms of climate change. Therefore, we all have to take a second look at fossil fuel use, and this applies especially to coal. I believe carbon capture and storage is a crucial technology. For the coal companies and for other hydrocarbon companies, it is extremely important for them to make use of carbon capture and storage. Otherwise, if the world one day decides—and I hope it will—to go for a more climate-driven pact to limit the temperature increase to two degrees Celsius, which is the aim that was signed by the leaders of all the countries in the world, then many of those fossil fuel reserves may be left undeveloped—they are booked, and companies are paid—unless we have carbon capture and storage. If the fossil fuel companies want to protect their assets, a key strategy would be to make use of carbon capture and storage, but when I compare the crucial importance of carbon capture and storage with what is happening today, I am rather disappointed. There are no major developments in that area, but I hope the companies, together with Governments, see more and more the risk that their bought reserves may remain underground forever if carbon capture and storage is not made use of.

Q66 Sir Malcolm Bruce: Could I just ask a quick supplementary? We have seen, just in recent weeks, protests in China about the level of pollution. You have said that China is now importing coal, and is bringing on-stream new power stations faster than they are being closed down anywhere else. To what extent do you think the Chinese will be the people who have to lead it, because it seems to me they are at the moment pursuing a strategy that they themselves know is both politically and economically, as well as environmentally, unsustainable?

Dr Birol: I mentioned that China is pushing energy efficiency very strongly today, and also hydropower. One of the largest growths of hydropower in the world is in China, followed by Brazil. As a result, last year China had one of the lowest growth of carbon dioxide emissions it has seen in the last 10 years. This is very good news, and if I may, China slowed down its coal consumption growth, which was half of the growth of the United Kingdom. The UK's coal consumption increased two times higher than China's, just to note that on the side. China, in their five-year plan, put a cap on coal consumption, and the reason here is not climate change: it is the local pollution.

The good thing for the world is that the measures China takes to address local pollution help also to reduce carbon dioxide emissions, in most cases. This is a win-win issue, and it is the reason that the measures China took in the year 2012 to reduce local pollution helped carbon dioxide emissions growth to slow down at a historical level. I believe decreasing local pollution and the cost of energy drivers will make China's energy more efficient, and this will also help climate change. The local pollution is a key driver.

Q67 The Chair: I think you have to go at 6 pm, Dr Birol. Lady Neville-Jones would like one last question.

Baroness Neville-Jones: One more tiny question. Thank you for an absolutely fascinating session. A lot of the dependence on hydrocarbons is driven by transport.

Dr Birol: Exactly.

Baroness Neville-Jones: How much importance do you attach to electrification of transport as a policy in the overall mix? Should we be making much bigger efforts there? Of course, there are things like battery technology that are impediments.

Dr Birol: I am sorry that I have given pessimistic answers today, but I will continue with the pessimism, if I may. You are completely right. If you look at the next years to come, a big portion of the growth in oil consumption comes from the transportation sector, and mainly driven by Asia. In Europe, for example, out of 1,000 people, 500 people own a car. In the United States, 700 out of 1,000 own a car. In China—and still China is where things are getting richer—only 40 people out of 1,000 do, and in India, it is around 10 out of 1,000. With increasing income levels, they buy cars for convenience and prestige reasons. Whether it is right or wrong is another story, and they are just imitating what we have been doing in the Western world for years and years, to be honest with you. However, this leads to growth of oil demand.

The other thing is the more developed they are, the more trucks come into the picture. One-third of the growth in global oil demand comes from Asian trucks only. Electrification would be a very interesting way to reduce CO₂ emissions and decrease the reliance on hydrocarbons, but everything comes to the economics of these things. Many countries today have substantial car-electrification programmes. If I add all of them together—China, US, UK, Germany, Japan, Italy—and if Governments reach their targets, which is a big “if”, in 2020 the share of electric cars in the total car fleet would still be less than 1%. As one of the distinguished members of the Committee mentioned, the energy sector is a long-lead sector in terms of producing and consuming. Cars are one of the shortest, but it is still there. For example, if you build a power plant today—if you take a decision—we have to leave it at 50 years, with all the consequences: economics, CO₂ emissions, fuels, energy security, and all of these things. Therefore, there is a need, as I have just mentioned, for energy to have a long-term strategy. This is extremely important. Governments change, people change, but the long-term established strategies are extremely important for energy,

Dr Fatih Birol – oral evidence (QQ 50-67)

because they have long-lasting effects for the country's economic environment and the wellbeing of the people.

The Chair: Thank you very much indeed, and apologies for the disruption in the middle of your evidence session. We know these things may happen, but you never can be quite sure whether they will or not, let alone when. We are all very grateful to you indeed. It has been a most stimulating session. Thank you very much, and I hope you catch your train.

Dr Birol: Thank you very much.

Cabinet Office – written evidence

Submission from Sir Kim Darroch, National Security Adviser

When I appeared before you in closed session on 11 February, I undertook to write to you about the 2012 National Security Risk Assessment (NSRA) once it was completed.

As you know, the NSRA was first produced in 2010, when it was used to inform the National Security Strategy (NSS). It assessed risk scenarios which significantly threatened the UK's national security interests (both domestic and overseas) over the next 5-20 years. As part of this exercise, we also promised to review the NSRA every two years to ensure that it continued accurately to reflect the risks we faced.

This 2012 exercise represents the first of these reviews. We have reassessed the risks identified in the 2010 NSRA, and identified some new risks, notably severe volcanic eruptions. However, the highest priority risks remain:

- International terrorism, including chemical, biological, radiological or nuclear attacks by terrorists and/or a significant increase in Northern Ireland related terrorism.
- Hostile attacks on UK cyber space.
- A major accident or natural hazard such as severe coastal flooding or an influenza pandemic. And
- An international military crisis drawing in the UK.

The Committee might also like to know that we are now undertaking a review of the NSRA process, to see if we can further improve it. We hope to conclude this and assess the outcome this autumn.

19 April 2013

Professor Mike Clarke, Sir Stewart Eldon and Dr Robin Niblett – oral evidence (QQ 14-30)

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Evidence heard in Public

Questions 14 - 30

MONDAY 20 MAY 2013

Members Present

Margaret Beckett (Chair)
Mr Adrian Bailey
Lord Fellowes
Lord Foulkes of Cumnock
Fabian Hamilton
Lord Harris of Haringey
Lord Lee of Trafford
Paul Murphy
Baroness Neville-Jones
Mark Pritchard
Baroness Ramsay of Cartvale
Lord Sterling of Plaistow
Baroness Taylor of Bolton
Lord Waldegrave of North Hill

Witnesses

Professor Mike Clarke, Director General, RUSI, **Sir Stewart Eldon**, former UK Permanent Representative to NATO, and **Dr Robin Niblett**, Director, Royal Institute of International Affairs (Chatham House).

Q14 The Chair: Thank you very much for coming. I very much welcome you to the Committee and we appreciate you joining us. Just a couple of housekeeping points—please do not feel that each of you needs to answer every question. Take it as you please. Do not be polite—do not spare our feelings. If you think that you ought to be critical, be critical. At the end, I will come back for five-minute bits, in case there is something that you want to wind up or something that you feel has not come out in the questioning. Those are the main things. Can I apologise in advance for the fact that there may well be Divisions in our House, I fear, and none of us knows quite when? When there is a Division, we shall have to adjourn for five minutes or so.

This is the second of a series of evidence sessions that we are having with people from outside. We have taken evidence from members of the Government who are members of the NSC. We are now taking evidence from people outside those circles, and we had a discussion, particularly about relationships with the European Union, on a previous occasion. One of the things that concern the Committee is whether or not, as the last national security strategy was drawn up, there was enough involvement of different voices in

different perspectives and, indeed, whether that is the case now. Today we want to explore a little of your thinking about the UK's relationship with NATO, and its role in our national security. Part of the evidence that we had last time was that there is too much emphasis on whether something is done by the EU or NATO, and it does not necessarily make all that much difference. We would be interested in whether that is your view. Can I invite you to address that very broad and general question and, as you do so, introduce yourselves?

Professor Mike Clarke: Thank you. I am Professor Michael Clarke. I am the director of the Royal United Services Institute. In brief answer to your first question, I would absolutely agree that we are in danger of spending too long worrying about the architecture of the NATO-EU relationship because when defence capabilities are needed in modern Europe, it is now in the face of some form of manifest crisis, and the crisis normally creates the mechanism. Given that neither the EU nor NATO truly act collectively in the way that was originally envisaged, all action is now less than fully collective and all action is to a degree ad hoc. That seems to be the essence of where we are with all European defence-related action.

Sir Stewart Eldon: I am Stewart Eldon. I retired as permanent representative to NATO in 2010, and since then have been busying myself in a variety of areas that are too long to bore you with. I very much agree with what Michael has said. I think that there has been too much time spent worrying about institutional questions and not enough time spent thinking about results. Also, given the changes in the threats that we are going to face in terms of national security and the constraints upon resources, there is a lot to be said for thinking more about doing things with other people, and not necessarily in an ad hoc fashion. So, while in Libya it began with an ad hoc coalition, it quickly transitioned into a full NATO operation. The sum of the parts can be greater than if taken individually, and there is a lot to be said for thinking more about how we use NATO and the other instruments at our disposal to do better with the amount of money that we are likely to have to devote to national security.

Dr Robin Niblett: Chairman, thank you for the invitation. I am Robin Niblett, the director of Chatham House, the Royal Institute of International Affairs. I think that I approach these subjects more as a student of US foreign policy and, to a certain extent, European foreign policy. My first comment on your question would be that while perhaps there has been overemphasis on institutional relationships, we are at a time where I think that the UK needs to think carefully about how to encourage greater capability among its European partners as well as itself. I see that the United States is likely to leave the management of day-to-day security in the European neighbourhood, from north Africa through to the Levant and parts of eastern Europe, more to European nations collectively, and for it to take, as it has to right now, greater responsibility in other parts of the world. Therefore, if we as a country that is part of Europe can seize the same challenges in our neighbourhood as many other countries do, we are going to need partners who can collaborate with us in meeting those challenges, separate to what the United States can offer. So I think that there is a real moment here where we need to take, to the extent that we can, a leadership role—whether on an operational basis or not; it does not have to be institutionally—in having those capabilities to meet those threats.

Q15 Fabian Hamilton: What is NATO for today? Should it try to become part of a global police force? Should it retreat to what it was originally founded to do, which was as a regional defence alliance? What is the future of NATO?

Sir Stewart Eldon: Well, I would start out by quoting the Washington treaty, which is that NATO is essentially for the common defence of its members against an attack on their territories. However, I think it is much more than that. For me, NATO is the single mechanism that we have for binding the United States into European security. It is the one organisation that exists where the Americans have an equal—some would say more than equal—seat at the table. It is one in which they feel relatively comfortable politically. I think that that is what NATO is really for. That implies it doing a variety of things. There is the essential common defence commitment, and we overlook that at our peril. The closer one's geographical position gets towards the Russian border, like it or not, the more national defence figures highly in your political perspective. In saying that, I do not make any judgment about Russian intentions; it is simply a fact of life. That is really important. If, as Robin was saying, we want to encourage our European allies to do more, it is extremely important not to lose sight of that common defence dimension, even if it may not be actual.

The second thing that NATO can do is act for a force for security in the world—I deliberately do not say “global security”—by turning its attention to crises where it is needed. It has the capacity to deal with the harder end of crisis management and conflict management that no other organisation, frankly, has. I think another thing that we perhaps have not made enough of, and should, is that it also has a growing capacity to contribute to the soft end of security. That is particularly true when you think about the organisation of defence ministries and armed forces. It is remarkable that NATO's largest “political” programme is now something called “Building Integrity”, which aims to promote counter-corruption and sound institution-building in defence and security organisations. That is beginning to take off among partners, and a big effort has gone in, partially successfully only, in Afghanistan. That is an illustration of where the alliance can play a part in soft security. As we move into the 21st century, we are going to need to pay greater attention to those soft security issues as we go forward.

Fabian Hamilton: What role does the UK have in shaping the future role of NATO? How influential are we?

Sir Stewart Eldon: I think you should go first, Michael.

Professor Mike Clarke: NATO has always been a very good bargain for Britain. We were intrinsic to establishing it in a very inventive period of British diplomacy in the 1940s. We made it clear that it contributed to every military part of the alliance—in air, maritime and ground forces. We did a little bit everywhere. The NATO alliance was a tremendous vehicle for British influence on the security front. For that reason, we also did quite well out of the Cold War, in the sense that when there were periods of détente, more emphasis was given to Germany. When détente was off and the Cold War was more edgy, Britain was more influential within the western alliance. So NATO has always been a very good vehicle for British influence and it has remained a bedrock of thinking in Whitehall about the projection of British military power. Now, my own view is that, over the past few years, we have continued to make that assumption without sufficiently nuancing it to the situation in which we increasingly find ourselves. Having said that, I do not argue that NATO is not extremely relevant to Britain. We are still one of its leading political members; we still make a bigger contribution than most others; we are still spending over 2% of our GDP on defence, one of only three countries in NATO to do that; and we intend to maintain that position. The bottom line for me is that NATO would not be quite as good a bargain for our diplomacy in the future as it has been in the past because those circumstances in the Cold War were fairly unique and played to our particular strengths in a way that the future may not.

Dr Robin Niblett: Perhaps I may say very quickly on this point: I think that the dimension of our influence within NATO is the nature of our relationship with the United States, to the extent that we are seen to have a particularly close relationship—one that is relevant at a military level and at a strategic level. That is going to take some work in the coming years, as the United States “rebalances”, to use its words, its strategic outlook to parts of the world where perhaps we do not have as much connectivity, particularly in Asia and the Pacific. So our ability to play that role within NATO and, importantly as I said earlier, within the context of trying to strengthen the European arm of NATO, may be a little more difficult, despite our capabilities and so on.

Could I say two quick words on what NATO is for? There will be a difference between what we would like it to be for and what it may be for. As to what it may be for, as opposed to what we would like it to be for, I think that it will remain an extremely important insurance policy for European security against the more existential threats that could re-emerge within the European space, and be a very important mechanism for joint action between the United States and key NATO members, whether regionally or globally. However, that is a much more ad hoc approach than what we have seen in the past.

Q16 Fabian Hamilton: How does the British Government’s attitude to the EU change the way that Britain has influence in NATO? Does it strengthen Britain’s role or weaken it?

Sir Stewart Eldon: Could I just start by adding one important thing to what my two colleagues have said? We must be careful not to fall into the trap of thinking that we are more effective than we actually are. That is always a danger. That implies putting effort into NATO and ensuring—which I fear may no longer be the case—that military postings in NATO are regarded as a good career move for our highest fliers.

Fabian Hamilton: And you think that that is no longer the case?

Sir Stewart Eldon: I am not sure that that is any longer the case that it used to be. We need to begin to think inventively about how we can use the alliance in our own national security interests and nudge it along in the direction of where we want the alliance to go. That is quite an important caveat. Any organisation is really going to be only as good as its members want it to be, and we have got to show that we want NATO to be good. How has our role in the EU impacted on our position in NATO? If anything, I think positively, partly because the Americans talk to us a lot in NATO, and the fact that we have played a prominent role in several EU operations and in several NATO operations shows that we are not partisan but want to use the right tool for the job. But if the question is, “Do the echoes of the Eurosceptic debate impact badly on our position in NATO?”, I think the answer is no.

Professor Mike Clarke: Could I add a small thing? Over the years, I have observed that British officials and military officers are naturally much more comfortable in the NATO bureaucracy than they are in the EU bureaucracy. The NATO bureaucracy was established around a British model and the EU bureaucracy around a French model, and there is undoubtedly a sense that the NATO bureaucracy is something that we understand and work at pretty well. The EU bureaucracy is something that certain individuals are very good in but, collectively we are not as comfortable in that and possibly not as effective as we should be.

Dr Robin Niblett: Just on that point, I am a little less sanguine about where we may be going. I defer to my colleagues here as to whether we remain influential in NATO. I am concerned that the debate about Europe in the UK will have spillover effects. Ultimately,

each choice that the UK Government make—not its officials within NATO headquarters—as to whether they put emphasis on, for example, European defence, will be seen in the context of how we are positioning ourselves in a larger domestic debate about the kind of Europe that we are trying to promote. I think we will see a more influential Germany in the EU and the eurozone and, through it, in the European Union. I just do not believe that we can keep the line between our effectiveness on the defence side and the kind of crossover deals and balances of political power in Europe that are likely to emerge from that. I can continue further perhaps later, but I put that marker down.

Q17 Lord Waldegrave of North Hill: Can I probe just a little more? As regards the modern version of a sort of shape-shifting NATO that does various things that may or may not be called on, it is rather easy to find in history various treaties that were jolly dangerous when they were not clear—particularly after the First World War and the Second World War, arguably. The old Article 5 guarantee was clear and it bloody well worked. Now we do not know what it bites on and what it does not. I am putting the devil's advocate case, but if there is a terrible cyberattack that knocks out all your banks, is that an Article 5 issue? If North Korea launches an attack on the west coast of America, are we to reverse our “east of Suez” policy and assert that we will fight the Korean? We have lost clarity. Does that not also impact on support within Europe which, Dr Niblett, you write interestingly about in your paper? It was sort of structural in the Social Democratic Party and the Christian Democrats in Germany, and again in the Conservative Party and Labour Party in England that this was about keeping the Communists out. Now it is all a bit fuzzy. Does that mean that now it is much more about keeping a political allegiance?

Dr Robin Niblett: I would say yes, as I indicated in my evidence. I am worried that I see in Europe itself a question about what defence is for. The experiences of Afghanistan and Iraq have confirmed a more insular mentality among parts of the European body politic, especially among voters. In some cases it has weakened, among many other things, the strength of certain established parties for which the Atlantic alliance was part of the structure that they presented themselves as supporting. The shape-shifting NATO is also affected by the loss of clarity, not just in terms of the threat but in the erosion of some of the capability. The nature of the threat allowed the construction of a fairly clear—to a certain extent always with complaints about interoperability—and homogenous capability focused towards that threat. However, right now, we have a United States that has invested massively in recent years in a really high-tech military that is capable of power projection, while European countries have remained with a sort of inertia, focused, certainly in terms of some of the choices of equipment and emphasis on personnel, towards an old Cold War structure that is perhaps not designed any more. I am therefore worried that this shape-shifting NATO that is trying to be international and Article 5-compliant simultaneously, with a much weaker political base to bear it, makes it difficult for it to be all that it could be. That is why I said earlier that the insurance policy element remains perhaps one of its most defining parts.

Q18 Lord Waldegrave of North Hill: Let us hope that there is not such a thing but if you are a really aggressive Russian leader and you want to have a go at, say, Estonia, do you think Article 5 works, or not? It has not worked elsewhere; it has not been called into play elsewhere. There is a dangerous lack of clarity.

Baroness Neville-Jones: It was called into play; absolutely it was.

Lord Waldegrave of North Hill: What if there is a big cyberattack and it is not called into play?

Professor Mike Clarke: Article 5 is not—

Lord Waldegrave of North Hill: It has to be everywhere or it will be more dangerous.

Professor Mike Clarke: With respect, Article 5 is not as clear cut as is usually thought. All it commits to is that if an attack on one should be regarded as an attack on all, and in that event all members should consult over what to do, including the use of force. It does not guarantee that anyone will fight for their allies, but in a situation in which there was a natural consensus of security interests in western Europe in the Cold War, it was a very reasonable assumption that an attack on one would require a collective defence. I think that that would still be true. An attack on the United States on 9/11 was followed by what some have said was the first and last declaration of Article 5 that NATO will ever make. A member had been attacked, and it was regarded as an attack on all.

Baroness Neville-Jones: There was a military follow-up.

Professor Mike Clarke: That was something that George Robertson was keen on, and it did not create a military follow-up as such. It created a range of different things and NATO wanted to follow it up militarily. The other thing that I want to say when talking about cyberattack is that Article 6 would seem to rule out cyberattack, because it says that what shall be defined as an attack is specifically an attack on territory or an attack on the armed forces of a country. If cyber did not target the armed forces of a country, it is hard to see how it would fall under the terms of the treaty. The Washington treaty was a very good treaty. It seemed very clear because of the situation we were in during the Cold War. Even this treaty does not give too much guidance in the post-Cold War environment.

Lord Waldegrave of North Hill: I suppose what I am saying is that it would be to the benefit of the alliance to have pre-discussions to somewhat clarify these things.

Sir Stewart Eldon: Yes, exactly. I would add only that clarity would be wonderful, but we are not going to get it. We just have to live with it. Michael is absolutely right about the limitations of Article 5 and about the territorial dimension to Article 5. A good way to try to get one's mind around this is to think in terms of deterrence. What threats do you need to deter? How are you going to deter them? We are out of practice on this because the Cold War has passed. We do really need to put a lot more effort into thinking through the deterrence aspect. On cyberattack, *prima facie* it is right; it would not easily trigger Article 5, but it could. If, for example, you had a monumental cyberattack on government communication systems in a country where somebody else's forces were amassing on the border, that could very well be considered an Article 5, so I do not think it is cut and dried. You have to take things as they come and try to clarify.

Professor Mike Clarke: But not automatically so.

Sir Stewart Eldon: Yes.

Baroness Taylor of Bolton: Before I move on to what I was going to say, if there is a cyberattack that affects your critical national infrastructure, in effect that is an attack on your territory. I should have thought that a very strong case could be made in the spirit of Article 5 even though Article 5 pre-dates this kind of attack, and that is why it is not in there, presumably.

The Chair: Sorry, in that case, if we are moving on to something else, both Lord Harris and Mr Pritchard were signalling to come in on that previous conversation.

Q19 Lord Harris of Haringey: Could I just pursue this question, because clearly there is an issue about NATO's capacity in terms of responding, or even understanding a cyberattack? One of the issues of cyberattacks is attribution. How satisfied should we be about the cybercapability of NATO? I have had private discussions when I have to say that I have been less than impressed with the depth of that capability. Could you tell us what you think should be the capability of NATO and cyber?

Sir Stewart Eldon: This is a particularly difficult area because the Governments who have high capacity and knowledge in this kind of technique tend to reserve it unto themselves. It is actually quite difficult to enable full information-sharing, and for very good reasons. After the cyberattacks on Estonia, NATO established a centre of excellence for cyberattack. It is actually in Tallinn. While it is small beginnings, as far as I hear, flowers are beginning to grow, if that is not stretching the metaphor. You find expertise in places where you would not have thought you would find it. The Estonians are actually quite good, because so much of their national infrastructure is based on IT. They have had to think perhaps harder than some of the rest of us about how to counter the threats. I think that in the three or four years since the centre has been up and running there has been an increased exchange of information between allies and some of these techniques. Realistically, most of what you can hope for is to make sure that that information exchange is up and running and that there is a willingness to assist an ally if it is in trouble for cyber reasons. I think that that is beginning to happen but it is a difficult area.

Q20 Mark Pritchard: I have actually visited the cybersecurity centre in Tallinn. If there are flowers growing, I suspect that they are daisies rather than tulips. It is very small, there are few people there, and the capability is quite limited. Nevertheless, it is hopefully a useful step in the right direction. Is it not the case that we do not want to be too definitive in international law on what is or is not a cybersecurity attack? I think of the meeting of Foreign Ministers in the Netherlands, maybe 18 months or so ago when nothing was agreed. Perhaps the agreement was that nothing was to be agreed for the reasons I alluded to. Secondly and finally, I noted that in the last cybersecurity speech given by Francis Maude, the Cabinet Office Minister, he used the term, perhaps publicly for the first time, "offensive cybersecurity". I wonder how those issues dovetail into the question vis-à-vis Article 5.

Professor Mike Clarke: I would like to respond to that, because the line you suggest is exactly right. It is in NATO's interest not to be too specific, as it was not too specific about many aspects of the threat that it faced during the Cold War. It was not so specific about its nuclear posture or whether or where it might use nuclear weapons, and so on. I think that cyber falls into the same category; there is a degree of deterrence, as Sir Stewart Eldon said. The deterrence on the cyber front comes in two forms. One is that there is a political deterrent that if a country is seen to use cyber and the source can be reasonably well pinpointed, there is a political backlash; it should not be cost-free in political terms. NATO should work to ensure that that cyberattack is seen as an attack on all the allies, even if it affects only the Baltic states. The capability and the threat that that represents should be well and truly communicated to the other allies. That is one aspect of deterrence, which is the political side, that it should not be seen as cost-free. The other side is offensive cyber. We are all aware of our increasing vulnerabilities in the cybersphere, and by and large, western powers seem to have capabilities that they do not choose to use, but of course we could choose to use our offensive cybercapabilities in ways that would strike back at

another society. As in all deterrent thinking, one does not want to be too specific about that. The existence of those offensive capabilities should not be entirely a secret. They should be capabilities held in reserve. That is not a particularly satisfactory state of affairs but it is probably the best we have at the moment.

Dr Robin Niblett: Perhaps I may add very quickly that I think that this demonstrates the complexity of where NATO fits into the security responses that the allies need to provide. In other words, some of the main deterrent capability will be in resilience. I was struck by the UK's recent launch of its cybersecurity information-sharing partnership after a year's testing and so on, bringing together the private sector, GCHQ and other agencies to try and share information and so on. That capability, if replicated among other alliance nations, even if done on a nation-by-nation basis, starts to create some of the resilience that provides the back-up for whatever NATO is or is not capable of. Energy is another space that becomes very interesting. Again, there is a limit to what NATO can do. It has some role but the resilience capacity of interconnectivity and joint infrastructure in Europe may be some of the most important matters, simply because these are very difficult areas to pinpoint within NATO's purview.

Sir Stewart Eldon: I just briefly say that I entirely agree with that. When thinking about national security in terms of the new strategy, it is important to take a strategic and joined-up approach. There are so many different organisations and Governments with particular areas of expertise that will affect 21st-century national security that it is really important to try to join up the dots better and have a better idea of how to play to each organisation's strengths in tackling them.

Q21 Baroness Taylor of Bolton: Just picking up on that: you said earlier that we spend too much time thinking about institutions. Yet, while we have been talking, there is still an issue there about NATO and the EU, both in Brussels and, to a certain extent, here. I am not sure that government at any level has got around that. I am particularly thinking in terms of the soft, smart power that you mentioned earlier. Stewart mentioned "Building Integrity". We do a lot of outreach work with NATO and others, including BMATT in the Czech Republic—all sorts of things. So there is real scope for this and I wonder how you think that we can achieve more and get that to be better co-ordinated, not least because it is effective, but it has the great advantage of being cheap and pretty long-lasting. I am wondering what kind of thing you think the next national security strategy should say about this, including from the point of view of those who have been involved. It may be ring-fenced in NATO or the EU, but how do we actually take some significant steps forward on that when it is crying out that that is part of the way forward?

Sir Stewart Eldon: First, perhaps I may say in relation to your general proposition that there is still difficulty: there is, but two things have made it a bit easier. The first is the French full reintegration into the NATO military structure. That has taken away a lot of intellectual toxicity from some of this. Now that France is on the inside—it has several very senior NATO posts—it is seeing for itself the benefits and has a better appreciation of how a sensible jigsaw fits together. That in turn has fanned out into some other countries—not all, but some. That has been helpful. The second thing that has perversely been helpful in this context is the squeeze on resources because there is a greater realisation that you cannot afford to pay to do things twice. That has been helpful. On getting the word out on the softer elements of security, a lot of it is the making known of what is actually being done. You rightly said that British defence diplomacy and British military assistance teams have been doing extremely good work for many decades now.

Baroness Taylor of Bolton: They are getting squeezed.

Sir Stewart Eldon: They are now getting squeezed and the orientation is changing. However, not a lot is known about what they do. Encouraging a debate within the alliance and the EU about the effects that these kinds of actions are having I think would be very positive. “Building Integrity”, for example, has now become a hot topic in the Balkans because the Norwegians have picked this up and are, with NATO, running a big initiative in south-eastern Europe to build decent defence institutions. There is now a queue to get into the process. So making things known is very important. Another way of lending more credence to them is talking the talk as well as walking the walk. I do not want to go on about “Building Integrity” but it would be wonderful if the United Kingdom—the MoD—did a “Building Integrity” self-assessment exercise in line with NATO guidelines. It has not done so yet but it would be a very interesting validation of our own systems. You can increase the prominence given to these measures and activities quite considerably. They also have a remarkably good preventive effect. If we can build decent institutions in Afghanistan or Kenya, for example, and you have a strong defence structure within Kenya, that will be of considerable benefit to our national security globally. As you rightly say, it costs almost nothing.

Professor Mike Clarke: I would just like to add to that and enlarge on something that Stewart said a moment ago. One of the things that the soft-power approach needs is a better story from the past. If you think about Europe at the end of the Cold War, there was a war in the former Yugoslavia but that could have been so much worse. It could have been a lot worse in the Ukraine and in the Baltics. The fact is that a lot of the constraints, including the containment of the one very nasty conflict that we did have, were exercised by what would now be regarded as soft-power methods because the countries in the former Yugoslavia wanted to join the EU and come into the family of nations. There was a road map. They wanted something and we were able to hold that as conditional on their behaviour. It seems to me that there are some very, very good examples in and around Europe of the effects of soft power and conflict prevention through, as we say these days, a smart mixture of hard and soft power. We do not talk enough about them and we have not researched them sufficiently in order to put clear guidelines out there. There are some very good stories to tell, and there would be some good stories to tell in the Gulf. There is an exertion of soft power in the Gulf, which is also very interesting and is something on which we in my Institute are doing some work on. To get these stories into the public domain would actually have quite a big effect on mobilising the cross-governmental and international consensus on what soft power can and cannot achieve.

Dr Robin Niblett: Soft power is, after all, the power of attraction rather than exertion. As with the European Union, one of the most powerful forces of attraction is the power of membership and what you do in order to get included in a club. NATO has probably hit some of the limits of that capability and, therefore, thinking through what partnerships mean and what different types of structures can be used that at least communicate a sense of engagement with NATO, without necessarily being a projection, is going to be a very difficult balance to strike. The idea of training exercises, this idea that a stronger defence is part of a better-governed region or society, and that NATO has demonstrated that for itself and is trying to share that outlook in, say, Asia-Pacific or Africa, is a good narrative. It is not a narrative about projecting power but about saying, “This is how we govern ourselves and are we not a place that you would like to imitate? We would like to help you to do that”. It is a subtle kind of different track.

Q22 Baroness Taylor of Bolton: My second question again picks up on something that Stewart said earlier when talking about personnel, a matter that we have discussed previously. I have always had concerns about how people were given postings and about the preparation they received. You implied that you thought that the quality of people going to NATO might not be quite as good as it was. I can understand that because it has never been made the career path that it could be. Getting back in and the hierarchy have been quite difficult. Are we not in the strange position whereby, given the experience that so many British people have had in Afghanistan, our knowledge of conflict outweighs the knowledge that lots of other members of NATO have? Therefore, do we not need to think about the contribution that we can make to NATO in a slightly different way, and somehow protect the career structure, so that people who go on service in NATO or as a defence attaché can actually contribute properly, once they come back from that posting?

Sir Stewart Eldon: I agree with that. For a military officer or military personnel there is nothing like experience of conflict to help you do your job better. But there is a lot to be said for the armed services thinking a little differently about what I would call a military diplomacy type of career specialism. It is not defence diplomacy: that is something different. If there is a recognition that if there is going to be a significant armed intervention it is likely to take place under the auspices of either NATO or the EU or conceivably the UN, to be effective in delivering the required outputs you need some experience of how these organisations work. Furthermore, to be effective in the top command posts, to have experience of NATO or the UN or wherever as part of your background would be a really good thing to have. It is not that the people who go to NATO are not good. What worries me is that somehow I do not think that that career path has the attraction within the Armed Forces that it had 20 or 30 years ago.

Baroness Taylor of Bolton: It is very difficult to get back in on any ladder, is it not?

Sir Stewart Eldon: Yes. Quite, so you have to career plan rather differently.

Q23 Baroness Ramsay of Cartvale: I would like to follow up one point which did not come up which is the squeeze on resources that we all know about. We all know that everyone is cutting their defence budgets and defence spending. I just flew back this morning from the spring session of the NATO Parliamentary Assembly, which Stewart knows only too well as a body. Secretary-General Rasmussen came on Friday and did his usual hour or so with us, bringing all the permanent representatives with him. He spoke about two main topics. One was rather a rosy projection of the future of Afghanistan—the rosy bit is my comment. The second thing was his very special hobbyhorse: smart defence. Understandably, it is something that he always goes on about, quite rightly in many ways. He exhorted everyone to do more. Again, he seemed sort of upbeat about it and not at all complacent, but he thought things that were going forward in different directions. I would just like to hear what you think about that, because I do not see very much example of that working. The Nordics are doing some things, the Dutch are doing some things and there are one or two other examples. We had a previous evidence session where people thought that there are possible ways of trying to get round the problems of everyone cutting their defence spending, but they are not realistic and they are probably not going to happen. I wonder if you agree with that. Do you think that it might be so or do you see some possibilities for the United Kingdom to either piggyback a little in co-operation with other people that would help with our defence budget or earn some money by allowing people to use our expertise for a price? Or is this all really not in the realms of realistic policy, politically or from the defence point of view? What do you think?

Professor Mike Clarke: On smart defence, Secretary-General Rasmussen is very keen and it was enshrined in the Chicago summit. But like a lot of previous, not dissimilar initiatives, the output of a lot of the work is a series of useful synergies; useful extra efficiencies. If two-thirds of the work turns out to be successful, that is good and it will make some little difference. But none of these initiatives puts any major new military capacities in the hands of NATO forces—none. They create useful extras and chip away at some of the inefficiencies across the alliance, which is a good thing. But against the fact, we still have 2 million people in uniform in European NATO and find it very difficult to deploy more than a few thousand of them in most cases; and the average expenditure on defence has gone down in the past two years from an average among European NATO members of 1.7% of GDP to 1.6% and looks as if it will continue to drift. Those structural trends are not significantly affected by smart defence. The bright spot in smart defence is that because the Secretary-General is pushing it so hard, it will be more successful in some of the initiatives that have been taken—the various tiers of initiatives—than some previous attempts. It is also conceivable that in a period of great austerity and with the security of Europe not as guaranteed as it was a few years ago, the nations themselves may suddenly see that there is a way of working together that makes a lot more sense. But it is still quite a big jump from that recognition to a genuinely efficient way of spending defence resources among European NATO.

Dr Robin Niblett: I definitely agree with those points. The context within Europe will make it very difficult to get serious political backing to take this beyond the chipping away that Mike also interestingly used just there. We are at a time within the eurozone crisis as well as within the EU of a loss of trust between member states. You need deep political trust in order to give up capabilities. Even in the best of times, certainly among those countries with capabilities, that has been a difficult thing to do. Right now, it is very hard to make the case for giving up capabilities and handing over some of that risk to others at the same time as you are thinking about defence as an arm of jobs and competitiveness within that economic context. Stories have come out recently about Poland's increased defence investment, which will be done with 80% requirement for national Polish capabilities and offsets and done in a pretty unilateral way, not reflecting the smart defence approach at all. Seeing Germany taking its position on the BAE Systems-EADS merger and worrying about where Cassidian would end up and so forth, I am worried that the environment at a political top level is not going to help push this very positive and good idea which I endorse. There is a gap between what we would like to do and what we will do.

Sir Stewart Eldon: In sum, I would say you cannot not do it. You have to try. But I do not think that you should be holding your breath for earth-shattering changes. To follow up on what Robin was saying, I hope that the current resource climate within Europe will kill off the last vestiges of insisting on having a NATO headquarters on your territory because it is good to have the flag flying and not for any real substantive reason. I like to think that, to that extent, the political decisions will be taken in a slightly new way. But smart defence will not be a panacea.

Q24 Lord Lee of Trafford: On the question of limited resources and trust, can we briefly touch on the question of nuclear weapons? Specifically, what contribution does the UK's nuclear deterrent make to NATO's collective posture? Also, could you tell us what your view is of the current American Administration's attitude to Britain having our own independent nuclear deterrent?

Sir Stewart Eldon: I think that the UK nuclear deterrent makes a great deal of contribution to NATO's posture. If you go back to the common defence argument, NATO is still a nuclear alliance. All of that is underpinned by the UK and the US nuclear deterrent forces. I should have said US and UK really, but it is those two. The French still are not back in that element of the club. If you look at the fundamentals, it is fundamental. Again, I come back to what I said about deterrence. I think we should have a new look at deterrence and the revitalisation of deterrence. Nuclear deterrence is a part of that, but only a part. We need to think about deterrence much more broadly now and how you stop people from doing things you do not want them to do with all the means at your disposal. If we could get that sort of way of thinking enshrined, it might make the nuclear aspect a little less controversial, but it is fundamental. I know of no American misgivings about us having our own independent deterrent at all. In fact, I think it is quite the reverse.

Dr Robin Niblett: Although, if I may come in behind that, taking Stewart's point, I have certainly heard a few Americans make the point that they are worried about the trade-offs that we are going to make. There is a strategic desire to see the UK as a nuclear partner within the NATO context and bilaterally, and deep concern that we are going to lose conventional capability in the coming years at its expense. Given the unpredictability of who will be at America's side in parts of the world where we may have a little more instinct to be there than in other countries, this could pose some risks in the future. I have heard this point directly alluded to.

That being said, let me say that from my perspective, I would also be concerned that in an environment of limited resources, these trade-offs have to be thought about very carefully. If I look at where the world is today—increasingly competitive, not settled into poles of influence, with a US roaming more in its global outlook than the more settled approach that it had in past years—the idea of the UK reducing its capability to be a contributor to global security through its independent nuclear deterrent would worry me. It is not helping.

I am not a politician who has to get elected and make those tough choices, but yes, I have heard US concerns expressed that they would be concerned to see the UK reduce its nuclear capacity too far—let us put it that way. Hopefully, there is some flexibility so the trade-off is not as difficult.

Professor Mike Clarke: Could I just make a very quick point on NATO's nuclear policy? In the new strategic concept, where many ideas were rearticulated and refined, the one thing that was not in any way changed was NATO's nuclear stance. That was not because it conducted a thorough review and decided to leave it unchanged; it was too difficult to touch, it was too controversial, so they left it. It may well be that it is still entirely relevant in the way that it was originally expressed, but that is not why it is there. It is in the form that it is because it was politically too sensitive to get into.

Sir Stewart Eldon: Just a brief comment on what Robin had to say: I think the underlying American concern is that we will lose capability. That is absolutely fair. I think that different Americans will say different things to different people without the linkage that they might or might not choose to make between that and UK spending on the nuclear deterrent, but it is important to be clear that the underlying concern is a loss of capability when they regard us as one of the bulwarks of a strong global security architecture.

The Chair: I shall call Mr Pritchard in a moment, but you wanted to come in with a specific point, Lord Sterling?

Q25 Lord Sterling of Plaistow: Mike, you were saying earlier that when all this started, we had a major say in creating NATO. If by 2015 it becomes fairly clear that there are some strong elements in this country, among those who have the authority to carry it through, who indicate that they would prefer to lose our nuclear deterrent and build up more conventional forces, what effect would that have on our authority within NATO?

Professor Mike Clarke: I have to say, I think that is extremely hard to predict. As Stewart said, the issue is our military capability across the board. If we did decide that we wanted to have a less nuclear stance or look as if we were moving out of the nuclear game, I am sure that NATO would want to be reassured by lots of other compensations on the conventional side. Of course, one of the arguments is that that would not happen: if we lose our nuclear capacity, we lose it with no countervailing increase in conventional weapons.

There is no doubt about it: a change in Britain's independent nuclear stance would have an effect on Britain's status within the Alliance, but it would depend on how it was expressed, how it was done and what were the expectations for the years 2020 to 2030.

Sir Stewart Eldon: The simple fact of the matter would be that we would be a less nuclear ally than we once were. That would have a fundamental effect on how we were perceived.

Professor Mike Clarke: If I may say, there is one thing that runs all the way through military capability discussions in the UK: because the UK has played this role of bell-wether in NATO over many years, if the UK reduces its defence to a certain level and goes below 2%, then why would not everyone else? Certainly the United States tends to look at it like that. In nuclear terms it would probably work in the same way. If the UK is getting out of the nuclear game, then what else could we not rely on? There is a sense in which the United Kingdom is regarded as setting a trend among other European allies even though we sometimes try to put our weight against the prevailing trend.

Q26 Mark Pritchard: But is it not the case that some of our European allies perhaps are schizophrenic in their approach to NATO? I am a member of the Parliamentary Assembly as well and sometimes we talk eloquently—sometimes less eloquently in my case—about radical reform or nudging, yet on the other hand do some members secretly desire duplicate EU military structures? You will know that the British Government recently voted against one of those but I have been in situations—I will not mention the country—where they have wanted to set up their own special forces and operational headquarters somewhere by the Mediterranean when you know that that facility already exists just outside Brussels. There is that tension going on and if we take Libya as an example, in a way it was the best of the EU and the worst of the EU.

Baroness Neville-Jones: Oh!

Mark Pritchard: Sorry, I will not go to Libya. Forgive me, that is somebody else's question. What is your view about the real commitment to NATO, given that some of my NATO parliamentary colleagues tell me—mostly privately over dinner—that it is pretty outdated and old-fashioned and they want new EU structures?

Sir Stewart Eldon: My perception—taken from the distance of not now being permanently in Brussels—is that those aspirations for separate structures are less than they once were. I do not think it means that people do not want European structures; they do, but I think there is a greater awareness of where the EU can be really effective and a greater awareness of where NATO can be really effective, and a willingness to design the institutions in a way which will facilitate that.

Mark Pritchard: But do you think that is realistic and practical given that much of our conversation today has been about scarce resources and reduced manpower, et cetera?

Sir Stewart Eldon: My perception would be that scarce resources will make it more likely to happen because the money is not around to do what people might originally have wanted to do.

Mark Pritchard: Despite the fact that in most circumstances it is the Americans that put the most resource into NATO operations, not our European partners?

Sir Stewart Eldon: Correct, but we are talking about structures here and that is not quite the same as operations. Personally, I think that some of the signals that the US Administration has been telegraphing for the last three or four years about the need for the Europeans to do more, and then demonstrating they mean it by taking a lower-profile role, is helpful. If you put the question to people another way round—“Do you want the US to continue to be involved in the security of Europe?”—most people will say yes, and that is the core.

Dr Robin Niblett: I strongly agree with that final point. As you have said, there is a schizophrenia and wanting to have your cake and eat it, but I sense there is much less political drive for formal structures to demonstrate a European security identity, to use that old phrase. There is a greater awareness of limited capabilities, a desire—maybe not fulfilled—to do more about it, and an awareness of how important the US remains whatever it is that Europe will be able to do. The only way the US remains is through NATO, but I think there is a desire—this is where the UK comes in—to not see the UK blocking a less ad hoc approach on the European side. It is not an obsession about structures. I think it is more a case of whether the UK—within the context of a more fluid outlook by other European partners about how NATO and the EU work together—can be less doctrinaire about it. We have remained somewhat doctrinaire.

Q27 Mark Pritchard: But if it is not an obsession with structures, should there be an obsession with priorities? Rather than having more buildings and facilities, we should be looking at building up EU-ISTAR capabilities, not conflicting or competing but complementing existing American-backed ISTAR assets, as used last year in a place in north Africa, which I shall not mention, along with air-to-air refuelling and military air transport, as we have seen with the French request on Mali.

Dr Robin Niblett: I think the instability around—

Mark Pritchard: My point is about the EU not getting its priorities wrong, and about the obsession with bureaucracy, structures, facilities and buildings, rather than the assets that we clearly need.

Sir Stewart Eldon: It is always very easy to default into institutional debate, in both organisations. That, I would agree, is a trap. Capability development is a very good thing, and there are European mechanisms for thinking about that, just as there are NATO mechanisms for thinking about that. Personally, I think if you go into whether a capability is designed to support somebody else’s capability or to be co-equal with it, you run the risk of going round in a political circle again. It is much better not to talk in those terms, but just to talk about a capability that can do something—then, as the EU counterpiracy operation and the NATO input to that demonstrated, just get on and do it, in a way that is very good and very helpful.

Mark Pritchard: Professor Clarke, can I ask your thoughts on that?

Professor Mike Clarke: Yes. There is an interesting contradiction at the moment between a French attitude and a British/American attitude. What we are hearing from our French military counterparts is that French officers are very confident, on the basis of Libya and Mali. They tend to say, “You Brits, you take such a NATO-esque view of operations that you plan yourselves into inactivity, whereas we just do it—we take risks. And look—we succeed”. Of course, what the NATO-esque among us tend to say is, “Well, the risks you take may require quite a lot more effort in the long run”. But there is an interesting argument at the moment. NATO planning is essential for operations like Libya, if they are going to last a few months. Libya could not have been done without NATO, even though the organisation did not cover itself in glory in the first two or three weeks. It got into gear and was essential to the operation. But there is something in the French criticism that we can plan ourselves into sclerosis because we are doing things within an alliance framework. We seem to be at an interesting moment, whereby most European countries recognise the need to transfer a motional and financial resource into capabilities, but not everyone does it in the same way.

Dr Robin Niblett: The French got close to a position of having no capacity to follow through on Mali, if the Americans had not come in and helped them. So it is interesting.

Professor Mike Clarke: Yes.

The Chair: I have Lord Harris to ask a question, but Lady Neville-Jones wanted to come in on the immediate point.

Baroness Neville-Jones: I was going to ask what was happening on the US.

The Chair: So you are all right. In that case, I shall move on to Lord Sterling.

Q28 Lord Sterling of Plaistow: At our last session, we had a friend from Europe who commented, as has been said here, on the lack of resources, and that given the drawbacks and the problem with the euro, and so forth, there will be even further cutbacks. But if one looks back historically, even during the Cold War and the period when things were booming in every single European country, they spent peanuts. The money has always been spent by the Americans. Today, if one speaks to our own chiefs of staff—and they might have a different view on whether Mali has been a success, by the way—there are only about two or three countries that they would actually rate if something really had to be done. Keeping the USA engaged in Europe—is it the most important thing for the UK and other members? When it really comes to it, despite the deep dislike in many parts of Europe that I have come across, there is nevertheless a recognition that we badly need them if you want to be part of it. Finally, with all the understanding that you have of NATO, if tomorrow morning there was a need to move—and Professor Clarke used the word “capability”—would NATO move or would it talk?

Baroness Neville-Jones: Could I add a supplementary to the US angle? I was quite struck by Professor Niblett’s extremely interesting paper, from which I learnt many facts. A number of propositions in the earlier part of the paper indicated that quite a lot of the lifeblood that has sustained NATO in the past was no longer going to perform the same function in future. I was left wondering: what will? What in the end is going to be the attitude of the US towards the decline in capability of the Europeans collectively? Is it fair to say that, in fact, our focus on Europe means in the end that the US will not take a great deal of interest, and that a prerequisite for them is some recognition on the part of Europeans of what they would describe as a global NATO—that we have got to be somewhere in parts

of the world that are of direct strategic interest to them, and which they consider ought to be of strategic interest to their allies?

Dr Robin Niblett: Let me address those two points in order. On the first one about the US having been the main spender, and that therefore we need to keep the US involved, I have no doubt—not wanting to repeat myself or repeat what has been said by other witnesses—that keeping the US involved in European security is essential. It is essential for us and in America's interest. I will redefine it in a second, in my answer to the question from Baroness Neville-Jones. That basic point is important. However, I am very leery about the numbers game—“America is now spending 70% of NATO defence compared to 30% from Europe”. I am not convinced, and I think that many Americans are not convinced, that America gets a bang for its buck. If you think what America has achieved with its spending, you can see why many Europeans, as I say in my paper, may doubt that driving force, in the Bill Gates critique—that you need to spend more to be more successful—when you look at Afghanistan and Iraq. Then there is the fact that a lot of American defence spending is an issue with jobs, constituency and district, as well. So I think we have got to be very careful about looking at the numbers game, and Europeans have to be very clear about how they create capability, the UK included. It can be done with clever, smart and more efficient investment, but we have to be careful not simply to measure ourselves against the US yardstick. I believe that the US, ever since Donald Rumsfeld, has been looking at NATO more as a toolbox, and this is natural.

I think we could hanker after a period in NATO's founding that has fundamentally changed with the end of the Cold War. We do not have to say that we believe in a global NATO, as Europeans, to have US support. Even within the US, that rather grand vision has been attenuated, not least because a number of the allies who might get pulled into a global NATO would not necessarily want to be tarred with that brush or included in that structure—looking at Asia, or south-east Asia, in that context. They will judge our value by our ability at least to be able to play alongside at moments of critical impact at an international level. It is not whether we are with the US on something that is very US-specific. As I argue, I believe that security in the Asia Pacific region is of importance to Europe and the UK as well. If we do not take it seriously, in terms of the kinds of capabilities that we are developing, the US will be even more utilitarian in how it thinks about NATO in the context of Europe and its threat, and will say, “We are there as a backstop, but if you are not going to play with us on the international stage we will deepen our relationship with Australia, or with a Japan that is looking more seriously about its defence capabilities”. That is my worry—it is not that NATO disappears but that we go even further down the Donald Rumsfeld route, which was started not under Obama but has been going for some time.

Professor Mike Clarke: I would like to reinforce that point if I may. In Washington, you do not hear the word “NATO” very much, and when you do hear it what they now mean by it is “You Europeans”. When they say “NATO should deal with this”, they mean “The Europeans should deal with this”. In Washington at the moment, it is not seen as the word meaning the trans-Atlantic collectivity that it used to mean.

I am sure in my own mind that we have seen the United States go down two or three sets of assumptions about European defence. We used to say that the United States would not be coming back to Europe in any militarily significant sense unless there were a structural crisis that involved the Russians. Now, I think we would say that they will not come back to Europe in any militarily significant sense unless their global interests are at stake. We could get ourselves into crises with the Russians in which the Americans did not think their global

interests were at stake. That is conceivable. I think that that is the situation in which we find ourselves, and I think Robin is exactly right that if not NATO, the alliance, then certainly the leading members of NATO have to begin to define their security in a way that shares some of the genuine global interests with the United States. For the United Kingdom, I have long argued that we need to find interests which genuinely matter to us but which also matter to the United States. We should not take things on simply because they matter to the US. For instance, the security of the Gulf, the security of the eastern Mediterranean, which I certainly do not take for granted, and our relationship with India in the India-China relationship are things where the United Kingdom has its own strategic interests which I think are also coincident with American interests. If the major European powers defined more of their own security interests in those more, to my mind, open-minded ways, I think it would strengthen the American interest in the NATO powers.

Q29 Lord Sterling of Plaistow: There is another point here, which you have already started to cover, on the Asian Pacific. Taking my own interest, which is international trade, there is no doubt whatsoever that, whatever people think is happening in Europe, if you take a 10-year, 15-year and 20-year view from now, unquestionably by far the biggest build-up in GDP is going to be in the old hunting grounds of this country, which were the areas of the Far East and the Middle East but the Far East in particular. It is just as important for us to protect, as we always have done, our commercial interests and vested interests. It seems to me—this point was made by one of you just now—that increasingly the Americans do not refer to NATO; they always say “You Europeans, what are you going to do about it”, and so on. It is not a question of people being worried that the US is pivoting towards Asia Pacific. In our vested interests, it seems to me that this country should do likewise automatically in our own interests and not just to support America. Do you think that the other European countries will take that line?

Professor Mike Clarke: I do not know. Britain has a more strategic sense of what happens in central and east Asia than many of our European partners have. A lot of our European partners see east Asia only in economic terms. I think that we see it in economic and strategic terms. That is partly because of the way in which we look at the United States. I honestly have no sense as to whether our European partners would take the view that I have just put about the way in which our strategic interests should coincide, where possible, with those of the United States.

Sir Stewart Eldon: If I may say so, I think some of them would, but not all, and that is where some of the historical baggage still comes in in a much larger sense than institutional baggage. Perhaps I may just say, leading on from the earlier discussion, that I agree almost entirely with what my two colleagues have both said but I want to make a couple of points. Please do not get overhung up on the NATO resource questions. Remember that NATO expenditure is a tiny proportion of the US defence budget—almost insignificantly small. People are going to make points about money for the sake of making points about money, but in gross terms and depending on how you count NATO expenditure, it does not count for a lot.

Secondly, “You Europeans fix that” has been a leit motif of American foreign policy since the Holbrooke days, if not before, and that is always going to be the case. I would not quite write down NATO as an organisation quite as much perhaps as Michael did. I still hear it mentioned in Washington—perhaps I just talk to the wrong people—as an embodiment of a transatlantic link, and it is the place where the Americans can sit down round the table with the Europeans.

I just observe that, looked at in terms of politics, there is a quiet, informal series of NATO contacts which is getting broader and broader. Other countries, including China, are interested in talking to NATO, not yet in any huge depth but it has gone from something that must be ignored as an American cat's paw at all costs to an organisation which might just perhaps be of some interest.

One should also remember that the NATO construct was very useful in mobilising partner countries in the case of Afghanistan—again, at several points there were more non-NATO contributors to ISAF than NATO contributors. The Americans are always going to need support in matters that are of interest to them, and NATO is a good way of manufacturing that support. However, I agree with Robin: I think that the original concept of the global NATO is dead.

Q30 Lord Sterling of Plaistow: Madam Chairman, we have not touched on it at this point but there is one organisation that we really have not mentioned too much today. Do you think the more sensible part of the United Nations is going to grow in power in being able to have some say in some of the things we have been debating today?

Sir Stewart Eldon: The United Nations is a particular case of the dictum that an organisation will only be as good as its members want it to be. I think that the UN ability to get involved and influence these kinds of events will depend on a working and effective Security Council. Bear in mind also that the UN's perspective on these issues is different from a NATO or a national government perspective. The great imperative for the UN is to resolve a dispute; it is not necessarily to right a wrong, and that is different.

Professor Mike Clarke: I would make one point. There is an interesting relationship in terms of legitimacy between the United Nations and NATO. NATO can sometimes bolster the legitimacy of a UN resolution that may be a little ambiguous for political reasons, but equally NATO has in certain situations enough legitimacy itself, as it had in Kosovo, to authorise action, and that is very context-specific. However, I think that the way in which the UN and NATO can nuance the legitimacy of action that western powers may choose to take is a very useful relationship.

Dr Robin Niblett: On both those points, I think we may see more activity internationally by regional organisations—the African Union, the Gulf Cooperation Council, et cetera—than necessarily by the UN, although I agree with Michael's point about the UN obviously being an important legitimising institution, as we saw in the case of Libya, enabling those regional organisations to get involved. Something that we have not talked about as much is how NATO will interact with regional organisations in the future. It is not something I have studied but I think it is worth observing.

I want to come back very quickly, Lord Sterling, to your point about Asia Pacific being central, and the comments that Michael and others made about how we connect in with this. What will be interesting, of course, is that it is not a case of the UK having to choose to be shoulder to shoulder with the US and Asia Pacific; it is about how China and other countries there are looking at energy supplies from the Gulf or the Middle East. It is a chain of connectivity, and we do not have to play in just one place to be relevant to the US. I think that, as was indicated by both my colleagues here, having the capacity to be supportive or active somewhere in the chain can be as valuable, giving our very limited, or increasingly limited, resources. The questions are how we think interactively, how we do contingency planning and how we discuss this with the US. The US does not think of NATO, as Stewart was saying, as still having this kind of valued role.

The Chair: Thank you very much. I am afraid that it is a constant feature of this place that people have other commitments and have to dash off and so on. So, without any intended discourtesy, we will have to draw to a close. Thank you very much, all three of you, for some very interesting evidence. If there is anything that, in the last seconds, you are burning to share with us that you suddenly realise you did not say but should have, please do so.

Lord Foulkes of Cumnock: I underline your apology. I am really sorry. I will read the transcript with great interest.

Professor Mike Clarke: If I may say so, I never worry when people walk away while I am speaking; it is when they walk towards me that I have to worry.

The Chair: That is an appropriate note on which to finish. Thank you very much indeed, all of you.

Professor Robert Cooper CMG – written evidence

BRITAIN'S NATIONAL SECURITY STRATEGY: THE EUROPEAN UNION

1. A central fact in Britain's national security is that, in contrast to the past, there is no risk of war with any country in Western Europe.

The institutionalisation of relations among European countries in the European Union and NATO has played a major role in this. The EU, as well as NATO, should be thought of as a security organisation, not because of some mechanical process (eg the theory that merged steel industries make war impossible) but because of the change it has brought in the quality of political relations.

2. The EU is the most capable and cohesive grouping in the world.

The EU brings together countries whose history and geography give them common interests and values. Many, like the UK, are medium sized countries with worldwide connections and interests that they are unable to protect on their own. They therefore share the ultimate objective of a law-governed world. A world of rising powers, some on a continental scale, means that it makes sense for such countries to work together.

3. The EU's relationship with the United States is a major asset.

The US has always seen European integration as being in its interest. (Acheson was the first person outside the French government to learn of the Schuman Plan, and supported it immediately). US attitudes to European foreign and security policy have sometimes been ambivalent but recently their support has become unequivocal. This is the result of a growing confidence that policy differences will be rare. At all discussions of foreign and security matters the USA is an unseen presence at the table.

4. The EU's greatest strength is in trade and economic affairs.

This makes it relevant for energy and food security. Trade instruments can help prevent proliferation; and can be used as leverage, through sanctions or preferential agreements. Access to the EU single market is important for almost every country. At a time when global trade agreements seem out of reach, free trade agreements such as that with RoK, or those under discussion with Japan and the USA, can add to political and regulatory cohesion among like-minded countries.

5. The EU is a multiplier of influence for the UK.

The UK's influence, widely underestimated in Britain, is enormous in foreign and security policy. Here the UK is probably the single most influential actor – France being its closest rival. Dozens of cases illustrate this: the most striking are in areas where in spite of the UK's views placing it in a minority, such as Zimbabwe or Burma, it has had a major role in determining EU policy. In other areas such as the Middle East, Iran, or more recently

Somalia, a consistent and active UK policy has brought results in terms of EU policy, though not always in resolving the problems themselves.

In development, where the EU is a major donor the UK has exercised a striking degree of intellectual leadership. In defence, as one of the most capable and experienced members of the EU, UK influence is powerful and, when it is working with France, potentially decisive.

Influence begets influence. The UK's influence in the EU increases its influence in Washington.

6. For all European countries the decline of military capability is a serious problem for national security.

The biggest policy failure of the EU collectively is in defence procurement. Collectively EU countries spend more on defence than Russia, China, Japan and India added together. Value for money is miserable because of short production runs; multinational projects have not been better. Achieving cost-efficient joint procurement will be a challenge – we have only a history of failure to learn from – but this should be a priority for national security. It does not matter whether this is based on the EU or NATO, though the UK is likely to get more say in a European system.

7. The EU and NATO are natural partners.

With the institutional jealousies of ten years ago largely gone, the only obstacle to better collaboration is the Turkey/Cyprus blockage, which seems in equal measure absurd and insoluble.

8. The EU has many faults.

It is slow and bureaucratic; working through it can be laborious. Sometimes it behaves too much like a big NGO. Improvements have been made, especially since the failures in the Balkans, but there is more to do. The creation of the EEAS represents an opportunity to make the EU more effective and more political.

9. Outside foreign policy the British record in the EU is mixed.

Results are proportionate to effort. In foreign affairs where the UK is active and engaged it has had many successes. Other areas of EU activity also have security aspects. In some – agriculture and the budget, for example - persistence has brought rewards. While the UK is always a force to be reckoned with, in areas where its commitment to a European approach has been less clear, e.g. in monetary affairs, it has not been so successful.

19 March 2013

Professor Michael Cox, Xenia Dormandy and Professor Anatol Lieven – oral evidence (QQ 31-49)

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Evidence heard in Public

Questions 31 - 49

MONDAY 17 JUNE 2013

Members Present

Margaret Beckett (Chair)
Mr James Arbuthnot
Sir Alan Beith
Lord Fellowes
Lord Lee of Trafford
Paul Murphy
Baroness Neville-Jones
Baroness Ramsay of Cartvale
Lord Sterling of Plaistow
Baroness Taylor of Bolton
Lord Waldegrave of North Hill

Witnesses

Professor Michael Cox, London School of Economics, **Xenia Dormandy**, Senior Fellow, Royal Institute of International Affairs, Chatham House, and **Professor Anatol Lieven**, King's College London

Q31 The Chair: Thank you for coming. As you have probably been told, this is one of a series of evidence sessions that we are having. In the past, we have interviewed members of the National Security Council about their work and their approach to it. Our particular focus is on the next national security strategy and what should be in it that was perhaps not in the first one, or needs developing from it. One of our concerns is our anxiety about whether the Government are taking a sufficiently broad look at the way things might develop in the next strategy, whether they are taking advice and input from a sufficiently wide range of people and whether they are, to a certain extent, dealing with what is already within their remit and their grasp and the experience of their advisers and staffs. That is part of our general approach, which includes getting input from people outside on what they think about these things.

One of the things that struck us forcefully was how little was said in the national security strategy about our relationship with the United States. In particular, in the context of the fact that in broadly speaking the same timescale the United States has talked about a pivot to Asia, there is no indication that that has made any difference to our thinking.

There is no need for all of you to answer every question if you do not want to, but first we would like to get a broad-brush approach from each of you about what you think are the

most important elements in our relationship with the United States and how you think it is developing or will develop for good or ill.

Professor Anatol Lieven: To understand our relationship with the United States, or at least to understand the positive and negative sides of it, it is first necessary to have an idea of what Britain wants and needs to do in the world. One aspect of the idea of Britain punching above its weight—a perhaps unfortunate phrase, if I may say so, about Britain's role in the world—is that, perhaps, given the reality of our real power and economic situation, that is something that we can achieve only with the backing of the United States, or on the shoulders of the United States even.

This leads to two questions: first, whether this more expansive view of Britain's policy, interests and goals in the world is in fact in tune with the real British national interests and, secondly, whether it creates an unhealthy dependency on the United States which, among other things—to continue the rather unfortunate punching above your weight analogy—on occasions leads us to punch people who it is not in our interests to punch or who we should not be punching because, essentially, that is the price of the American alliance.

In the context of where United States foreign policy is now going, it is clear that whatever the Administration—at present a Democratic one; after 2016, who knows?—the pivot to Asia will remain a key part of US policy. The rise of China makes that inevitable.

Given the decline of Russia as a direct threat to American interests and the relative—only relative—decline of American power, to strengthen themselves in east Asia, they will have to cut down, to a degree, on their commitments elsewhere.

However, that needs to have two great qualifications attached to it. The first is, as we see in Syria at the moment, even a United States Administration—and even more the United States uniformed military—which is passionately anxious not to get into any new commitments in the Middle East, for example, in part precisely because of the need to pivot towards east Asia, may find itself inescapably drawn into commitments and conflicts by its inherited commitments, interests and position in other parts of the world.

The other thing to consider is the impact of this pivot on Europe. On the one hand, the pivot towards Asia which, let us be candid, is to a considerable extent a pivot against China, although not, of course, intending, if possible to fight China—God forbid—as they want to soften this as much as possible, is part of a very old and core US strategy of trying to deny a potentially hostile great power control over the opposing littoral, either in the Pacific or the Atlantic. At the moment, there is no such threat in Europe, as there was in the First and Second World Wars and the Cold War, of a potential enemy great power gaining control of this side of the Atlantic. However, we can still be very sure, because it is a core part of American interests and American strategy, that if such a threat were ever to return, the US would remain committed to combat. For the US to give that up would mean the US giving up its role in the world, essentially, which it is hardly about to do. The other thing is that Europe will remain a very important platform and staging post for US influence in the Middle East, apart from anything else.

However, when it comes to two things, one can see a definite change. The first is the US pushing for the further expansion of NATO against Russia. We have learnt since August 2008 that that brings with it very severe risks that the United States really does not want to assume, given the new perceived threats in east Asia. The second thing is that I would be very doubtful whether, if—God forbid—there were another explosion of ethnic conflict in the Balkans, we would be able to rely on the United States to come in to sort it out as they did in 1995. The overwhelming view of the US Congress and US public opinion would be

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that it was really the business of the Europeans. I do not see the pivot to Asia leading to the United States simply cutting its commitments to Europe, but I see them changing and in certain respects diminishing as a result.

Q32 The Chair: Xenia Dormandy?

Xenia Dormandy: Let me try to march over the same ground but disagree and agree on a couple of points. There are three or four things that I would add to that. The first is to distinguish what the bilateral relationship is. We talk about it being special and essential. Both these things are true, and they will ever remain true. I do not think that will ever change, but the most important point is that it is no longer a strategic relationship. We need to grab hold of that and reverse it, effectively. What I mean is that perhaps because both parties have put so much emphasis on a good direct relationship between the two leaderships, we have depended on that. That has meant that there are times the two sides do not understand one another's long-term strategic interests to the depths that they should. There is an assumption that the Americans will say, "The UK will be with us", when actually there are enough differences in the nuance that that will not always be the case.

To your point about things that are missing as we look forward to the next NSS, one of them is a real need to emphasise the strategic nature of the relationship, which has been ignored too long. It is something that the two Governments recognised and noted in May 2011, when President Obama was here, and they created the Joint Strategy Board, but it has come to nothing effectively, from what I hear from both sides. There is recognition, but there does not appear to be appropriate action to change that.

Looking at the bilateral relationship, I often describe it as resting on three legs. The first is the assets—this is talking from the American perspective—that the UK brings to the table. A broad definition of what they are includes intelligence, military and diplomatic assets. The second leg—and this is vastly underestimated here in the UK—is the different perspective that the UK brings to any dialogue with America. As one American ambassador told me, the most useful meetings they ever had was the weekly meeting they had with the British ambassador because they got a very different perspective of the kind of problems they were facing in the country in question, which was extraordinarily valuable. That is a very important part that the UK often underestimates.

The third leg of this relationship—this is fairly controversial these days—is the UK's role within Europe. There is a belief that because of the similar interests and values that the UK and the US hold, the UK is somewhat a voice within Europe for American interests. If the UK is no longer within Europe or is on the outskirts of Europe and not in an influential position, that worries the Americans. We have heard that from Phil Gordon, and we heard that just a few weeks ago from President Obama. I do not think you are going to hear a much more vociferous comment from the US Government, but it is the tip of iceberg and is what drives the importance of this relationship from the American perspective.

The second point about the importance of the different perspective is where I disagree with Anatol. He used the expression "on the shoulders of the US". One of the issues here is often that the UK underestimates its value to the United States. There is often a sense from people I speak to here that the UK perhaps needs America more than America needs the UK. It is actually far more balanced than we give ourselves credit for. Certainly, that is my sense when I talk to people who understand it in the United States. So I would not necessarily say "on the shoulders" as that implies an inequality that is certainly not as great as people will often assume.

The third point is to reiterate briefly what Anatol said, perhaps characterised slightly differently, about perceptions versus reality. There is the reality of the relationship, and there is the perception of the relationship. The reality is very strong and very positive; the perception sometimes gets the UK in places that we do not want to be. There is a perception that the UK and the US are often tied up together when that is not necessarily the case. That gets the UK and the US in places where they would prefer not to be and in corners where we would prefer not to be. That is manageable. I do not think you are going to change that perception in the near term, and I am not sure that you want to change that perception in the near term because it gives the UK greater strength, but it could be better managed in so far as, to go back to my strategic point, if you could understand where the two sides were coming from and where the strategic interests were taking us, then at least you have forewarning before you find yourself in a place where you did not intend to be and you can mitigate or manage the expectations. That is something that is often ignored or to which less attention is paid than could be.

Two final points that play to things in the coming NSS that perhaps are not being focused on are that the world is changing extraordinarily fast, and there is a tendency in all of us, myself included, to continue to look at yesterday's challenges rather than tomorrow's. There is an incredible focus on China, for very good reason, and there continues to be a focus on Russia, for good reason, but I might put the argument forward—and the Americans are also not doing this—that we need to start talking about challenges such as food and water security, energy security, cybersecurity and pandemics as we look to the next NSS and to preparing ourselves for 10, 15 or 20 years ahead of where we are today and start understanding the two perspectives and what assets we can bring to the table together and independently to deal with them. Those are the kind of challenges we should be looking at. We should be moving away from traditional questions such as “What's going to happen in Syria?”, which is on everybody's mind, or the rise of China.

My final point was not in the last NSS, for good reason, and needs to be in the next one because a fundamental change is taking place. It is not a political point, but America's role in the world is changing, principally driven by austerity and by the recognition in the United States that it can no longer do everything that it has done in the past and that it has to make choices. Those choices are going to mean a less engaged America than we have seen for the past 50 to 70 years. It will not be sudden. I absolutely agree with Anatol that if something happens in Europe that is in deep American interests, America will be there. America will continue to be a European power, just as America will continue to be an Asian power.

I am not suggesting that America is going to be pulling back in its entirety, but it should also be recognised that, in my view and the view of many people I speak with, Libya was not a random case point. Libya was an example of America making a judgment that it was important, but not so important that it needed to lead. As you look to the next NSS, that has to be kept in mind.

Q33 The Chair: Professor Cox?

Professor Michael Cox: I shall try to put some footnotes in that. Perhaps we could approach the issue less from a policy point of view than from a structural point of view. Britain is basically a medium-sized power living in what is still a superpower world. What medium-sized powers do when living in a very unequal world is try to get the best out of the relationship they have with the one superpower that still remains and will remain for many years to come, which is the United States of America.

If one is blunt about it, for the past 30 or 40 years, the British have done pretty well out of this relationship. They have taken the space that has been offered post-Suez and far beyond. They have gained privilege from this relationship. It has given Britain a position and role in the world, certainly on intelligence and other matters. This has been reinforced by history, linguistics and all the rest of it which does, to use the very unfashionable term, make the relationship rather special. The special relationship has been buried so many times now, but it keeps coming back out of the grave. It is a classic zombie; it is undead, but it keeps coming back. If we are still asking about a special relationship, we must still think there is something special about it. Clearly, there is. I agree with Xenia completely. We have done well out of the relationship, and the United States still needs the UK.

That may be quite an unfashionable thing to say because we are living in an age which is Asia and China-fixated to an extraordinary degree so that we forget what are the fundamentals of alliances as opposed to partnerships. There is a rather important rhetorical and linguistic distinction. China will remain a partner, but Britain will remain an ally. That is a very important difference. Any superpower does not want to be a lone superpower. That is quite important. The world is still a dangerous place. It is full of nasty things. There are some problematic things going on, even arising out of China's rise, and having friends and allies and people you trust and habits of co-operation are significant, whatever we can bring to the table.

I was rather surprised to hear Mrs Beckett say—I hope I heard her correctly—that in the national security strategy there is very little about the United States. That is quite an interesting phenomenon or omission, if I might put it rather bluntly. It is, after all, our most important economic partner. Our foreign direct investment across the Atlantic is huge. I found a figure this morning that 7% of our GDP basically depends on the United States and FDI. We are the largest investors by a mile in the US. The City of London and New York are closely connected. It is not just even the strategic and foreign policy stuff. One million jobs are made in this country through US investment. I think we create about 1 million jobs in the United States.

It is an all-round, quite comfortable relationship, perhaps sometimes far too comfortable, but it is a comfortable relationship and that is something that we have to take advantage of without in a sense kidding ourselves that the United States is not a global power because, in the end, it is and will remain so and will make those kinds of calculations.

On the pivot to Asia, very briefly, because I am sure many members of the Committee want to ask questions and not just listen to us going on, I do not know what it means. Judging by the kinds of clarifications that have gone on in the US since the term was used, I am not sure it knows because “pivot” then became “rebalanced”, because it was embarrassed by “pivot”. The “pivot to Asia” did two things simultaneously, which was brilliant. One was that it extraordinarily annoyed the Chinese because they saw it as the containment of China. Ever since then the United States has been denying that, with zero impact on Chinese perception. Secondly, it upset the Europeans who thought, “You don't love us any longer”. It is amazing to do that with three words: to annoy China and to create grave concerns in Europe.

There is an enormous amount of hype in this debate about the pivot to Asia. What it is saying, rather simply, is that Asia has already become a rather important part of the world economy, but not more than the transatlantic economy, which is often forgotten in the current debate. China is an emerging, rising power which presents opportunities and problems, and we are going to have to do something about that to reassure our own allies

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within the region. It is also a way of trying to get away from the fixation on the Middle East, which is much more to do with them trying to get away from Asia.

In the end, I come to the conclusion that I am not too certain about the United States pivoting to Asia, where it already was anyway. It had never left. It had never gone home. There were 30,000-odd US troops in Korea, and it still had a strategic interest. The US was not going back into Asia; it had never gone away. I am not sure how that changes much of the calculations about where the UK should stand in relation to the US. The US is in part only restating what has been true since 1941; namely, that the United States is an Asian power, that it is a Pacific power and that it will remain fundamentally involved and integrated into Asian security and the Asian economy. If you need to reaffirm that in a period where China is pushing its weight around a bit, which it has been doing, fine. The Chinese understand that perfectly well.

Q34 Lord Lee of Trafford: I want to raise the question of the US public and the UK public. My guess is that there has been very little change in recent years in the US public's attitude to the UK, but on the other hand, it has been my perception with the coming of Obama that there has been a massive change in the attitude of the UK population, rightly or wrongly, to America. If you look at certain specifics, such as Syria and the decision of the US to get rather more involved in supplying weapons to the nationalists or rebels there, had Bush been there, the criticism would have been very much anti-American, but now there is little criticism of America adopting that approach. There is certainly a debate, which we will have, no doubt, about whether we should get involved, but there is not the initial anti-Americanism that was so pronounced in previous years. Would that be a fair conclusion to draw?

Professor Michael Cox: For want of better things to do with my time, I look at public opinion polls, which I always agree with if they agree with my basic biases in the first place. There is no doubt. Almost the day after Obama was elected in November 2008, the bounce went up right across Europe, particularly in this country and Germany, where it had gone so damn low, and it has remained up there. I could almost say, without being too provocative, that he is probably more popular in many foreign countries than he is at home, which is a problematic place to be. I do not think he has lost that. There has been disappointment, as everybody keeps saying. He has not quite fulfilled the full ambition of walking on water, he has not solved the world's problems and all the rest of it, but opinion in this country has been deeply shaped by Obama.

In that sense, he has been able to get away with quite a lot which poor old Bush could not have done. George W had become so toxic in this country among a lot, but not all, of public opinion, and certainly in places such as Germany and other normally pro-American parts of the world, that what he could do and what Obama has been able to is quite remarkable. There was a very good article yesterday in the *New York Times*. Obama has done some pretty tough things on drones and all sorts of other things. On national security, we have seen this thing on wire tapping. He is proving himself to be a very tough national security President, equally tough as Bush and in some senses tougher, but it does not provoke that same kind of response and reaction, which has given the US a space within which to do things, which is one of the achievements of this Administration.

Professor Anatol Lieven: A member of Eisenhower's own family described Obama to me as an Eisenhower Republican, which is fair enough. However, she added that the Republicans have gone far beyond what Ike would regard as within the parameters of rational policy.

There are two things about Obama. The first is that tough is not the same as reckless. Bush was regarded as reckless. We have not, as a country, had a problem with America toughly defending a reasonable version of its national interest, but Bush was seen as going far beyond that. The second thing which is worth noting is cultural. In particular, the Christian fundamentalist aspect of the Bush Administration in certain respects, or at least the connections to that and certain aspects of neo-conservative attitudes to the world, pretty clearly marked a strong difference from the cultural mainstream in Britain and America, whereas Obama is seen as someone very much in the same cultural world as the British and the European leaderships. In terms of perception, that also makes a huge difference. It is not just a matter of appearances; there are very real underlying factors at work here, but one must remember that we do not know who is going to win the US elections in 2016.

Q35 Mr Arbuthnot: In what respects, if any, do you think the relationship between the US and the UK damages the UK? For example, does it attract terrorism to this country? Do we sometimes get so closely aligned with the United States when the United States is in an unpopular phase that we are tarred with the same brush?

Xenia Dormandy: Absolutely. There is the distinction between perception and reality. There is a strong sense that whatever hole the US digs itself into, the UK is coming straight in, regardless of whether it wants to or not. The yin and yang of the close relationship is that on the one hand there is the perception that America has the UK's back and therefore when the UK wants to do something, it has more leverage than most, if not all, other powers to get America on board. On the other hand, if America jumps first, there is an expectation that the UK, regardless of whether it wants to or not, will jump as well.

I do not think there is a solution to this because there is a lot of positive in the perception of a close relationship as well as cost. We were talking about perceptions of Bush versus perceptions of Obama. The enthusiasm for Obama was much higher here in Europe than it ever was in America. The polling is still; 48% in America think that Obama is doing a good job while the number over here is in the 60s. There is a fundamental imbalance, if you will, there.

The fact that Obama has a much stronger perception globally, except in the Middle East, where it is lower in some countries than it was for President Bush, is generally good for the UK because people have the perception that it is a softer, kinder America, and that has repercussions. Will one ever be able to prove the consequences of 7/7 coming about? I doubt it, but the perception is very strong there.

Professor Michael Cox: I do not think there is much there. There was the Iraq war, and we know what the consequences of that were. That was damaging, and there were reasons why the UK supported the United States in the Iraq war, ones I disagree with, but that is another question. Outside this Committee Room and outside this country, the truth of the matter is that wherever you travel in the world there is an assumption that the UK and the USA are as close as close can be. Iran is a classic case where they think we have a lot more power than we do in all sorts of other things.

When I was in China recently I said that we have an independent foreign policy. For example, we take a different line on the International Criminal Court and on a number of other issues. They said, "Yeah, yeah, but you and the Americans". It is almost the more you deny it, the more they know it is true—"You would say that, wouldn't you?" It is the Mandy Rice-Davies phenomenon. You are kind of stuck in that, and I do not know how one can alter that. Perhaps one does not want to alter that. Perhaps it is a form of ambiguity that you cannot do very much about.

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In terms of damage, I am not sure. We would have been attacked anyway. That has always been my view. We went into Afghanistan for our own reasons, not just for American reasons. If we do things, presumably when we put our soldiers and their lives on the line, we do it largely for reasons that have to do with British interests and counterterrorism, not because the Americans are telling us to do it.

Where it can be damaging is where the word “poodle” comes in, and that is what we have to avoid; the perception that when we are doing something, we are simply doing it at the US’s behest. That is a problem, but how you manage that within the frame of that relationship has to be worked out case by case.

Professor Anatol Lieven: There are two things. First, I want to emphasise the case-by-case aspect. If we want to dispel this perception in the world, the obvious thing is now and again to say no over a major issue. As Mick has said, the perception is extremely marked, especially in the Muslim world. The perception is not that Britain and America are as one; the perception is that we take American orders.

The second thing, with all due respect to the British involvement in Afghanistan, is that I believe it is fairly well known by now that a key reason, especially for the British military, for the desire to go into Helmand was to restore our prestige in Washington. That may well be seen as a very important British interest, but it is not the same thing as saying that we have an interest in going into Helmand that is separate from that of the United States or from the relationship with the United States.

Another place where questions of Britain’s actual national interests were not even addressed in any discussion I was ever part of was the enlargement of NATO beyond central Europe into the former Soviet Union, which we discovered belatedly had very serious risks and which was driven above all by Washington. As far as I know, we went along with it mainly because that was what Washington wanted.

I echo Mick in saying that the point is that in individual cases, especially those that bring with them the possibility of the use of military force and the loss of British lives, we should examine them very carefully to see whether they are, in fact, in the interests of this country.

Q36 Lord Waldegrave of North Hill: I shall pick away at this subject a little bit. It is a slightly “idiot boy” question, but I was trying to invent a thought experiment about what would have happened to us if we had not had this relationship with America. I suppose what would have happened to us is that we would have been a bit more like France: cheese-eating surrender monkeys. Nobody in Britain wants to be like France, but in what measurable way has the French national interest been damaged by being much more bloody minded to the Americans over the past 40 years than we have?

Xenia Dormandy: I will give you a thought experiment back. Would America have got involved in Libya if it had just been France without the UK?

Lord Waldegrave of North Hill: Was it a good idea to get involved in Libya?

Xenia Dormandy: That is a separate issue. We have to recognise that along with the cost of having a special relationship with the United States comes a benefit of having a special relationship with the United States. Let me start to answer this from a slightly different point. There is a great quote that Louis Susman, until recently American ambassador here, gave in the past six months. He said that essentially the first person that Obama calls when he has a challenge is Cameron.

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Lord Waldegrave of North Hill: Yes, yes, I understand all that. I have played these games myself. We get nice military kit in order that we then go along with what they want us to do. I am trying to separate out all that stuff. It is lovely being rung up by the Americans first, and we can feel tremendously grand and so on, but in what way does it add to our security compared to France?

Baroness Taylor of Bolton: We have a place on the Security Council.

Professor Michael Cox: That is independent. That goes back to 1945.

Xenia Dormandy: That is nuclear.

Baroness Taylor of Bolton: Do you think that would have remained? It would not have changed more?

Professor Michael Cox: As everybody knows, it is extraordinarily difficult to reform the key five in the Security Council. That goes back to the 1945 decision.

Xenia Dormandy: In the thought experiment on Libya, the argument was that it was the French and the Brits who came to the Americans and said, “We think this is really important, we want to engage, but we clearly need your assets to do so effectively”. If it had been France and Germany, would the US have gone in? Or if the UK had been more like France, would the US have gone in? I would probably put the argument that it would not. Perhaps we should not have, but at the time, certainly it was the UK saying that this was of vital national interest to it.

Lord Waldegrave of North Hill: I am not sure that convinces me very much. A slightly better question would be “Would they have helped us in the Falklands?”, which probably mattered a bit more. Again, if I was behaving like the French, how is France less secure? All right, its nuclear weapons are less impressive than ours, it has slightly less American kit around the place and does not have Serco running Aldermaston and all that kind of thing, but is it actually less safe?

Professor Michael Cox: That is a great question because I am one of the odd Brits who is a great admirer of de Gaulle. I think de Gaulle played a very smart hand after the late 1950s and gained for France an enormous amount of independence, position, advantage et cetera. However, one should point out that the French have completely gone back into the military command structure of NATO, which would suggest that the long-term attempt to circuit the Atlantic relationship in the way that they did has run its course.

Lord Waldegrave of North Hill: All that shows is that if you want to play it both ways, you can, because the French have.

Professor Michael Cox: My answer to your question is that I cannot answer a counterfactual question, but I shall try to answer the question I would have asked that you have asked in a different way. It would have required an entirely different British political establishment at the end of the 1950s to have done that. That is the point. It would have required one which did not have the particular relationship with the US, that had not fought the Second World War together, which was not bound by linguistics, which was not bound by the nuclear relationship and which was not bound by the sense of intelligence sharing. It would have required a very different kind of political establishment with a different view.

At the same time, as I said at the beginning of my evidence, the UK has gained quite a lot from this particular relationship. Would we have gained more by doing a de Gaulle? I do not know.

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Lord Waldegrave of North Hill: The danger is the circularity of the argument. We have pro-American people because we need to be pro-American otherwise we are not pro-American.

Professor Michael Cox: The French are not necessarily anti-American.

Q37 Lord Lee of Trafford: Going back in time, did we suffer because we did not back the Americans in Vietnam from a military point of view?

Professor Michael Cox: No, not at all. When Wilson took the decision not to send UK troops, and he was under a lot of pressure from LBJ to do so, I do not think there was any suffering. Australia sent 60,000-odd into Vietnam and South Korea. Did we suffer? The answer is no, not as far as I know, but we suffered from Suez, when we resisted the United States in 1956, when there was a run on the pound.

Lord Lee of Trafford: Had we not gone into Afghanistan to support the Americans?

Professor Michael Cox: It would have been a very difficult decision to have gone any other way, given the impact of 9/11, the impact on international public opinion and the impact of—I would not say Article 5, but the sense that if you are not supportive—

Xenia Dormandy: I would say Article 5.

The Chair: Let us not forget that Afghanistan was not just the US and the UK.

Professor Michael Cox: It was not Article 5 at first that took us into Afghanistan.

Professor Anatol Lieven: The Americans backed the French in Mali, for their own good reasons. It was a French operation which no one else was involved in. If you look up to 9/11, the two principal armed conflicts—that is perhaps not the right word—in which we were involved were the Falklands and Northern Ireland. In the Falklands, the Americans did back us, at some cost to their prestige in Latin America. In Northern Ireland, for decades they very notoriously did not because it was seen as contrary to the interests of American domestic politics. The point is that Washington operates on a case-by-case basis.

Professor Michael Cox: I have got to come in on the Northern Ireland thing because I lived there for 22 years, so perhaps I can say a little bit about that very quickly as I know you do not want to get diverted back into Ulster. The US was neutral on our position in Northern Ireland for most of the time and left it to us to get on with it in spite of domestic public opinion in the US. In fact, the US turned out to be a very useful asset in the settlement of Northern Ireland.

Professor Anatol Lieven: Eventually.

Professor Michael Cox: Eventually, but at the end of the day, President Clinton, in particular, and the investment of his time and effort brings us back to the heart of this relationship in some ways. I have always argued this point against certain friends of mine in the House of Lords, such as Lord Bew, who is an old colleague of mine from Queen's. I have always argued that the US was quintessentially critical to getting that deal done, with Sinn Fein and others. It was absolutely crucial. Again, it brings up the utility of that particular relationship.

Q38 Lord Fellowes: You mentioned, rather surprisingly to me, that we probably underestimated our influence on the relationship from time to time. On Syria, I am not sure who is trying to influence whom most. It is very difficult. We know fairly clearly where

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President Putin stands. Do you think that this is a bit of a test case of that, of your case there, that we underestimate our influence?

Xenia Dormandy: The answer is that it is still to be seen. You have put your finger on it: nobody is quite sure. I am sure that there are people sitting around the table who follow Syria even more closely than I do, but my sense of it, particularly at the moment in the US—I was back in the US 10 days ago—is that America would definitely like to stay out but recognises that it probably cannot. Obama has certainly put down a red line over chemical weapons that he has gotten caught by and would prefer not to have gotten caught by—but he has. Now, he is trying to take baby steps. If I look forward two years, America is going to be far more heavily involved against its own interests and would prefer not to be. My assessment is that it will be dragged in kicking and screaming.

It is not clear to me what the UK or more broadly Europe wants to do vis-à-vis Syria. I would argue that this is a great case point of the second or the third leg, which is where the different perspectives are extraordinarily valuable. You should not underestimate the value of somebody sitting in the room who comes to the table with a different perspective and history, different sets of inputs and intelligence, public and private, and different conversations. This is certainly a test case of where the value of the relationship is so important, albeit intangible. What actually plays out in the end is anybody's guess.

Lord Fellowes: Do you think that, whatever we get around to doing, it should almost certainly have been done two years ago, say, rather than now? Perhaps that is the wisdom of hindsight.

Xenia Dormandy: Two years ago, would we have had as much data as we have today—sadly?

Q39 The Chair: I am conscious that I want to move on to Lady Neville-Jones. Did you want to come in briefly, Lord Sterling?

Lord Sterling of Plaistow: I want only to make the observation that there are views around that who has used chemical weapons has not been proven. There are some fairly strong views on that at the moment and we are going to hear quite a lot more on Wednesday, on the Syrian front. Considering that that area was totally under control of the French, it is quite interesting that they have been remarkably quiet on this. Russia has given its views but France has kept extremely quiet and it knows vastly more about Syria than this country.

Professor Michael Cox: I shall just take that one up. I think the case for chemical weapons, or some aspects of it, is pretty close to being proven. That is a larger question that we can talk about.

The problem on this is one of timing. Two years ago, I would have said: why do we not get involved? We would have been doing so at a time of our choice and when the jihadists in the opposition were clearly much weaker. I would have very great reservations about doing it now. The situation is deteriorating. It is one of these cases when a genuinely strategic decision had to be taken before it got worse. Now it is so much worse that the decision has been forced on us at the wrong time and for the wrong reasons.

It looks as though we are going in not on the chemical weapons issue, although that is the *casus belli*, but to save the opposition who seem to be on the retreat. That is the perception out there, after the defeat that the opposition suffered last week. We are going in essentially to prop up the opposition to buy time so that we can get to the negotiating table, I hope.

Baroness Ramsay of Cartvale: On the situation about Syria, just briefly so that we do not get too sidetracked too much, as always we are going in two or three years too late. This was also true of Afghanistan. What is the right word to use? The West—we and the Americans—usually go in at least a couple of years later and make the whole thing much worse. With Saddam Hussein we went for the endgame 10 years too late, and look what it has cost everybody.

On Syria, the red line is not really the chemical weapons. What is the outcome that we would want—all of us, Britain, America and France? It is for the non-jihadist, non-extremist bit of the opposition to win. By delaying so long, we have made that more difficult. But the one thing we cannot afford is to let Assad and Hezbollah, backed by Iran, win. That is in the long-term strategic interests of us as well as America. There is also a Shia-Sunni aspect to this. This whole thing with Syria is much more complicated and our interests are as much involved as America's very much are. The United States is going to realise that and have to do something. It does not mean that we go to war or walk in with troops, but something has to be done strategically.

Q40 The Chair: On a slightly different point, Lady Neville-Jones.

Baroness Neville-Jones: We could spend the entire afternoon on Syria. I just wanted to revert to something that Xenia Dormandy said earlier, when asked about the future issues. You offered a great list of homeland security issues; you were essentially on that side of the agenda, not abroad but at home. I really wanted to ask you twofold: do you see those issues as being an increasing part of transatlantic relationships—the UK-US one obviously, but is it also broader than that? If so, technology plays a big part there. This is part of the relationship that we all know to be important but that is not really talked about, and is where the question about damage does actually come in. The question I wanted to ask is: how do you see that relationship developing and how do you think that the Governments concerned should try to develop their co-operation in these difficult areas without losing the trust of their respective populations? There is a serious issue there at the moment about trust.

Xenia Dormandy: Let me, hopefully, get the answer to your question—and I may have misunderstood it, so I will be brief and then you can tell me if I have put my finger on it. I would actually disagree with the first statement you made. The issues that I listed are not those of homeland security. They are absolutely international ones.

Baroness Neville-Jones: They obviously require international co-operation for their solution, but they are essentially to do with the security of the homeland.

Xenia Dormandy: They are, but let me give you an example. It is maybe a bad example. What is widely regarded as the likeliest cause of external conflict in the Middle East? It is going to be lack of water, a fight over water. That then has indirect implications, not just direct ones. When I talk about these issues, whether they are pandemics, water, food, or cyber, some of them are direct cyberattacks against the United Kingdom, or cyberespionage and the implications that that has for our economy. Some of them are indirect. One might be a pandemic that starts in China and then spreads; another might be water security in the Middle East that creates insecurity and conflict there, and that would have implications for us. It is not so much that I am worried about the Brits having insufficient water security, but about the implications of an inadequate water security more broadly. This is my first point: I do not see these as homeland security issues, certainly not exclusively. I see them principally as national security issues.

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Baroness Neville-Jones: In this country, as you may know, homeland security is comprised on the whole in national security.

Xenia Dormandy: I guess that if I think of Venn diagrams, national security is the big one to me, of which homeland is part. These are the issues that encompass national and homeland.

My second point, which also perhaps plays to the Syria question, but it certainly does to yours, is to ask: does all this mean that the transatlantic relationship is important? It is absolutely. Not one of these issues can be dealt with unilaterally or probably bilaterally. It is much broader than just the UK and the US. But the UK and the US are often and can often be the first two players that bring others in. It is absolutely vital that the US and the UK, where our interests overlap, are working together to create momentum for change and action, and bringing other players in. That to me is urgent and necessary, and plays to the question of the strategic nature of the relationship.

The only other thing that I would say, which again plays to Syria, is that it is important to recognise what we cannot do. There are times when we might feel a moral compulsion to act when we do not have the wherewithal, assets, leverage and influence to get done what we would like to do. Those cases diminish more when we are working together than when we are working independently, but there will still be occasions when, even working together, we do not have the ability to get done what we would like to do; Syria may just be one of them. Then the question becomes: is it better to do nothing, or to do something that may result in other problems? That goes for Syria, but also for many of the issues that I had on my list. I do not know that I have gotten the answer to your question.

Baroness Neville-Jones: Not entirely, no, I confess.

Xenia Dormandy: Do you want to rephrase it again?

Q41 Baroness Neville-Jones: We have a series of security issues that affect our domestic populations—obviously terrorism is the one that people highlight, but it is not just that—where co-operation between the agencies is crucial and where increasingly the agencies are expected not only to have the capacity to know what is going on, but also to protect our own assets. Cyberprotection is becoming a very important part. So there is a whole new area of co-operation. How important is that?

Two: how, in your view, can democratic Governments and particularly this pairing, because we are known to be so close and we are so close, actually bring about a long-term relationship in this area that is beneficial, profitable and does its job, which at the same time does not lose the support of populations because of its nature? It goes to the damage question.

Xenia Dormandy: Yes. It absolutely does go to the damage and it also goes to this point of, if I can be so bold, having the confidence here—it is Mike's point—to recognise that the value of British opinion in America is actually quite great. I will give you a case: drones. There is a strong effort right now by many in the United States to start providing a legal framework to the use of drones and make that far more transparent than it is currently. Apparently there is a legal framework, there are systems, there are processes used, but they are not terribly transparent. Obama said we should make them transparent but they still have not become transparent. There is a strong argument to say actually, if there was pressure, private or public, but certainly private, from the UK, to make that more transparent and therefore more legitimate, and that therefore has repercussions back on the UK, that would be a case where it is a stronger role that plays to the public perceptions that you are asking about.

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Baroness Neville-Jones: Does anyone else have views?

Professor Anatol Lieven: If I could just add something that you have both mentioned—

Mr Arbuthnot: Sorry: is there any evidence for what you have just said—that it was British pressure that brought about that change in drones?

Xenia Dormandy: In drones? No. Certainly, the implication was not that it has. The implication was that it should be. There was an effort in the United States and there would be something to be said for British pressure to add to the conversation in the US.

Mr Arbuthnot: Sorry, I was not following.

Professor Anatol Lieven: Climate change came up and population movement. You mentioned a variety of new international security threats, which are, of course, very much threats to our homeland and the American homeland as well in the years to come. A problem there with the special relationship is that while, if we have a sympathetic Administration in Washington like the Obama Administration on some of these issues, we can basically agree or nudge them in the right direction, the special relationship has not extended to the US Congress. If you talk to British diplomats in Washington, they have no special traction when it comes to influencing Congress. At least if it is something that a majority of Congress, or by now even a large minority in Congress, are determined not to do, I do not know whether there is any way in which we can improve our influence in that regard. After nine years working in different thinktanks in Washington, I would be rather pessimistic on the subject.

Professor Michael Cox: Just one quick point on this subject: I often get the impression in the United States that the definition of security is very much determined by the United States being the major superpower, which has responsibilities around the world that involve a massive intelligence apparatus and all the rest of it and a great military power. In other words, I think the concept of security is rather traditional.

What has happened in debate in this country—and I do not say that it has not happened at all in the United States, but it has happened less—and certainly in the European Union, is the definition of what we understand as the sources of insecurity has widened quite considerably to take in things such as globalisation, migration patterns, criminality, human trafficking, water security et cetera. I am not so sure this has the same level of resonance in the US.

When you talk about NATO, perfect—they understand what you are talking about, they understand the language. Talk about intelligence sharing, drones, and they understand the language. Climate change? Hmmm. There is a different vocabulary, which is frequently used. When you go to Congress—I was going to say “go down to Congress” but that sounds pejorative—it changes even further because there is so much focus, which takes you way outside of that kind of definition, so it could even be the definition of what you understand by security.

Baroness Neville-Jones: But cyber would surely be regarded—

Professor Michael Cox: That again would fit into “hard”; you can understand cyber.

Baroness Neville-Jones: It is cyber I am asking about.

Professor Michael Cox: Okay, well, I am not a cybersecurity expert.

Q42 The Chair: Lord Waldegrave, I have you down but I am not sure whether you feel that the point you were going to raise has already been covered.

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Lord Waldegrave of North Hill: I think it has in a way. There are good arguments for subjects where clearly a very close relationship with the United States is beneficial to us, attaching ourselves to their immensely greater scientific base and so on. On those issues it is sensible. All the softer issues to do with joining in lobbies for relatively free trade as long as it does not really affect America and so on are fine. But I think we sometimes get into this circular argument where we say that it is a success of policy that we have stayed close to them, disregarding the fact that we may have had to bend our policy, for example, on Iraq or long-term relations with Israel and its neighbours, in the past anyway, to stop getting into rows with Americans that mean that we do not get the next missile or whatever it is. Sometimes it has damaged our interests, I think. It is quite difficult to measure. We sort of forget that sometimes.

Xenia Dormandy: I 100% agree with you. This is why I would send a very strong message that is “Great Britain is stronger in the relationship than it often thinks it is”. The value to the United States of the UK and the UK’s voice, even with less military assets than it has had in the past, is actually greater than people here often think it is. In that sense, it is precisely the willingness to say “We disagree, and this is why” that makes the relationship quite as strong as it does. I guess I would fully support what you say.

Professor Michael Cox: I have a little bit of a disagreement with that. I suppose I do get back to structure. When you have such an enormous asymmetry of power between the United States and the UK, there are certain costs. There are certain compromises that are made with asymmetry and inequality. Sometimes you just bite your lip, not necessarily because you agree, but because in an ideal world you would like it to be different but in a deeply unequal world it ain’t, and you have therefore got to live with some of the consequences of that.

On balance, you take the view in the end that the positives outweigh the downsides, like with any alliance. This is just like any alliance. There is nothing peculiar about this. All alliances carry benefits; that is why you have them, but they are bound to carry downsides, which sometimes draw you into conflicts you do not want to get involved in or you become associated with a power you do not want to be close to.

Lord Waldegrave of North Hill: I suppose the strategy making is all done in a public strategy, but Governments should have a pretty clear view: “All right, it will damage us, but the gain there is going to be greater.”

Q43 Lord Sterling of Plaistow: I can only speak from my own experience: I spent a lot of time in the States and still have a great interest there. In fact, even last week it was very interesting when we were naming the new ship down at Southampton. Do we underestimate blood?

Professor Michael Cox: Blood?

Lord Sterling of Plaistow: I have seen those in power and those in influence and so forth, in many of the areas of activities over the last 40-odd years and before, come back—and they still come back—seeking, “Where did I come from in Yorkshire? What did happen in Northern Ireland? Where have I come from in Scotland?” Even the CEO last week, with great pride, was talking about the fact that his name “Buckler” is really the clue. Do we underestimate that aspect?

Professor Michael Cox: It is very unfashionable to talk about blood, that is for sure, in the early part of the 21st century. There is a long historical relationship. Perhaps we want to go back to the late 19th century and blood sacrifice in terms of fighting wars together, if that

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is what you are also perhaps hinting at. That is not insignificant. You make sacrifices, and those are blood sacrifices, in a common cause, whether the two World Wars, the Cold War or a number of other wars. I think that does bind people together. However—I am about to bring the word “however” into this here—whose blood now? If you look at the blood of the United States, by the middle of the century it will be 51% Hispanic. That is not exactly Anglo-Saxon. The changing demographics of the US will shift this quite considerably.

Lord Sterling of Plaistow: That is what I was referring to.

Professor Michael Cox: And the UK as well.

Lord Sterling of Plaistow: One sees that shifting if you analyse those who Obama has at the moment. They have no European connections whatever.

Professor Michael Cox: Obama himself to some very large degree as well.

Lord Waldegrave of North Hill: He comes from Donegal.

Q44 Baroness Taylor of Bolton: Some of these questions are coming together. We all accept that it is an asymmetrical relationship. That is obvious, and we all accept that it can be cosy and comfortable, but it can lead to unhealthy dependencies that can give us negative impacts in the world. I am not sure about the wisdom of saying no, just for the sake of changing our reputation.

Professor Anatol Lieven: No, no, no, do not misunderstand me. That is not what I meant at all. Say it when we need to say it, not simply for the sake of perception. Absolutely not.

Baroness Taylor of Bolton: That is reassuring because it came across slightly the other way. Emphasis has been made that we should not underestimate how important we are to the US. I think I agree with that because of a different reach, language and everything else. That begs the question of whether we get the most out of this relationship that we could, whether we should be asking for more, and if so, what?

Professor Michael Cox: What more do we want?

Baroness Taylor of Bolton: That is what I am saying. Are there things we are not getting: influence, access to other countries, trade agreements? Mention has been made of Congressmen. We have had various attempts at different types of trade treaties with the US. When I was a Minister, it was on defence. People in Congress look over their shoulder to their electorates and, however good the relationship at the top, things cannot get through. Are there things that we should be expecting them to deliver that they do not?

Professor Michael Cox: I will make a very brief answer to that and let my colleagues come in. You have highlighted a really big problem which is the different levels of governance in Washington. However much you may agree with the President and however fine his speeches are on a whole series of issues, and some of them are extraordinarily good, when you get down into Congress and the bowels of the House, in particular, these guys are not looking at these large questions.

Baroness Taylor of Bolton: There are elections every two years.

Professor Michael Cox: There are elections every two years, they do not have passports, they do not travel. Indeed, I was speaking to a commissioner last week or the week before and as I understood what was said to me, they are trying to bring Congressmen and Congresswomen together with European parliamentarians, and there is actually no longer a travel budget for Congressmen and Congresswomen to travel anywhere. This is highly problematic, because you are then dealing with parliamentarians, in the broadest sense of

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the word, who are not encouraged to travel. Politics becomes even more domestic, and this strikes me as a larger question for the relationship, above structure. Namely, is there an increasing domesticisation of what is going on in the United States? Is there an inward-lookingness? The Republican Party itself, without getting into party politics, has gone terribly domestic.

Xenia Dormandy: Nation building at home.

Professor Michael Cox: Nation building at home. They have gone far more domestic. One of the biggest problems for the special relationship—indeed, for the relationship more generally between Europe and the US—is that we are in a sense overly dependent now on one party winning the White House because the other party, at the moment, looks like a problem from the point of view of the longer term relationship between Europe and perhaps this country and the United States because of the way the Republican Party has evolved. There is a whole bunch of things internal to the United States that I find more worrying than what we can get out of it.

Q45 Baroness Ramsay of Cartvale: This point about the domesticisation—if that is a word—is interesting because I am on the NATO Parliamentary Assembly, as is the United States. On the whole, in the past, it was there in body in fact, but in spirit sometimes one felt it was not very involved. Now, for some reason which I do not know, not being an expert on American politics, it is very involved. Americans are being office bearers in committees, they are being present. The US sends a big delegation to the NATO Parliamentary assembly because they're entitled to under NATO procedure - the size of a country's delegation is based on the country's population size. Now it is heavily Republican because the composition reflects the result of the last election. We all do the same thing on that. So there has been quite a reversal, which we have all noticed. I do not have an explanation for it.

The Chair: Maybe that is the only way they can travel.

Baroness Ramsay of Cartvale: They do not travel the way they did before, which was on one specially dedicated plane. They do not do that any more. Certainly financial things have gone down, but their commitment is greatly increased. I just throw that in.

Xenia Dormandy: If I can just do one, perhaps two, sentences on each—I will try to keep it to two sentences. On the blood, I disagree with Mick. The blood connection between the UK and the US is frankly largely irrelevant—maybe I do agree with you.

Professor Michael Cox: I think you do agree with me.

Xenia Dormandy: I am not sure where I have ended up. It is frankly irrelevant at this point. Move on. What Obama said here in Parliament was, “Our relationship is special because of values and beliefs that have united our people through the ages”. Values, beliefs and interests drive this, not blood.

Do we get the most out of our relationship? No, we do not and, not to harp on on the same point, it is because we do not spend enough time trying to understand one another's strategic interests in all their nuance and glory. Until we do, we are going constantly to find ourselves not quite aligned, not quite taking advantage to the best of our abilities of the other person's assets, et cetera. Does that mean we should get more from the United States? I hate to say it, but that is on a case-by-case basis. I cannot sit here and say, “Well, you could get a slightly better deal on the TTIP in specifically looking at chicken or GMOs”.

Baroness Taylor of Bolton: But next time there is an issue, you have more leverage.

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Xenia Dormandy: If you understand one another's strategic interests better, then you can start to realise win-wins much more effectively.

On the parliamentary point, there is a fundamental change in the United States. You are seeing this with Obama, but regardless of whether you have a Republican or a Democrat in 2016, this is going to continue. This is America pulling itself back in. Obama is nation building at home, but it is a recognition that they cannot anymore do everything that they used to do. So, that means getting other people to pick up the slack.

Professor Michael Cox: Could I pick up the blood question? What I was trying to say was slightly different. If you substitute the word "blood" for "sentiment", let us put it like that, this gets back to the point about whether we exploit our advantages as much as we could. Every single opinion poll shows one thing consistently. In most regions of the United States, there is still quite strong pro-British feeling. It flows around the United States one way or another. It is not among all communities, but none the less, it is there. Who you trust most, the habits, all sorts of things, even Justin Rose winning the Open yesterday—they are all sorts of odd things, but they are all part of a relationship. I would not call it blood, but I would call it sentiment. The sentiment is strong. Everybody gets sort of—

Lord Sterling of Plaistow: Up to the Bush Administration, I think the links, history and where families originated from were subconsciously a key factor. I think that picture is changing in the present Administration, and it is going to change much more.

Q46 Baroness Taylor of Bolton: Can I just ask Xenia to follow up on part of what she was talking about? She mentioned in her opening remarks the lack of long-term strategic thinking. Is it because—this goes back to Syria and other things as well—Governments quite naturally respond to the immediate or the near future rather than the long future? Part of the reason for that is not just complacency about the long term, it is having to take public opinion with you. If we had been trying to act in Syria two years ago—not that I am in favour of action there—the public would not have been anywhere near the starting point for the discussion, let alone of approving of something happening. In a sense, the democratic dimension holds us back from some of that thinking in the long term.

In your written evidence, you talked about the Joint Strategy Board and said that it was stymied by bureaucratic inertia and internal or institutional politics. I would like to expand on that. Is it partly due to the fact that there was not this long-term thinking to have a proper strategy board discussion on?

Xenia Dormandy: So the strategy board was created in very large part to address the perception on both sides that there was not a strategic understanding. There is not a strategic understanding. You are absolutely right. A number of factors have played into that, not the least of which is that both countries have election cycles. Our system kind of rewards us for immediate action, but as many of us know, particularly when you are talking about moving Governments and systems, that takes a very long period of time, so you actually have to be able to see out into the future.

China was mentioned earlier. We need to have a sense of where we think we—the UK and the US—want China to be in a decade from now.

Baroness Taylor of Bolton: Or more.

Xenia Dormandy: Or two decades from now, and then you work backwards to say that means that over the next five years we need to be doing X, Y, Z. That is what we do not do, and we do not do it in part because our election cycles do not play to that. We do not

do it in part because, as I said earlier, we have relied on good relations between the two countries over a long time and between our leaders. We do not do it in part because there are constant fires that we have to put out, and anybody who has worked in senior positions in government knows that you are constantly putting out fires. There is always the urgent to deal with. Therefore it is very, very hard to look beyond the urgent to tomorrow's problems. Yet, to go back to the NSS, those of you who worked in the defence department know that the timeline for the creation of equipment—the building, the design, the R&D et cetera—is so long that unless you are looking far enough out in the future, you are building to the wrong challenges. It is incredibly important. I think everybody recognises it is important. It is very hard to do, so I do not underestimate it, but if not here, where?

Professor Anatol Lieven: I have just a couple of things. First, I would like to make my position absolutely clear. I believe that on not merely many, but on most issues it is absolutely correct to go with the United States, not just from the standpoint of British national interests but from the point of view of wider international interests. There will be occasions where that is not the case.

Baroness Taylor of Bolton: Such as Vietnam.

Professor Anatol Lieven: For example in the past, or in more recent ones. On the question of blood—once again, perhaps it is not the right phrase—it is very striking that if you look at the Bush dynasty in America, George Bush I was very much from an older American establishment with which the British establishment and, in a way, the British mainstream felt comfortable. Even when there were disagreements on points of detail, there was no feeling that it was something with very different values.

The problem with George Bush II was that there was a perception that he was in some ways coming from places that were very different from the mainstream culture of this country and its leadership. If one were to talk about blood, which perhaps one should not in those terms, it is also necessary to look at changes in this country which have been dramatic and, in my view, potentially extremely worrying, as the last census shows.

Baroness Neville-Jones: In what respect?

Professor Anatol Lieven: Changes in the structure of the British population in terms of the number of Muslims in this country. The Anglosphere idea, which is still lurking in the background of much of this discussion, although it has not been named as such, was originally drawn up by people such as Kipling and Conan Doyle back in the 1890s. We are now in a situation where in both the United States and here our demographics are changing radically. What this will mean for the United States, I do not know, but here—I am not taking a position on this, you understand, but it is something that we have to look at—in the question of a British identity or even, God forbid, an English identity if Scotland were to leave, which I pray it will not, sections of the British population would not feel any natural attachment from any point of view whatever to the Anglosphere idea. That is one of the issues that we will have to think about in future.

Finally, just a point on Syria. I began by saying that perhaps some of the particular closeness to the United States comes from, to phrase it another way, wanting to do things on the world stage that perhaps we should not be doing anyway. A Chinese diplomat said to me last year—in a different context, it has to be said—“On the whole, if you don't know what to do, it is good idea not to do anything”. I would be much happier with the direction in which we are going on Syria, whether with the United States or without it, if I had more confidence that we knew what our plan and our goal is. That is not a direct thing about the

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relationship with America, it is just that we do not perhaps have to do as many things on the world stage as some of us have attempted to do with or without the United States.

The Chair: I am very mindful that there are a couple of things that we particularly want to touch on and we are getting short of time. Lord Sterling, I think you were going to follow up on the other consequences of an Asian pivot if there is one. Then I know that we want to say something about nuclear weapons and intelligence sharing. Can we all bear in mind that we are short of time?

Q47 Lord Sterling of Plaistow: On Asia, I could not agree more with Professor Michael Cox because certainly with my background at P&O I cannot see why anybody thinks there is anything new or strange about it. After all, coming up to the Second World War the Pacific was really American territory. It was hugely involved for the whole of the war. People forget the economic background vis-à-vis Japan trying to move in in the 1930s. From our own point of view as the so-called British Empire, the Commonwealth of Nations, even now our interests are hugely in the Far East and those areas and increasingly, hopefully, back more in Africa. If one looks at the Chinese military budget last year, it was massive, and it is creating amphibious forces. Surely it is almost natural because it is going to be such a large economic growth area in future as it is still a major trading nation. This is surely a natural move. If it happens to be what the Americans are thinking, is it wrong that we should feel that we should be not just supporting? Why supporting? We were there well before they were, over 200 to 300 years. I am just wondering about the point that you made, Professor, that you were surprised about the word “pivot” as if it is some new strategy. It is not surprising at all.

Professor Michael Cox: No, I agree. If I may I will talk about the US side of that. As you know, when the term was used there was an immediate withdrawal from the term, and then an effort to try to find another word to use to substitute “pivot”, which then became “rebalance”. As I said, it managed to do two things at the same time: first, it irked the Chinese and, secondly, it did not reassure the Europeans. So it struck me that it was a kind of strategic double-whammy.

Going back to the more fundamental question, America is not going back into Asia. But two things are happening. One is that clearly Asia is becoming more important in the world economy. It is the centre of world growth for the time being, although it may not be for ever. I think that many of the predictions about the Asian 21st century are based on predictions that we should not be making. We have got so many of our predictions wrong in the past, why should we think that we will get this one right?

I think there has been an enormous amount of hubris about Asia which one has to be deadly careful about. Chinese growth may go down. Who knows? There is already conflict in the region and there could be further conflict in the region. There are a whole bunch of problems in the region, which I visit quite a lot.

I am not one of those who kind of bought into the Asia of the 21st century. Given the sluggishness of the European economies, you can see why people are banking on Asia and China. That is the engine of growth and has been for a while. That is new and novel.

Within that framework, the second thing, which is also new although it has taken 10 years to be realised as being new, is China. That constitutes one of the great challenges and opportunities for us, Europe and the United States.

I suppose I come back to the fact that there is not very much new about much of what has been discussed on this issue. However, the point that I usually make, to the great surprise of

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most people, is that if you look at some economic stats, which a lot of people do not bother to do, and you look at transatlantic trade, it is just as great if not greater than that of trans-Pacific trade. In terms of UK-US relations, the US invests far more in the European Union than it will ever do in China, as far as I can see. For the US, the European Union will remain a fundamental point of reference.

What has worried me about the debate has been that the Asia focus, and everyone has jumped on this bandwagon, takes us away from looking at the continuities in the economic relationship which still exist—transatlantic, US-UK, and US-EU—which is a bit more boring. I do the boring stuff because that is what I do: I am a boring academic and that is what we are paid to do. I look at this stuff and I sometimes am staggered to see on the one side the centrality of the transatlantic economic axis, to use a rather unfortunate word, and then the hype and the hyper about Asia and the future of the world in the 21st century being Asian or Chinese.

I think that we have got ourselves into a very loose kind of thinking that the future will belong to somewhere else necessarily by definition. I am a little more sceptical about it but that is not to underestimate Asia or its economic importance, or the challenge or the opportunity that China presents. I think that we have bought into a narrative which says more about the problems that the West are facing and that we are underestimating some of the real problems that Asia will face now and in the future. Where will we be in two, three or four years' time talking about Asia? I think that we will be in a very different place.

Q48 The Chair: Let us move on and bring in Lord Lee.

Lord Lee of Trafford: Just to touch on the deterrent, if we may: my understanding is that the US, in so far as it has a view, supports the UK having its own independent—question mark?—nuclear deterrent. I can understand that there may be certain commercial and industrial advantages from America, in the UK having the deterrent and the transfer of technology in the purchase that we make in the US and the servicing. But for the life of me I cannot see why, from a military point of view, it makes any sense at all for the US to support the UK having an independent nuclear deterrent.

Professor Michael Cox: Good point.

Xenia Dormandy: Does somebody else want to answer that?

The Chair: Does anyone want to disagree?

Professor Anatol Lieven: It makes no sense at all for the United States to support someone else having that nuclear deterrent.

Professor Michael Cox: Exactly.

Professor Anatol Lieven: It makes very good sense for the United States to support someone having a dependent nuclear deterrent.

Professor Michael Cox: In an ideal world, I am sure the United States would prefer there to be one nuclear power, called the United States of America. Over the very long period of proliferation, the United States has never been very keen on anybody else acquiring nuclear weapons, even friends and allies, including the French, which comes into this as well. The Americans certainly were not very happy when the Soviet Union acquired them in 1949, and were even less happy when the Chinese got them in 1964, and they were not happy about the Indians and the Pakistanis getting them either. Israel I will leave for another day and another debate. In some conceptual sense, if you are looking at America's position in this it

goes back to its superpower hegemonic role. It would much prefer there to be just one nuclear power. I think it is something they have come to terms with and can see advantages in, but conceptually you could argue that it has no necessary national interest in us having a nuclear weapon, dependent or independent. They are certainly not going to press us to get rid of it, but you may remember President Reagan in the Reykjavik discussions back in 1986, if we can take ourselves back that far. There were certain moments in that debate with Mr Gorbachev when President Reagan started hinting that in the debates about nuclear weapons: “Maybe the French and the British—”. Mrs Thatcher was very unhappy about that.

Xenia Dormandy: The only thing I would add is a thought experiment—perhaps that is not the right terminology—again. There is a thought experiment that if the UK—a big “if”—were to say “We don’t need them any more”, the Americans might quite like it because suddenly they would have a wonderful case to take to the Indians and the Pakistanis: “Look! Here is a power that is still part of the UN Security Council, that is still powerful, that is still strong, but that actually chooses to give up, much like the Brazilians, the South Africans and a couple of others did”. You can make the argument that the Americans would not do more than shrug. It is never going to happen, but nevertheless.

The only thing I would add on Asia is two quick points. First, it was the right strategy, but it was really bad implementation because not only did they frustrate the Europeans and the Chinese, but the Asian allies are not any more secure than they were before. I have just come through five countries in Asia talking about this, and to a person they are more insecure today than they were a year ago.

The other point is that while we do not often sit here in the UK and think about why Asia is important to us, we should not underestimate the importance of Asia, open sea lanes and energy flows. I am not even talking about if China were to have a real conflict with Japan and the consequences of that. It does actually matter very deeply here, even though it is not often perceived as a direct threat.

Q49 Paul Murphy: In summary, with all the caveats, with all the pressures from China and Europe and all the changing demographics of blood and all the rest of it, is it your collective view that the relationship will remain strong, or will it become more fragile and, if that happens, what will happen to us?

Professor Michael Cox: Do we have a collective view?

Professor Anatol Lieven: In my view, the relationship has very deep underlying strengths. Compared to a few years back, the much more restrained attitude towards American power, which, as we have heard, is likely to continue possibly to a modified degree if the Republicans come back in 2016, will reduce—it already has, manifestly—the points where Britain and America, or the British population and America, might find themselves in deep disagreement. I think we are in a better position than we were a few years back, but I need not quote to this distinguished audience Macmillan’s words about events. We do not know what is going to happen, and there are clearly things that could happen. Just to take the obvious one out of the hat, an Israeli/US attack on Iran under a future Administration would have a very disturbing effect upon the relationship. There are very strong bases for this relationship. There are certain fragilities, but I think that it can survive a great many disagreements.

Xenia Dormandy: If I can be so bold, I would ask a slightly different question which I think was asked over here. Do we get the most out of the relationship that we can?

Baroness Taylor of Bolton: It was me.

Xenia Dormandy: I apologise. The answer is no, we do not. There is not so much more, but there is more in the margins that both sides could get that would benefit both that we are not realising. That, to me, is where the focus needs to be.

Professor Michael Cox: My quick point to add is that we have actually had a series of really quite large disputes with the United States over the past 20 years. If you go back to the early 1990s—something you know quite a lot about, obviously—over Northern Ireland, there was at first quite a lot of antagonism to Clinton’s initiatives on Northern Ireland. When Prime Minister Blair and President Chirac came up with the ESDP at Saint-Malo, Clinton got very shirty. The Iraq war created all sorts of problems, many of which we are perhaps still living with and of course—this has been said before—there was a lot of anti-Americanism around. Nothing that Bush could do could ever overcome that, and we needed a new President. You could say that that demonstrates the strengths of the relationship, and we can add all the other stuff. The economics, the sharing of intelligence, nuclear weapons and all the rest, habit, language, sentiment—all these things are very important.

I would say two things. First—I hinted at this earlier on—the relationship has become quite Obama-dependent. Obama’s popularity in this country is still huge and I would be somewhat concerned if—this is not a political point, although it may sound like one—post-Obama we had a President in the White House who we may not feel quite so comfortable with. If that President happened to be a conservative Republican, which is possible, we would feel a lot less comfortable and therefore there would be some problems that might come into the relationship. Secondly, it would depend on the Macmillan point about events. Iran is still the light at the end of the tunnel, but is it a train coming towards us or is it a light at the end of the tunnel? Perhaps it is a train. If we got a conjunction of a President we did not feel quite so happy with and an event which involved the use of force that involved the United States, we could be in a very difficult situation. I take all the structural strengths and the sentiments as given, but we should not underestimate that possibility over the next five years.

The Chair: Let alone the next 20.

Professor Michael Cox: I cannot think that far ahead, Mrs Beckett.

The Chair: Thank you very much indeed. Thank you for your written evidence. I do not know if you have been told that our next session is on energy security followed by food security.

Xenia Dormandy: Superb! I had not.

The Chair: It plays to your point. Thank you very much indeed.

Major General (retired) Vincent Desportes – written evidence

Today, the Europe of defence has come to a halt. Therefore, it has just been shown once again that the order of factors cannot be inverted. Defence and its tool should be the image of a policy. Conversely, it is not possible to set up a common defence tool without a common political aim.

A common political aim would require common defence interests, thus a common awareness of the current threat. In Europe, where Eastern European countries feel the threat in the East, Northern European countries feel it in the North, and Southern European countries feel much more concerned with conflicts and threats from the Mediterranean basin or Africa.

A common political aim would also require world ambitions of similar importance, which, by far, is not the case, and the United Kingdom and France still wish to really press on world matters. They are the only European members to feel themselves as strategic actors. Other countries have given up any international strategic ambition for a long time, and they have put back their own security into the arm of the United States.

And yet, two basic factors lead us to reconsider a situation that could have seemed to be so far comfortable and relatively cheap for the European countries - that is the laborious setting-up of a European defence, which is still in progress under the U.S. umbrella still ready to be put up.

The first factor is made of the change of posture of the United States, with a “crux” towards the Pacific area. Inescapably, this crux is going to increase. The European attraction for the United States is going to keep decreasing on purely demographic grounds (as most U.S. citizens will no longer have any European roots from the middle of the 21st century on), and reasons of economic interests: in the future, markets will be located more and more in Asia; and raw material deposits will also be in this part of the world. Unavoidably, U.S. defence issues will – first of all- be Asian matters. Though it seemed essential for the United States – both in 1917 and in 1942 – to defend their markets and their origins in Europe, this will be less and less true and even no longer true at all. Therefore, Europe – or at least the European countries - will inevitably carry the weight of their defence on their own shoulders.

The second factor is made of the conjunction of the economic crisis (which decreases the resources that can be allotted to defence in each country) and of “the military inflation”, which results into defence capability costs that are unavoidably higher and higher. Now, quality can but partially complete quantity: so, each country happens to become unable to finance defence tools that have an operational meaning, and even more a strategic one. The development process is clear: in the near future, no single European country will be able to carry out its own defence. NATO will progressively become an illusion: we cannot see the reason why the United States would carry on this effort, 70 years after the Second World War – a country which today finances 75 % of the organisation, even if they believe in it less and less...

So, the European countries have to build their own defence on a supranational basis different from NATO. The Europe of defence has fizzled out. The increased number of members – whereas the rule of unanimity has not changed – no longer enables to build it within a time span compatible with the requirement to do it. The European defence can be re-built but from the bottom up by progressively regrouping the countries that have a strong will to move ahead in this direction.

Though this occasional and essential alliance has regularly come up against serious difficulties, the first core of this common defence to be built can but be made of the conjunction of efforts between the United Kingdom and France. Indeed, in Europe, only these countries are close enough to each other from a military perspective (budgets, strengths, and concept of forces, lessons learned, the way of conducting operations, freedom of military action for the executive power) for their military alliance to have a political and military meaning. This alliance would require from each of them to endeavour:

- first, to think in “the long term”, to think of “strategy” and not of short-term political interests;
- Then, to devote a significant and representative part of their national income to their own specific defence, and thus to common defence.

When this hard core is built, it will then be possible for other countries to come up and join, on the condition they accept to give up part of their sovereignty regarding the use of their military assets earmarked for the Alliance.

The future of the British national security gets through a deliberate military alliance with France, a country with which the United Kingdom shares most of actual strategic interests and to which it should link its own security future. Neither the United Kingdom nor France has other credible possibilities.

25 March 2013

Xenia Dormandy, Chatham House – written evidence

The UK's Relationship with the United States

Xenia Dormandy is the Senior Fellow and head of the US Programme at Chatham House. From 2001-05, she worked in the US State Department on issues relating to nonproliferation, homeland security and South Asia. During this period she was also detailed to the Homeland Security Office in the Office of the Vice President and to the National Security Council as Director for South Asia. Following her government service, Xenia became Executive Director and a board member of Harvard Kennedy School's Belfer Center and subsequently launched the PeaceNexus Foundation in Switzerland.

How would you characterize the relationship between the UK and the US? How much influence does the UK have on the US, and what do both sides gain from the relationship?

The 'special' or 'essential' relationship is still going strong. There is little question that the UK remains America's closest ally and vice versa, and that the UK continues to have the ear of the US Government when common issues arise (as former US Ambassador to the UK Louis Susman noted, Obama's first call in a crisis is to Cameron).¹ However, the relationship is no longer one characterized by effective strategic understanding between the two parties. For many years, both sides have taken for granted the other's support and, while there continue to be links at multiple levels of government, the relationship has in large part often depended on the close understanding between the respective leaders (dating back to Ronald Reagan and Margaret Thatcher).

Given the diverse set of challenges the two nations face, more effort is needed to build a better strategic understanding of one another, something noted by the two governments in May 2011 when they announced the creation of the Joint Strategy Board. Unfortunately however, this initiative appears to have been stymied by bureaucratic inertia and internal or institutional politics. Given problems ranging from the Middle East to Asia, and economic to security dilemmas, this strategic understanding is now more important than ever.

The US appreciates, relies on and benefits from the UK in three principal areas: i) British assets – diplomatic, military, intelligence and otherwise; ii) British advice that comes from different knowledge and an alternative perspective; and iii) the entrée into Europe and a voice in Europe that supports US interests. The failure of one of the 'legs' in this relationship could have long-term repercussions on its strength and stability.

¹ Nicholas Cecil, 'Obama's 'first call in a crisis is to Cameron', Evening Standard, 12 March 2012, <http://www.standard.co.uk/news/politics/obamas-first-call-in-a-crisis-is-to-cameron-7562454.html>

How is the relationship likely to evolve over the next two decades?

As President Obama stated in his speech to parliament on 25th May 2011, “Our relationship is special because of the values and beliefs that have united our people through the ages.”² These common beliefs and values are slow to change making the relationship very robust. They also lead to a set of widely held mutual interests, from supporting democracy or maintaining security and stability in the Middle East. As long as the US and UK continue to have these overlapping interests, the primacy and strength of the bilateral relationship will be sustained.

However, there are two principal trends that could cause a growing space between the US and the UK. The first relates to the decrease in resources that both sides are now managing with implications for their capabilities and reach. The commonality of interests has to be supported by tangible action. As resources become tighter, the two nations will find themselves having to make tough choices with regards to how and when they engage, and there could be times when, while the two support one another rhetorically, they find themselves unable to do so in action. This could result in a widening gap between the two nations, damaging mutual trust and confidence. It can be managed with a thorough understanding of the respective strategic interests and priorities, so that neither is suddenly surprised by an action or lack thereof, by the other. At the same time, expectations of the two governments and their publics will also need to be managed.

The other trend that could have negative consequences for the bilateral relationship relates in particular to the economic sphere and the continued strength of the two economies. As they both decline as a proportion of world GDP they will each be less important to the other over time. Their investment in the other will also likely diminish as a percent of the total. While this will not change the fact that the two are trusted allies, it raises the importance that the Transatlantic Trade and Investment Partnership (TTIP) be completed to both strengthen this relationship and provide a new set of norms and rules for the rest of the global community.

What would be the impact on that relationship of: a) the UK’s decisions on its relationship to the EU; b) the UK’s response to any measures taken against Iran (whether by the US or Israel); c) Scottish independence; d) any change in the role or importance of NATO; and e) any further reductions in the UK’s military spending?

With a sufficient understanding of the respective interests, priorities and perceptions, any divergence of policies can be managed. However, the repercussions of some policies could have longer-term consequences.

a) The UK in Europe: America would like to see Britain remain in Europe for three principal reasons: a) Britain in Europe makes for a stronger and weightier partner in the EU with greater diplomatic influence around the world; b) holding similar values and interests as the US, Britain is a voice within the EU that supports American interests; and c) Britain is a powerful and effective reformer of the EU. From the US perspective, the UK is also stronger as part of the EU with greater

² ‘Remarks by the President to Parliament in London, United Kingdom | The White House’, accessed 5 April 2013, <http://www.whitehouse.gov/the-press-office/2011/05/25/remarks-president-parliament-london-united-kingdom>.

international influence.

While the US will continue to support the UK regardless of its choice, and the US Government will be wary of going further than Assistant Secretary of State Philip Gordon did in January 2013 in putting forward its opinion on Britain's position in the EU, in both policy and practical terms if the UK pulls out, it would have negative implications for the bilateral relationship. As President Obama stated in May 2013, "You probably want to see if you can fix what is broken in a very important relationship before you break it off – that makes some sense to me."³ At a minimum, the process of engaging with the UK and the EU separately and negotiating agreements such as the upcoming Transatlantic Trade and Investment Partnership (TTIP) together would be made significantly more difficult.

b) Iran policy: The P5+1 talks with Iran, led in large part recently by Catherine Ashton, have shown the US and UK to be largely aligned with regards to Iran policy. So, it is unlikely that there will be any significant policy division between the two on this issue that would lead to problems in the bilateral relationship. Unilateral action by Israel is becoming increasingly less likely (given they lack the necessary technology to reach Iran's subterranean processing plants). And President Obama has made it clear (in line with his broader tactics) that he will do much to avoid another war, particularly in the Middle East. Thus, any efforts to continue to limit Iran's nuclear weapons capabilities will stay in the unconventional arena for the time being (e.g. cyber-attacks), an approach that will probably have the implicit, if not explicit, support of the UK and others in the international community. This is unlikely therefore, to cause any split between the US and UK in the near term.

c) Scottish independence: Scottish independence would have three principal impacts on the US and the bilateral relationship more broadly: i) it could damage the stability of Europe as a coherent entity (given the message it might send to other areas such as Catalonia) and thus affect American interests in Europe; ii) the loss to the UK of the Scottish military and diplomatic capabilities (in addition to Scottish nuclear bases) would be quite significant and so would impact bilateral engagement; and iii) it would likely cause the UK to look inwards for a period, thus limiting its international vision and opportunities or interest in working with the US. Outside of these areas, Scottish independence will likely have little impact on the US-UK relationship.

d) Changes in NATO: With the ISAF withdrawal from Afghanistan complete by the end of 2014, NATO is going through an existential crisis. Questions of its very purpose and relevance for the 21st Century abound. However, to the US, the value of NATO remains undimmed not least as a convener, an organization for joint operations and training, and an entity with significant legitimacy. As Secretaries of Defense, Bill Gates and Leon Panetta, made clear on many occasions, the US continues to see NATO as a vital instrument of transatlantic power and urges stronger attention and resources be devoted to it by its members.

Given the importance it plays in US perceptions, the government has significant concerns that member states are not putting sufficient resources into their defence capabilities and therefore into NATO. Thus, the US will continue to urge a reversal of these trends. At the same time, as the efficacy of NATO diminishes, the US will look to partners such as the UK for a closer direct mil-to-mil relationship; if NATO were to rebound on the other hand, given the UK's strength within the institution, the bilateral relationship would also remain the center-point of US engagement. Contrary to the initial position of the US, a new effort to

³ Nicholas Watt, Patrick Wintour and Tom Clark, The Guardian, "David Cameron offers olive branch on EU referendum as Ukip soars" Tuesday 14 May 2013

build an EU military force would now be largely supported if it meant increased defence resources in the region.

e) UK Military spending decreases: Military cooperation and particularly inter-operability is one of the strongest and most 'special' parts of the US-UK relationship. There are very few countries in the world that can work as effectively alongside the US in large-scale military engagements. If this area declines substantially the UK will be both a less effective partner for the US and a less prominent voice at the table. Thus, it would have a direct impact on how and when the UK and US could work together and how much the US could depend on the UK in responding to mutual challenges.

How important is the US shift to Asia-Pacific?

There is little question in anyone's mind – American, Asian or European – of the importance of the growth of Asia, in particular China and India, in this century. With the 2008 recession still being felt in Europe and the US, these two Asian powerhouses are driving much of the recent economic growth. Both are increasingly vital players in many, if not all, of the major challenges we face, from cyber- security to the environment and pandemics. Thus, focusing on improving relations with this region is vital for all international actors, including the US and UK.

In this context, America's Asian rebalancing or 'pivot', announced by President Obama in Australia in November 2011, is an obvious and necessary strategy. Unfortunately, it is a policy that was badly managed and explained, both to America's Asian partners and to its European ones. First of all, it is not new; it was started in George H. W. Bush's administration. Second, despite being announced in conjunction with a number of military steps such as 2500 new marines rotating into Darwin and two new littoral ships to Singapore, it is a 'whole of government' approach. This is now being more clearly manifested in the rise in US diplomatic outreach to the region and in the efforts being put behind the Trans-Pacific Partnership (TPP), a Pacific trade and economic initiative.

As then-Secretary of Defense Panetta announced, the rebalancing will have some military consequences, most notably a repositioning of US naval assets from a 50:50 split in the Pacific and Atlantic to a 60:40 split. However, again this reflects the importance, not just to the US but to the UK and others, of maintaining open sea lanes in this region for international trade and commerce and energy flows.

The US will remain a European power. Despite a diminishing energy imperative, it will continue to be engaged in the Middle East both for its ally, Israel, and its antagonist, Iran. And at the same time, its relationship with China and with its allies in Asia will retain its attention there. The benefits of this broad reach accrue not just to US interests, but also those of all who support stability, including the UK. This global scope however, will become harder as American resources – military and diplomatic – diminish. The impact will be a less active America on the world stage, but one that will respond when its vital national interests are at risk, wherever that might take place globally.

16 May 2013

Xenia Dormandy, Professor Michael Cox and Professor Anatol Lieven – oral evidence (QQ 31-49)

Xenia Dormandy, Professor Michael Cox and Professor Anatol Lieven – oral evidence (QQ 31-49)

[Transcript to be found under Professor Michael Cox](#)

Sir Stewart Eldon, Professor Mike Clarke and Dr Robin Niblett – oral evidence (QQ 14-30)

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[Transcript to be found under Professor Mike Clarke](#)

Charles Grant CMG, Dr Alexandra de Hoop Scheffer, and Dr Nicolai von Ondarza – oral evidence (QQ 1-13)

Charles Grant CMG, Dr Alexandra de Hoop Scheffer, and Dr Nicolai von Ondarza – oral evidence (QQ 1-13)

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Evidence heard in Public

Questions 1 - 13

MONDAY 22 APRIL 2013

Members Present

Margaret Beckett (Chair)
Mr James Arbuthnot
Sir Malcolm Bruce
Lord Fellowes
Lord Foulkes of Cumnock
Lord Harris of Haringey
Paul Murphy
Baroness Neville-Jones
Richard Ottaway
Baroness Ramsay of Cartvale
Lord Sterling of Plaistow
Baroness Taylor of Bolton
Lord Waldegrave of North Hill

Witnesses

Charles Grant CMG, Director, Centre for European Reform, **Dr Alexandra de Hoop Scheffer**, Director of the Paris Office, German Marshall Fund of the United States, and **Dr Nicolai von Ondarza**, Senior Associate, Stiftung Wissenschaft und Politik (German Institute for International and Security Affairs).

Q1 The Chair: I welcome you all to the Committee and thank you very much indeed for coming. I have a couple of odds and ends of House business to mention before we start. I am afraid that we will almost certainly have a Division in the Commons at 5.30, which means that we will adjourn for that. There may also, I understand, be a Division in the Lords. We have no idea what time that will be, so if bells start ringing, it is probably not a fire but a vote and I am afraid that it may disrupt our proceedings, so I apologise for that in advance. We are not going to say to you, “Will each of you answer every question?” Come in if and as you please. Please do not spare our feelings. Do not think that you have to be polite. We want to know what you think even if it is not favourable. I would be grateful for your genuine view.

As you know, our remit is to scrutinise on behalf of Parliament the national security strategy. We have hitherto concentrated on trying to see how we think the Government

Charles Grant CMG, Dr Alexandra de Hoop Scheffer, and Dr Nicolai von Ondarza – oral evidence (QQ 1-13)

are carrying out their remit with regard to it. We are moving into the area of whether the Government are fulfilling the potential of having a national security strategy. One thing that has concerned us as a Committee is whether we are drawing enough on the views of those who are not within the government machine and may have different views and perspectives to contribute, hence the session that we have asked you to attend today. We also want the Government to take a more sustained approach to the preparation. Obviously, the previous national security strategy had to be prepared in quite a hurry, along with a whole lot of other things, after the general election. We now want to take more time and to think more fully. Today, we want to concentrate on the EU aspects of our national security. We will have other sessions to look at NATO, at our relationship with the United States, and at energy security and food security, but today it is the EU and its impact on national security in the United Kingdom. For our records, would you be kind enough—we are having a transcript, but there has been a power cut; that is why I hesitate—formally to introduce yourselves?

Dr Nicolai von Ondarza: Thank you very much. My name is Nicolai von Ondarza. I am based in Berlin at the German Institute for International and Security Affairs, where I work on the institutional development of the EU, particularly in security, foreign affairs and defence. This is why I hope to speak with you today both about the role of the EU in security and defence and the relationship of the UK with Europe and the discussion being conducted in London.

Dr Alexandra de Hoop Scheffer: My name is Alexandra de Hoop Scheffer. I am the director of the Paris office of the German Marshall Fund of the United States, an American think tank that promotes transatlantic dialogue and co-operation on many foreign policy issues, economic and international challenges. Before that, between 2009 and 2011, I was adviser on US foreign policy and transatlantic relations for the policy planning department of the French Ministry of Foreign Affairs. I am also an associate professor in political science at SciencesPo Paris. I happen to be a former student of King's College as well and have wonderful memories of my time there. I, too, look forward to our discussion today on UK-EU, and why not broaden it a little to the transatlantic aspects? Thank you very much again for your invitation.

Charles Grant: I am Charles Grant. I have spent the past 15 years as director of the Centre for European Reform, working on the future of the EU, its economics, its politics and its security. Before that, I was a journalist with the *Economist*.

Q2 The Chairman: Thank you very much, all of you. Although I said that we would not ask each of you to answer every question, I will ask each of you to answer this question and then I will come to Mr Murphy. There is not a huge amount about the relationship with the EU in the national security strategy. What is your view of the role of the EU with regard to Britain's national security strategy?

Dr Nicolai von Ondarza: When reading the national security strategy and coming from Germany, I was quite astonished by how little there was on the EU, which seemed to be mentioned mostly as a sideline when different alliances were lined up. That is a shame for the many valuable things that the EU does in foreign security and defence affairs. From the German point of view, to compare it with our national security strategy or the German White Book on defence, there the EU is mentioned as a second pillar of national security along with NATO to give it a clearly important role for the future of German national security. The most important role here for the EU is first and foremost as a forum for co-ordination and joint action between EU member states, where information is consciously

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exchanged on all questions of international security affairs just as soon as they arise both in Brussels and at international organisations such as the United Nations in New York. Then there is the value of joint action in civilian and military affairs in the European neighbourhood. One of the operations that always stand out for Germany is the EU's Operation Atalanta to combat piracy. In your national security strategy importance was placed on securing trade routes, which of course for Germany as an export nation are very important. This is one of the valuable instances of the EU as a co-ordination forum.

Then, of course, and not least, is the extension and multiplication of national influence in the world by joint action of EU member states vis-à-vis, for instance, Iran and the nuclear issue, third countries such as Russia, but also in international fora such as the United Nations. A joint statement or joint action by the EU, if member states can agree—which is always a big caveat—is a great multiplier of national influence. I read through the threats and challenges outlined in your national security strategy—they are nicely listed as first-tier, second-tier and third-tier. I think that the most valuable contribution that the EU can make is on all questions on the softer side of security issues. They are still in the first tier of the national security strategy of the UK; for example, international terrorism, illegal migration and cyberdefence, as well as natural disaster response, where the EU plays role for co-ordination but also as a joint action forum.

Dr Alexandra de Hoop Scheffer: I shared the surprise when reading the national security strategy. If I counted well, I think that “Europe” and “European” are used only five times in the whole text. I think that the European dimension should be a really important piece, if maybe not at the heart, of the UK's national security strategy for several reasons. First, because of what is happening in Europe's neighbourhood. I am thinking in particular of the Middle East and North African region, where the United Kingdom has been playing an extremely active role, as a co-leader with France in the military operation in Libya and as a key contributor to the EU training mission in Mali. The second reason has a transatlantic component and is also part of our strategic rethinking today in France. As you all know, we are rewriting, or rather finalising, our own French White Paper on national security and defence. A part of our reflection has to do with how to respond to the United States 'pivot' to Asia and expectations regarding its European partners' leadership and security responsibilities in the Middle East and North Africa, as it strategically or partially disengages from the region.. How should we as European powers respond? I think in particular of France and the United Kingdom, because we are quite similar powers when it comes to international action. We have a sense of international security responsibility. We do not hesitate to project military power on the regional or international scene when we believe that it is necessary.

So I think that the UK and France have a real niche and a real response to give in times of increasing American strategic moderation. Indeed, Americans are experiencing a war fatigue after Iraq and Afghanistan, and the Obama Administration no longer wants to be engaged in wars of choice especially in that region. That is why I think that the notion of neighbourhood, or what we could call strategic neighbourhood, is gaining significance in both French and UK foreign policies.

Lastly, perhaps I may reverse the way in which the question was asked: as a meaningful military power within the European Union, the UK has a very important role and influence in promoting the EU's foreign policy. If we really want to be complete and thorough in our discussion today, we should look not only at the role of the EU in the UK's foreign policy but also at how the UK acts as a key strategic actor in the EU and abroad, not only in the neighbourhoods but also on many different foreign policy issues. You mentioned the Horn

of Africa. We can think also of Iran and Syria where the UK, along with France, plays a very important role in promoting the EU's voice on the international scene.

Charles Grant: I do not disagree with the previous two speakers. As I see it, there are three benefits to national security strategy coming from Britain's membership of the EU: for diplomacy, defence and policing, and justice co-operation. In diplomacy, it seems to me very obvious that the EU is a force multiplier. It is partly an unfulfilled force multiplier because the EU is often not very effective at dealing with, let us say, Russia or China; it has been more effective at dealing with Serbia and Kosovo—in the past few days—and in some ways with Iran and with the Balkans. However, Britain on its own does not have the ability to shape the international security environment very much; the EU when it gets its act together can do so. There are areas of the world where it completely fails to do so, such as in the Middle East peace process. It has had perhaps modest success in other places such as north Africa, with huge, unfulfilled potential in Russia and China. However, I think that when it gets its act together the EU really helps Britain achieve its objectives. The downside is very limited. Because EU foreign policy works through unanimity, if we do not like something, we just opt out and stop it. If we do not like arms embargo on Syria, we do not renew it so there will not be an EU arms embargo on Syria. I do not see very much downside to working with our European partners on these questions.

On defence matters, as others have said, it is mainly through soft power that the EU adds value, but I think—to be the third person to mention it—the Somalia operation is very important. The EU does not often get its act together, but, when it does, it joins up the aid policy, the training missions and the fleet of ships catching pirates, and pays for African Union peacekeepers to be trained in Mogadishu. When you have a good special representative, as there happens to be, it can really be quite a force for good in a problem such as that. EU CSDP—so-called common security and defence policy—missions have been quite successful in some parts of the world and not so successful in others, such as the Afghan police mission. Finally, on the whole area of justice and home affairs co-operation, the EU is hugely important and really unsung. Journalists—I speak as a former journalist—do not write about police and justice co-operation because it is too complicated and technical for them to understand, and politicians do not often talk about it except if it hits the headlines, as it has in recent days, with the EU's opt-out. The European arrest warrant has been used to catch terrorists. The exchange of information between police forces is very important. The common police actions being used against child prostitution rings and so on have been very important. A very important way in which we help to deal with these issues is through the EU.

Q3 Paul Murphy: We in this country are slightly schizophrenic about Europe so far as security is concerned. On the one hand, I think that most people would agree that, over the past six decades, peace in Europe, with the exception of Yugoslavia, has largely been the result of European co-operation and the existence of the European Union, yet, when we talk about the possibility of much stronger links on defence as a European Union, there is a lot of scepticism about. You have answered most of the points that I want to make, but there are two specific ones that I should like to put to whoever wants to answer them. To expand the point that Mr Grant was making with regard to our role being more significant in the world because of our membership of the European Union, I assume that you all agree with that. In other words, if we were not in it, we would not be that significant. The other point is that there has been—for example, with France—considerable defence co-operation. Might the way ahead within the European Union be for countries in it bilaterally or

multilaterally to work with each other—not necessarily all member states but those who have specific strengths, particularly in defence?

Charles Grant: I think that the answer is yes. Some of us have been a bit disappointed by the EU's efforts in defence since the St Malo summit in 1998, because we hoped that the EU's efforts would help to spread the more activist military culture that prevails in France and Britain to other countries in the EU. That has not really happened, which does not mean that EU defence is a waste of time and there have not been real, if unspectacular, achievements. However, the result of this is that we have realised that we are never going to have a militarily effective EU organisation of 28 member states. Therefore, it makes sense for smaller groups to do their own thing, in the EU or in NATO or both as is most appropriate. I think that the British-French bilateral co-operation is real, important and very useful. I would welcome subgroups within the EU doing defence together because you will never get all of them wanting to do military operations but you may get smaller groups. Britain and France are the natural leaders of such subgroups. De facto, that is sort of emerging, as we saw with Libya—although Libya was not strictly an EU mission but a group of European countries acting together with their transatlantic partners. I think that in the future, whether the actual hat is NATO or EU, we will see smaller groups doing things together.

Dr Alexandra de Hoop Scheffer: I agree. Your question raises an important issue that I tried to raise in my written evidence. I think within the EU but also within NATO and with our American partners, we are wondering which framework is the best to respond to defence and security challenges. Is it the NATO framework? Is it ad hoc coalitions of the willing or what we could call coalitions of the able and the willing? As we have seen from Libya to Mali, coalitions will continue to shrink in scope and capabilities, as defence budgets will continue to be cut on both sides of the Atlantic. Is it the EU, when we are facing a middle-range crisis in the European neighbourhood? We are trying to improvise a variable geometry of coalitions. It is not such a bad thing that we are looking at more flexible ways of managing our coalitions. In Libya in the end, despite all the criticism about the way in which the operation was handled, it worked pretty well. The UK and the French led that coalition. In Mali, the military operations were more complicated, as the French have been struggling in trying to find allies within the European Union, which limited its participation to a training mission.

This brings me to a really important question which also converges with what you said and which is linked to the question of budgets cuts. Missing from the national security strategy was a consideration of the consequences of increasing budget cuts for strategy and need for enhanced co-operation between the UK and its European partners. In this context, there are two main issues that the UK, France and others are struggling with: responsibility and solidarity. What are we prepared to do for each other in times of budget constraints and increasing Western war aversion? What are we prepared to do in situations where we have less of a security interest than the power which is intervening? In the context of budget constraints, the notion and the practice of responsibility and solidarity have been at the core of tensions in the EU and with the United States in Libya and Mali and will be in any kind of future crisis.

In this context, French and UK defence co-operation has proven to be effective. We have seen that in a very concrete way in Libya and in Mali. However, bilateralism should not replace multilateralism. Bilateralism should be a complement to multilateralism, just as UK-French co-operation should be a supplement or a way of pulling more European partners inside a coalition when we are intervening somewhere. Acting through multilateral

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institutions is not incompatible with working closely with certain allies on certain issues. We have seen in Libya as well as in Mali a few Scandinavian or even central European countries supporting our action logistically and in the case of Libya, militarily (Norway, Denmark, Sweden, Bulgaria, Romania). The last thing that I want to raise in that context is the notion of simultaneity. As we all reduce our defence budgets because it is just a reality, it will be more complicated to act simultaneously in different theatres of operation. That has been striking in Libya and even more in Mali, where countries such as Germany and Poland have made clear that they were still engaged in Afghanistan and that they didn't have the capabilities or the military assets to help France in Mali. I think that this increasing problem of not being able to act simultaneously in two different theatres of operation or middle-range crises will oblige European partners to work even closer together based on much better information about the real capabilities that they can put in and share in order to intervene together.

Q4 Lord Harris of Haringey: I was very interested in Charles Grant's remarks. He saw the third benefit of security strategy coming from UK membership of the EU as being co-operation on policing and justice. I would be interested in the other two witnesses' comments. The UK Government are considering opting out of those provisions and perhaps then negotiating a selective opt-back in. I would be interested in your comments on, first, whether that is practical, but, secondly, what impact that is likely to have on wider collaboration on security issues.

Baroness Neville-Jones: A deal negotiated by a previous Government, so it should be practical.

Dr Nicolai von Ondarza: Legally, it is of course practical because it is written and provided for in the treaty. Politically, I would certainly assess it this way. If a bloc opt-out is being taken and then there are negotiations on a single opt-ins, particularly on matters of justice and home affairs—be it the European arrest warrant, FRONTEX, Europol or whatever part of justice and home affairs co-operation—this will of course come via negotiation and there will not be a natural right of the UK to opt in to whatever measures it chooses. I would therefore expect, especially in light of the debate that is currently happening in the UK and Europe on the future stance of the EU, that there will not be a free card for opt-in for the UK on whatever measures on justice and home affairs it chooses to participate in. This would be my assessment also from talks in Berlin on future opt-outs and opt-ins of the UK. If the UK opts out of these instruments, and if there is not an agreement or if it takes time to find an agreement on the opt-ins, the UK will be locked out of these measures, which will naturally mean less access to information that European partners collect and less access to common instruments. That will impact on issues such as fighting organised crime and fighting international terrorism. Whether not being obliged to participate in aspects of justice and home affairs agreed on the European level is worth that cost is for the UK to assess, but, from a European perspective, there will certainly be a disconnect and then negotiations on whether there will be a partial reconnect and at what cost.

Baroness Neville-Jones: Could I ask the reverse question? How much do you think the JHA system would lose if the UK were not in it? The UK contributes. You put it in terms of losses to the UK and there being no free ride. I entirely accept that, but is there not a negotiation to be had, because there is advantage both ways?

Dr Nicolai von Ondarza: Of course. I would not deny that there is an advantage. For me, the position that the UK takes on this is quite astounding. I looked at the opt-in rights that the UK currently has in parts of justice and home affairs. Since the entry into force of the

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Lisbon treaty, the UK has made use of its opt-in rights on most of the new agreements on justice and home affairs. Purely from a perspective of how much the member states contribute in terms of new proposals for justice and home affairs, the UK has been one of the most active member states. Therefore, from the view of an outsider, there is quite a paradox between the political discussions in the UK on justice and home affairs and actual co-operation on the administrative level, which is quite positive and where I see great value. There is a negotiation to be had, but, from the view of an outsider, a paradoxical discussion is taking place in London.

Q5 Baroness Taylor of Bolton: I want to go back to what was being said earlier about co-operation of the willing and the able. I was very reassured by what you said about British-French co-operation, although I am not as sure as you are that it is totally developed—I think that it is somewhat immature—but there is certainly a lot of potential and willingness there. I am concerned that we have got all these countries. Two of them, Britain and France, have a slightly different approach, first, to spending and, secondly, to a willingness to intervene. There are certain countries that have developed some niche concerns and perhaps some niche potential—I am thinking of Estonia because of the cyberattacks and things of that kind—but in other parts of Europe, certainly on the conventional defence side, there seems to have been an attitude that a number of countries could have had a free card or a free ride. They did not have to step up to the mark in terms of making contributions to efforts. I wonder whether you think that is an unreasonable statement and whether you think that it applies on the more general security side as well as on the defence side.

Dr Alexandra de Hoop Scheffer: I am happy to respond first. I totally agree with your comments. You have to think about the future of the UK's foreign policy in a double context that will obviously shape the UK's but also France's and others' foreign policy orientations. First, EU's strategic retrenchment, which summarises what you said. Almost all European countries are reducing their defence budgets because they are focusing on the management of the economic crisis. That will have concrete consequences for our capacity to continue to act and to project our military power. That is one thing. The other is, as I have mentioned, increasing American strategic moderation. When you put these two elements together, you see that there is a capacity but also a leadership gap. I fully agree with you that the only way in which we can continue to fill or partially fill this gap is at least to maintain our military capacities at their current level or to try to reduce them as little as possible. If we look at the case of the Netherlands, a country that has been a particularly active contributor to international military operations since the end of the Cold War, we can see that they, too, have taken important military decisions, by reducing their conventional military capabilities and therefore decided to rely on others. We are obviously going to be short of certain crucial capabilities. That is why I am saying that, at a time of budgetary constraints but also of uncertainty—that is in the title of your national security strategy; I would add “constraint” to “uncertainty”—you obviously have to reinforce your co-operation. Unfortunately, as you said, most of what we are seeing develop on the European scene is not favouring an EU pooling and sharing or co-operation. In situations or urgent crises where we need to act quickly, the easy solution is to act bilaterally or with coalitions of the willing, with everyone putting in what they can to make the operation work.

Baroness Taylor of Bolton: It is always the same countries.

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Dr Alexandra de Hoop Scheffer: Yes, but countries which used to have an understanding of military power and projection of power on the regional or international scenes will have that less and less because they are reducing their budgets and capabilities. The EU is not a strategic actor; I do not think that it perceives itself as a strategic actor. If it could really be useful, maybe it could concentrate on securing its periphery or its neighbourhood. Maybe that is what the EU is best at, because it is close in terms of geography and because it can quickly manoeuvre the different capabilities to act. That does not mean—and it is something that we have to be very cautious about—that we should implement a sort of geographic division of labour between Europeans on the one hand and Americans on the other, with the Americans pivoting to Asia and the Europeans concentrating on their periphery and not looking at the broader strategic horizon. That would be wrong. We have to continue to think globally and deploy our economic and diplomatic assets wherever necessary. We should act in our neighbourhood when it is necessary but have a reasonable and realistic understanding of our remaining capabilities. What is missing today at the EU level—I do not know to what extent it could be easy or difficult to achieve—is a basic, concrete assessment of the different European military capabilities, in order to know, if we were intervening in this or that crisis or supporting allies, what we could easily pull in as capabilities and in order to act quicker, and avoid the tensions that occurred between European and transatlantic partners at the beginning of the military phases in Libya, where the US took France and the UK by surprise by limiting its action to a supporting role, and then even more so in Mali, where French urgency collided with US caution.

Charles Grant: Very briefly, I think that the root of the problem, Lady Taylor, is that our economies in Europe are not doing well. That means that defence budgets will be cut. The second root of the problem is that public opinion in most European countries favours defence cuts vis-à-vis cutting other things if something has got to be cut. In almost no country is that different, except that Poland has recently increased defence spending. Essentially, these two problems are not going to go away; I think that we will have both of them for the foreseeable future and for at least the next five years. Therefore, as Alexandra says, a bit of pooling and sharing can help, but, frankly, it will help at the margin. It is not going to help fundamentally. The reality is that our military capability in Europe is declining. British and French defence cuts will not help that either. The really bad news is that the US is moving away from Europe anyway in its interests and its focus, and it does expect us at least to look after our own backyard. Whether we can do that in the future is a moot point. The only slight silver lining to this cloud is that, because other countries are cutting defence expenditure so much and/or do not wish to use their capabilities, de facto Britain and France can lead the whole European grouping. That is if they wish to. On the euro crisis, everyone accepts German leadership because of its capability and power; it is the same on security as far as Britain and France are concerned if we wish to exercise that leadership.

Q6 Lord Fellowes: This is a follow-up to the two previous answers. Would I be right in thinking then that you think that there is some justification for the widespread feeling in the UK that when the EU embarks on a military adventure overseas we tend to bear more than our fair share of the burden?

The Chair: Does anybody want to disagree?

Dr Nicolai von Ondarza: Maybe I can answer that by splitting hairs. I would say that when the EU embarks on military operations, the UK has put forward fewer resources than Germany and France and has chosen rather to invest its resources in military operations with NATO or coalitions of the willing. If Europe goes on military operations, there I would

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definitely agree that the UK and France have played the leading role. There is a distinction between which frameworks you choose to operate together. An additional complication for any European endeavour is choosing the right framework for it. It is why I think that, if we talk about capabilities, I would add to the two problems that Mr Grant outlined the problem of a lack of willingness of European member states to agree on co-operating on joint capabilities. There is not a lack of initiatives: within NATO with smart defence: in the EU with pooling and sharing; and the headline goal catalogue. There are so many different formats and political initiatives for EU member states to work together, but they lack the support especially of the three large member states. That is why it is still very difficult to progress in terms of joint capabilities of EU member states. If they should do so, they would need an aspect of framework neutrality, where they work together on capabilities that can be used regardless of the framework within which Europeans co-operate, be it NATO, the European Union or a coalition of the willing. This is another aspect that is missing from co-operation on capabilities.

Charles Grant: I take exception to the question. Military adventurism is not something that the EU does. The EU is guilty of many things, but military adventures imply ill thought-through operations where you go and shoot people and have problems afterwards. I do not think that the EU is guilty of that.

Dr Alexandra de Hoop Scheffer: I agree. Very often, the EU is reluctant to use hard-power instruments. The situation in the Balkans in the 1990s illustrated this very well, where hesitancy finally led the United States to join in and take the lead. It is very interesting when you travel to Washington to see that our American counterparts associate what happened in Libya with what happened in the Balkans in the 1990s, where they felt that they had been pulled into a military adventure by European allies not capable of acting alone in their backyard.

I want to add something to what Nicolai said and to respond to your question regarding the coalition or the framework in general. Libya and Mali show very well that both NATO and the United States have the capacity to build coalitions that the EU alone or a few European countries lack. Convincing others to follow your decisions or what you are doing is the definition of leadership. When you look at different crisis management situations, you see that, when the EU or a few European countries are leading, it becomes much more difficult to convince others to join the coalition, whereas the NATO umbrella, for example in Libya, has been a true driver for including Scandinavian and Central European countries to contribute militarily to the coalition. I am not sure that they would have joined the coalition if it had just been French-UK leadership. In French, we call this une “capacité d’entraînement”, a capacity to...

Charles Grant: To drag along.

Dr Alexandra de Hoop Scheffer: Yes, to drag along allies. The EU does not possess this capacity that NATO or the United States have. In a lot of situations where the solutions are not forthcoming or slow (Syria for example), it is often because either the US or the NATO umbrella is lacking. That is also something that we should keep in mind.

Q7 Lord Sterling of Plaistow: Could I suggest that, since World War 2, Europe, with the exception probably of this country, Holland and France, has been very prepared right the way through to remain under the umbrella of the firepower and spending power of America? The professor commented things are of course bad at the moment economically and that we cannot spend anything. Even in the good period, when Europe was absolutely booming in every single country, nobody was prepared to spend even 1% to 2% of their

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GDP on defence. I was heavily involved in Gulf War 1 and Gulf War 2. In Gulf War 1, there were countries around which said, “Look, we cannot actually get involved and, what is more, our constitution does not allow us to, but we will put up money. We’ll put up 5 billion, 4 billion or 3 billion”. There are many countries in continental Europe where, if the initiative is picked up by the big three, that will continue. When you look at it in general and think of Interpol, cyberwarfare and international terrorism, I would like to think that, regardless of whether you were part of Europe or part of anything, all the vested interests involved in those areas would work very closely together. Are we really saying that it needs a united Europe in some format in order to be able to achieve that? I suppose that for most of us on this side of the table NATO has played a key role right through that period.

Charles Grant: I would agree with much of what you say, but you are implying that it is NATO or the EU. That is really not how it looks inside NATO and it is not how it looks in Washington these days. Most people in the US Administration or mainstream Republicans are very keen for the EU to play an active role. Let us remember that it is the same soldiers who go on peacekeeping missions, whether it is called NATO or EU. In Bosnia, there was a switch from NATO to the EU and it was the same mission but just a different rubric. As we have already said, what matters is whether countries are spending money and are prepared to use force and do things rather than whether it is an EU or NATO thing. To answer your question directly: you do not need a united Europe to get co-operation in these areas, but I think that, when it comes to diplomacy, if the Europeans work together, as they have done in the past few days in brokering a peace deal between Kosovo and Serbia, which is very significant, we can get a real result. Frankly, Cathy Ashton has done that and had the capability to do it—something which the British, German, French or Dutch Foreign Ministers did not have—because she spoke for whole of Europe and had strong support from the US, too.

The Chair: Moving on to the issue of eurozone?

Q8 Baroness Neville-Jones: I want to turn to the possible impact of a two-tier Europe. What you have just been saying is very interesting. You have given the impression that the imperative is action and the framework is the servant of action. It is desirable when you have got a bigger framework, but essentially what the Americans are after is action. It is very difficult to know exactly what one means a by two-tier Europe, but it seems that the alternative to the eurozone breaking up is greater co-ordination and tighter policy certainly in key economic essentials. The big country that is not going to be part of that is obviously the UK. What kind of, and how much, impact do you think the separate routes on the economic side will have on co-operation on security and, in turn therefore, on the UK’s national security?

Dr Nicolai von Ondarza: You asked us in the beginning to speak our mind. On the development of a two-tier Europe, I would say that we are already in a situation of a three-tier Europe. Rather than two tiers, we have, at least on the economic side, the 17 euro countries. We have also what I call the pre-ins—the countries that are committed to joining the eurozone and are still pursuing that object. I think that Latvia is supposed to join in 2014. Lithuania is looking at 2015. When Poland joins in 2017-20, it will be the big one. And then we have the permanent outsiders. If we look at the group of the permanent outsiders, we see that it is not really that big. It is the UK—

Baroness Neville-Jones: Absolutely. I am not going to argue with you. It is a very small group of non-potentials.

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Dr Nicolai von Ondarza: This creates a situation where we have more and more co-ordination between the insiders and the pre-ins—an arrangement around the fiscal compact, the eurozone-plus pact, the banking union that is supposedly coming up—and where the permanent outsiders are outsiders in terms not only of being affected by decisions but of not sitting at the table when the decisions are being made on economic terms. That having been said, for the immediate future, the differences in EU decision-making procedures between economic issues and eurozone issues on the one hand and security affairs on the other hand are so structured through that there is very little danger of full mission creep where the eurozone suddenly starts to take over EU foreign and security affairs. The CFSP and CSDP are actually the areas of EU policy-making that are most detached from concentration on the eurozone for at least the foreseeable future. Where I think it has an impact is on the influence in the EU overall. We can expect major posts in the European Union, such as the President of the European Council, who is now president of the Euro Summit, to come from euro member states, and other major EU personnel positions might be more concentrated on the Euro member states. However, for at least the mid-term, the separation of the decision-making procedures at least guarantees to some extent that all member states are at the table when decisions are being taken on whether to launch operations and the general strategy of the EU.

Baroness Neville-Jones: What about JHA, which has a different decision-making process and affects internal security?

Dr Nicolai von Ondarza: For as long as the UK does not take the full block-out, it will retain a seat at the table. There is a slight difference in the decision-making procedures institutionally between justice and home affairs, where even the opt-out countries are sitting at the table without a vote, while on eurozone issues the opt-out countries are not part of the Euro summit. Institutionally, there is an important difference between justice and home affairs, where the opt-out countries still have at least an observer status. In particular, the UK, through its position in the G6 group, will at least for the time being also have a very influential informal position among the six main member states driving justice and home affairs co-operation. The only way in which this could align would be for the UK to choose an outside position on justice and home affairs that fully resembles its outside position on the eurozone.

Charles Grant: I agree with Nicolai's analysis. I have a three-tier model in my own mind, too: the core, the pre-ins and then the outs. There are slight nuances. I think that there will be seven or eight countries which do not join the eurozone for a very long time and at least 10 years. I do not think that we are going to be quite so lonely. I absolutely agree with Nicolai that there is no reason to believe that our being outside the euro will reduce our impact on foreign and defence policy. Indeed, the eurozone has existed for 14 years now. Britain is still extremely influential in foreign and defence policy because of its capacities. That will not change whatever happens in the eurozone. As for JHA, British influence will be determined partly by whether we exercise the opt-out. If we do, and however many policies we opt back into, I think that British influence, which has been astonishingly high, will then go down some way.

Q9 Baroness Neville-Jones: Can I just ask the question the other way? Something was made in earlier evidence of the importance, for instance, of information that Europol has. So my question is not only “What influence would the UK lose?” but “What benefit to UK

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security would be lost by”, for instance, your view on where the line lies that is dangerous and things like JHA?

Charles Grant: The Schengen information system: I think you know the technical terms, but Britain is not a member of it. It has asked to join; it has not been allowed to join. Of course, when we opt out—assuming the Government does exercise the block opt-out and we try to opt back in to various other bits—my guess is that in some areas they will say yes, because it is in our partners’ self-interest to have us back, and in some areas they will say no. I think the more areas we opt out of—some count more than others—that is potentially injurious to British national security, because we would receive less information from our partners and find it undoubtedly harder, if we are outside the arrest warrant, to bring back terrorists to the UK if they commit offences.

Baroness Neville-Jones: The Schengen information systems affects border control.

Charles Grant: Yes.

Dr Alexandra de Hoop Scheffer: I just wanted to add two things. If the UK opts out of the EU or chooses an alternative solution but still gets partially out of the EU, it will have two negative consequences. One is for the UK’s image and position in the world. Of course, I think of the EU as central to the UK’s place in the world economy and the trading system and as a force multiplier for its foreign policy; that is just obvious. Indeed, we operate in a more and more interdependent world. I think that you, sir, mentioned that we are not facing conventional threats only; we are not just involved in purely conventional wars; we are waging wars against non-state actors and facing more and more global transnational threats. That means that one power alone, or a more isolated power, cannot manage these threats without co-ordinating closely within a broader group of states. I think of environment, and I think of climate change, where the EU’s voice has been extremely important on the international scene. The idea of belonging to a broader set of states who share common values and who share common goals—but which might not have a common understanding of the means to use to attain these goals—still matters hugely.

Another idea I wanted to put forward is that if we are going towards the UK’s opting-out solution, I think this would drastically damage the image and the understanding of what is the EU’s construction. What is the EU? The EU is a union of very diverse national interests, but with the goal of trying to find compromises, therefore it will always remain an imperfect union. Going back to history, something that the British Prime Minister reminded us of in his speech three months ago was that the European construction was a construction for peace. It was trying to bring countries that used to wage war once against each other to find a peaceful solution. The EU construction has been a model since then for many regional organisations in Africa, in Latin America and in Asia, of course. The EU’s social model and democracy model have, already greatly suffered from the economic crisis and the rise of extremisms, which have in turn damaged the EU’s image on the international scene. So I think that this is something that we should also keep in mind at a time of turbulence and at a time, if I think of the Middle East and northern Africa, where societies in transition after regime change are trying to look for different models to follow. Definitely it is not the Americans they are looking to; it is less the Europeans; but they are turning towards other types of social and political models, so we have also to keep that dimension in mind if we are attached to the history of the EU’s construction, and be careful of not adding more uncertainty to an already uncertain and fluctuating situation

Q10 The Chair: Moving on to the general issue of the longer term, Mr Arbuthnot?

Mr Arbuthnot: I am going to ask you to adopt a crystal ball here, please, and look 20 years into the future and tell us what the future of the EU will look like then. Will it, for example, be enlarged? Can I give you a specific example? How important is it strategically that there should be a bridge between the Christian Europe and the Islamic Asia, and that therefore Turkey should or should not be a member?

The Chair: Who would like to start?

Charles Grant: It is your turn. My own view is that in 20 years the EU will have enlarged somewhat. Firstly, I think it will survive. That is perhaps worth saying. It is not certain it will survive. I believe that the euro is likely to hold together. Although I do not see it overcoming its problems quickly, in 20 years hopefully it will have overcome its problems. I think the EU will still be there. I think Britain may well be part of the EU, but the key problem raised by your question is democracy. I listened to Zbig Brzezinski speak at a conference in Bratislava two days ago and say, “You should enlarge to Turkey in a couple of years. Take in Ukraine too, and what about Belarus too?” The trouble is, as I tried to explain to Mr Brzezinski, who is a very eminent and interesting man, that there is this issue about democracy. What has happened in Europe for the last 50 years is we have built Europe as a technocratic project without bringing the people with us. For the best of intentions, very good people have built enlargement and they have deepened and they have widened, and it cannot go on unless people are brought along with them—“entraîner”, to use the French word you used, “dragged along”, earlier.

This is one reason why I think enlargement will happen very, very slowly. I think there is very little popular support in very many European countries for further enlargement. I am delighted that, as a result of last week’s news, it looks like Serbia may start negotiations, but I assume that it will take a very, very, very long time for Serbia to get in. There will have to be referendums from some countries before Serbia can join the EU. I am not sure every country that holds a referendum will say yes. In terms of enlargement, I say yes to enlargement; it is good for our security; it is good to have a bridge between the Christian and Islamic worlds—all that—but we need better politicians, who are more skilled at explaining why enlargement is a good deal and why it is good to allow Turkish workers to come into our countries and compete with our jobs. The current political class—and I do not think the British lot are much better than those in other countries—have not made a good job of that. We do not have referendums on enlargement in this country; if we did, I am not sure we would have had so many countries join as we have done.

Dr Nicolai von Ondarza: Maybe to combine both of your questions: if I look at the crystal ball, I think that we are on the precipice of a further round of navel gazing within the EU, where we will probably—or at least, most likely—both in terms of eurozone reform and the UK’s position, have another five to 10 years where the reform of the EU will be the focus of much of the discussion on the European Union. This discussion will determine how the EU will look in 20 years.

Basically, you can make the three big scenarios of: a leap in integration, which is then focused on the eurozone countries, where a lot of the new integration measures are only for the eurozone countries and the pre-ins, with very few staying on the outside. You can have a scenario of muddling through, where the eurozone basically, on the current

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construction, grapples its economic problems without making a big leap forward, where I would expect the EU to basically stay in this conflict scenario where economic growth is very low for the foreseeable future and there is some alignment but mostly still we will drag out the current crisis for another 10 years. Then, of course, there is a break-up scenario, which I, as Charles, assess as very unlikely in light of the political willingness of EU member states to go as far as possible to avoid the break-up of the eurozone.

Regarding enlargement, enlargement fatigue is so high at the moment that the further candidates are maybe Iceland and Croatia, which is supposed to join next year, but I think after that the door will be shut as long as the euro crisis is not resolved in a fashion that increases the popular support for the EU project on such a scale that both citizens, but also politicians, in EU member states are then again willing to discuss big steps in enlargement. Even then, I think the focus will be more on the western Balkans. With Turkey, I would rather expect from both sides that there would be a search in the coming years for a diplomatic compromise where none of the sides loses their face before both their citizens and the global politics, and they find a way out of the current accession process, which has been slowed for such a long time. I see very little willingness on either side to actually seriously still engage in the accession process.

Q11 Mr Arbuthnot: What is the outlook next for the relationship between the European Union and NATO? Will the issue of Cyprus be resolved?

Dr Alexandra de Hoop Scheffer: I do not have a crystal ball, as we say, so I cannot say, but you are absolutely right to say that EU-NATO relations will not improve if this particular issue is not solved. I cannot tell you that within 10 or 20 years this issue will be solved, but I hope it will.

Complementary to the few remarks that have just been made, and to answer a few of your questions, I have three brief remarks. One is about what Charles Grant mentioned, political leadership and political narrative; I put them together. The second one is the impact of enlargement, and the third one is how we react to globalisation. The first one, I think, is crucially important. If we do not have a strong political leadership at the EU level, coupled with a strong EU narrative about what the EU is, what it is doing, how it takes decisions, why it is doing that or not doing it, then we will continue to have this EU disillusionment everywhere in our European public opinions. I think that UK EU scepticism is not unique. We find it in every country today. It has been increased because of the economic crisis, and even countries that used to be very pro-EU or very EU-oriented are now experiencing a rise of populism and of parties that are surfing in a certain way on the economic crisis and the dissatisfaction of opinion to promote a sort of anti-EU stance. So we have to be careful, because in 10 or 20 years economic frustration and social unrest could actually give the EU a very different political and social face.

The second one is enlargement. As Nicolai said, enlargement will probably be slower and cautious, even though a few countries will continue to be included, very selectively. That brings me to the main consequence, which is that I absolutely do not believe in a federal leap or in a closer political union at the EU level in the 10-20 years to come. Rather, and I think this is a consequence of these years of EU enlargement, we will continue to have a model of intergovernmentalism, and that is actually what the big EU countries are promoting and preferring—France, the UK and Germany in particular on foreign policy and security issues. So that will always lead to conflicting interests and situations that are not always satisfying, but we will just have to deal with that.

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Lastly, globalisation is very important because we have seen a lot of counterreactions within the EU vis-à-vis globalisation or the fear of rising powers, especially China. I think this is something that you are going to see also increasing and could very much lead also to identity, economic war and even cultural protectionist reflexes. I hope that this will not be the future of the EU, but this could potentially be a risk as well that we have to pay attention to.

The Chair: I am going to adjourn the Committee for a maximum of 10 minutes. If we have our Commons quorum back in less than that, we will start as soon as it is back. Okay? Excuse us.

Sitting suspended.

Q12 The Chair: Can I call you back to the table? Unfortunately, we are going to have another vote—you were quite right, James—straight away. Lord Waldegrave, you wanted to ask something.

Lord Waldegrave of North Hill: I want to go off at a slight tangent—it relates to something that was said about the image of countries in the world and so on—which is the relationship between the EU and the post-war settlement institutions. The British and the French, of course, are extremely attached to conservatism on these issues, and it affects their policy. The most famous case, I suppose, is if you look at the papers of Prime Minister Attlee after the war, he said that we had to have the atom bomb because we had to be at the top table, and we had to be at the top table because we were at the top table. The French think rather the same. It takes one in a circle, because the elites in those countries, and perhaps the democracies and perhaps the ordinary people to some extent, expect the countries to play a particular role because of these institutional traditions. The elite certainly feel that.

They seem to me to be unsustainable over some period ahead, and more likely to be unsustainable in a shorter period than would otherwise be the case as Europe becomes rather a backwater—to be a little bit tendentious—in terms of economic growth, and in growth of population too. It becomes more and more anomalous that there are two Security Council seats in Europe. It was sort of tolerable when Europe was as big as America, and tolerable perhaps to Germans to have the French and the Brits doing it because they are built into the European Union institutions and so on. It seems to me another source of change—that those things are not going to be permanent—and it may have an effect on whether the democracies of Britain and France in the longer term allow us to go on spending above the norm, if those things are taken away from us, which they should be, really.

Charles Grant: So what is the question?

Lord Waldegrave of North Hill: The question is: does the fact that Britain and France are unlikely, if we are talking 20 years ahead, to have permanent seats at the Security Council mean that their normal leadership role in things European on the security side will still be taken for granted?

Dr Alexandra de Hoop Scheffer: That is a really timely and good question, and something that we are also thinking very closely about in France indeed. I think that the economic crisis of 2007-08 and onwards has made us realise that we probably would not have the

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same impact, nor the same voice, nor the same representation within international organisation. Everything has shifted so quickly. Given our declining economies and the rising economies of the big emerging or, for China, re-emerging powers, we find ourselves in a situation where we are overrepresented in international institutions, in particular financial institutions (IMF, World Bank). You have mentioned, of course, the UN Security Council, which reflects the post-1945 equilibrium of power and does not represent the 21st century reality. There have been several calls from China, but also Brazil and Japan, and African countries as well, to be better represented and have a stronger voice. I think that is just inevitable. An EU seat would be a logical evolution, but it would first need the French and UK approval, which seems impossible for the time being. Considering our more modest means to act on the international scene, there has to be some reshuffling or some tinkering.

At the same time, it is interesting to look at the emerging or re-emerging powers' real intentions. It is interesting to see that they are not really asking for a profound change of international organisations. They are asking for a greater voice, a greater presence, but not a full transformation, so I think that the reform of these international fora will probably not be as dramatic or drastic as it might look. Obviously the EU will be the main casualties of this tinkering or light transformation. But I do not see any huge, profound transformation, because if you look at the Chinese, Brazilians or others, they are not asking for a complete reshuffling or reinvention of multilateral institutions. The G20 is not working as we might have thought. The so-called BRICs—it does not mean anything, because we all know that these countries do not share the same interests and way of seeing the world, but we have put them in that BRIC concept—have tried to imagine alternative meetings and fora to make a sort of counterweight to the so-called western G7 and G8 summits, but that has not worked either. So I think we will find a middle-ground solution, but the consequence will be a diminishing place, voice and seat—physically—for the EU powers; that is for sure.

Lord Waldegrave of North Hill: It will be a footnote to our referendum, if we have one, that if there is an inevitable EU Security Council seat, it is not inevitable that we will keep ours if we are out of the EU.

Charles Grant: I disagree with Alexandra, for once, because I see absolutely no chance of a united EU seat. Of course the Europeans are overrepresented in international institutions, but they also contribute a lot to them. Behind the scenes at the United Nations, the British and the French probably work harder than any other two countries to actually make sure that the UN functions, for example. In the other international organisations, it is the same, so if we are overrepresented at least we contribute. I have to say that I recently wrote a study on Russia, China and global governance. Russia and China contribute very little to global governance, China a bit in the WTO and a bit in the G20, but essentially it is the old fashioned countries—the British and the French, and the Americans—who actually bear more than their fair share of responsibility for making sure that a lot of international institutions work, in my view.

I agree with Lord Waldegrave that the British and the French are overrepresented, but I do not see any prospect of a united EU seat because you would need the British and the French to agree to that in order for it to happen. You need to have a common EU foreign policy. There is not a common EU foreign policy. The Germans say they would like a united UNSC seat; that is only because that they cannot get one on their own. They are actually very keen to get one on their own, really. If you talk to German diplomats, their main priority is a German seat. In theory they would like an EU seat, but not in practice in the short term.

Whenever there is a referendum in the UK on membership, there will be a British seat on the Security Council, I believe, not just because we cannot agree on a united seat of our own but because the whole UNSC is impossible to reform, because the Chinese are blocking the Indians, the Africans cannot agree who should be the African member and so on. So I do not expect the radical changes that Alexandra predicts.

Q13 The Chair: With great reluctance, I think we have to accept that we have got another Division now. I know that Sir Malcolm has another meeting, and Mr Murphy has not made it back yet, so I think we have to recognise that we are going to lose our quorum. I am sorry; this feels very ill mannered to leave you high and dry. We are extremely grateful to you for coming. If you can do it quite briefly so that we can go and vote, is there anything that you would have liked to say—that you had in mind that you would say to us when you were here that you have not had a chance to say? If it is long, perhaps you would write it.

Baroness Ramsay of Cartvale: Could I just ask one question we were going to ask? What is their opinion of our NSS? Would that not be a good way to—

The Chair: What do you think of our national security strategy?

Baroness Ramsay of Cartvale: And be frank about it. Is it strategic enough?

The Chair: Good, bad or indifferent?

Baroness Ramsay of Cartvale: Yes. Or rubbish.

Charles Grant: The last one?

Baroness Ramsay of Cartvale: Yes, the last one, and therefore what we should do right the next time.

Dr Nicolai von Ondarza: Maybe in two sentences: first, from a German perspective, the national security strategy of the UK is very forward looking. Our last strategy document, the German Weissbuch, was from 1996, and Germany has been very reluctant on writing a new national security strategy. There are many elements—looking to cybercrime, international terrorism, whole-of-government approach—which are more forward looking than many other EU member states have. That being said, I think the current NSS is still very much rooted in the pre-euro crisis, and I think the question you have put here in the Committee concerning “How does the future of the EU and the future relationships of the UK impact UK security?” is one of the big ones missing in the NSS and the reflection about the future of the UK national security strategy. For instance, what struck me—this is maybe the last sentence—is that there is more on how social networks on the internet affect the UK national security strategy than there is on the EU relationship, which I find quite striking.

The Chair: Sorry, we have to go and vote. If one or two of you would like to stay, I am sure colleagues will be able to take on board what you tell us.

Professor Keith Hartley – written evidence

Introduction: Difficult Choices

1. The UK's next National Security Strategy cannot avoid the need for more difficult defence choices. This Note focuses on the economic context and the challenges for UK defence policy and its relationship with NATO. It addresses the inefficiencies within NATO and the costs of the UK's world military role. It concludes that budget pressures and rising costs mean that, yet again, something has to go: the question is what are the options and what goes?

The Economic Context

2. The continued economic and financial crisis affecting the UK and Europe means further real terms cuts in defence budgets. At the same time, defence equipment is both costly and becoming costlier. Currently, the UK spends about one-third of its defence budget on new military equipment with about 40% of this expenditure on air systems, 30% on sea equipment and 20% on land systems. For example, intergenerational cost growth on UK frigates was 4.3%, compared with almost 6% for main battle tanks and combat aircraft. The unit cost of the Hunter fighter aircraft was £4.6 million in 1955 compared with today's replacement, the Typhoon, at a unit cost of £72 million (2012 prices). Of course, the Typhoon is superior to the Hunter in terms of speed, weight, complexity and capability.⁴ Such rising unit costs which affect all nations have led some commentators to forecast a future single ship Navy, a single tank Army and 'Starship Enterprise' for the Air Force!
3. The defence economics problem is clear. Defence budgets which are constant or falling in real terms and subject to rising equipment costs mean that difficult defence choices cannot be avoided. The next Strategic Review will have to consider a range of choices affecting equipment and personnel. Whilst these choices will include numbers of personnel and equipment, there are also substitution possibilities *within* equipment and personnel and *between* equipment and personnel. For example, within equipment it is possible for imported equipment to replace nationally-produced equipment; within personnel, reserves can replace regulars and private contractors can undertake some of the tasks usually performed by 'in-house' military units. Between equipment and personnel, it is possible for capital to replace labour such as aircraft substituting for soldiers and the nuclear deterrent replacing conventional forces. Such substitution possibilities (and others) need to be part of the next Strategic Review.
4. Some of these choice problems can be avoided where there are there are inefficiencies in defence spending. The defence economics problem identifies the need to increase the *efficiency* of defence spending and this applies to the UK, Europe and NATO. Of course, efficiency improvements also involve gainers and losers: some of the interest groups benefiting from consuming inefficiency will lose from efficiency improvements. Examples of inefficiencies in defence markets include non-

⁴ Davies, N., Eager, A., Maier, M. and Penfold, L. (2011). *Intergenerational Equipment Cost Escalation*, DASA-DESA, Economic Working Paper Series No 1, Ministry of Defence, London.

competitive procurement policies, preferential purchasing (e.g. buy-national policies) and the duplication in NATO and Europe.

Inefficiencies in NATO and European Defence Markets

5. NATO and the EU are inefficient organisations for providing both Armed Forces and defence equipment. Inefficiency embraces opportunities for choosing a ‘socially-preferred’ level of defence output and/or achieving the same defence output at lower cost. Here, major problems arise since there are no obvious measures of defence output. Traditionally, defence outputs were measured on the basis of defence *inputs* (the principle that inputs equal outputs which applies throughout the public sector). The UK has improved on such conventions by identifying the defence capabilities of its defence spending; but defence capabilities are not expressed in money terms so that defence capabilities cannot be compared directly with defence spending (do the benefits of defence spending at least equal its costs?).
6. A person from Mars would be astounded at the current arrangements for defence in NATO and the EU. Both organisations are characterised by inefficiencies in the provision of Armed Forces. There are massive duplications of national defence ministries, armies, navies and air forces, duplication of training, military bases and of logistics and repair organisations. Similarly, NATO and EU defence equipment markets are dominated by inefficiency reflected in the duplication of costly defence R&D spending and small scale national production orders. For example, within the EU, there are three competing types of combat aircraft (Gripen; Rafale; Typhoon) involving six European nations. Imagine the cost savings if these nations had selected only one type and combined their national production orders. The result would have been one bill for R&D and a total output for the six nations of over 850 units of one type leading to economies of scale and learning. However, whilst multi-national collaboration appears attractive economically, it has been characterised by substantial inefficiencies reflecting work-sharing arrangements and duplication of procurement and industrial management organisations⁵.

Improving Efficiency in NATO and EU Defence Markets

7. Economics offers some general principles for improving efficiency in both NATO and EU defence markets. These include:
 - i) Defence is what economists term a *public good*. Such goods are characterised by being non-rival and non-excludable (e.g. the provision of the air defence for the UK is available to all its citizens) and these features apply within and between nations (e.g. NATO; the EU). For NATO, the strategic nuclear deterrent is an example of an alliance public good⁶ (peace is also a public good).

⁵ Hartley, K (2012). *White Elephants? The Political Economy of Multi-National Defence Projects*, New Direction, Foundation for European Reform, Brussels, October.

⁶ The strategic nuclear deterrent is non-rival among allies with the ability to deter an attack being independent of the number of alliance members being protected. It is also non-excludable since no ally can be excluded from the consequences of using nuclear weapons against an aggressor.

- ii) Public goods are characterised by *free-riding behaviour* both within a nation and between nations in a military alliance. Examples include the willingness of NATO nations to ‘free ride’ on US defence spending and the focus on national rather than NATO and EU interests when determining defence cuts (nations within an alliance will focus on burden-shifting rather than burden-sharing).⁷
- iii) The principle of *international comparative advantage*. Nations differ in their competitive ability to provide goods and services (e.g. some nations are good at producing jet airliners; others are good at motor cars; and others are good at growing bananas). In defence, some nations have high labour costs and their comparative advantage lies in advanced technology forces and equipment (e.g. nuclear weapons; combat aircraft); other nations are low labour cost nations and their comparative advantage lies in personnel-intensive Armed Forces and labour-intensive defence equipment (e.g. infantry; ammunition production).
- iv) Efficiency requires *private competitive markets*: privately-owned firms operating in competitive markets leads to efficient outcomes. In principle, such markets are achievable for defence equipment but they require that the definition of the market extends beyond the national dimension to allow foreign firms to bid for national defence contracts. However, importing defence equipment involves other risks (e.g. dependence on foreign suppliers and risks of re-supply in conflict; foreign suppliers unwilling to supply the latest technology). Whilst private competitive markets are feasible for defence equipment, their application to the Armed Forces raises much greater challenges (e.g. introducing profitability for military units; allowing the take-over of military units; extending contractorisation to combat units). Nonetheless, some of these economic principles can be introduced into the Armed Forces (e.g. use of private contractors competing for work traditionally undertaken by military units).

Applying these principles: some example

8. Economic pressures on national defence budgets mean that radical solutions have to be considered⁸. These can be international within an alliance or national. But military co-operation between the 28 member states of NATO or the 27 member states of the EU is difficult since each member state has different national interests, different economies and different defence budgets, each subject to the influence of its national military-industrial-political complex. Nonetheless, applying the above economic principles offers efficiency improvements. Examples include:

⁷ The US defence burden as a share of GDP is higher than the NATO average; but this is a misleading indicator since US defence spending is allocated to the defence of mainland USA, defence of the Pacific region as well as Europe. In contrast, most of NATO Europe’s defence spending is for the defence of European nations.

⁸ EU nations might be subject to a major external shock if the USA decided to withdraw from NATO to focus on the Pacific region. Such a shock effect might lead to EU nations developing a more efficient defence policy.

- i) Identifying alliance public goods and the opportunities for *beneficial international collective action*. One example would be the alliance provision of an anti-ballistic missile defence system.
- ii) Creating a defence equipment *free trade area* between member states of NATO. This would require member states to abandon preferential purchasing and support for their national defence industries (e.g. Buy-American). The EU has made a commitment to establishing a Single Market for defence equipment but pressures from various national interest groups will inevitably distort the final outcomes (e.g. protectionism for EU defence industries).
- iii) Applying the principles of specialisation by comparative advantage within NATO and the EU. Proposals for *role specialisation* in NATO are not new; but these proposals are based on specialisation by international comparative advantage where comparative advantage is based on efficiency criteria (who are the least-cost suppliers of specific Armed Forces rather than some political-equity criteria for role specialisation). Possible NATO examples include the UK and France providing aircraft carriers with other European allies providing warships escorts; the UK providing amphibious forces, Germany providing tank units and Turkey supplying infantry units.
- iv) Exploring a greater use of *pooling and sharing* military resources and capabilities between member states of NATO and the EU (e.g. NATO's Smart Defence policy). Pooling and sharing costly assets, say, between two member states, might be a first step towards role specialisation. Examples of beneficial sharing might include France and the UK sharing their nuclear deterrents (e.g. two boats per nation rather than each nation owning four boats), sharing space satellites, sharing training and military bases, sharing their air tanker fleets and maritime air patrol capabilities. Sharing can be extended to other nations within NATO and the EU (e.g. some nations specialising in providing peace-support forces). Inevitably, there are two major issues with sharing and pooling proposals. First, the issue of ownership and funding (either via money or in-kind contributions). Second, the key issue of trust (e.g. in a conflict will the partners 'turn-up?'). If ownership, funding and trust continue to create barriers to efficiency improvements in defence markets, then nations will have to bear the consequences: all the adjustments to the defence economics problem will be confined to the nation state. For the UK, this raises questions about its continued world military role.

UKs World Military Role

9. The UKs world military role is costly. It requires the retention of a range of modern air, land and sea forces capable of world-wide military operations. Currently, this force includes a nuclear deterrent, aircraft carriers, nuclear-powered attack submarines, modern warships, a fleet of modern combat aircraft, air transport and air tanker fleets as well as an highly mobile army capable of rapid deployment world-wide. *The next Security Review needs a complete economic evaluation of the costs and benefits of the UKs world military role.*⁹

⁹ Hartley, K (2010). The case for defence, *Defence and Peace Economics*, 21, 5-6, 409-426.

10. The costs of this world role are comparatively easy to estimate. Comparisons can be made between the UK's defence burden and that of its major NATO allies, especially those nations without a world military role. In 2012, the UK allocated 2.5% of its GDP to defence compared with a NATO Europe figure of 1.6%, Germany's share of 1.4% and Italy's share of 1.7%. France also with a world role allocated 2.3% of its GDP to defence whereas for Sweden without a world role, the share figure was 1.2%. Using these international comparisons of burden-sharing suggests that the UK's world military role costs some 1% of its GDP (a broad 'ball-park' estimate: equivalent to some £15 billion per annum).
11. The benefits of the UK's world military role need to be identified and then valued (allowing money benefits to be compared with costs). Benefits are more difficult to assess and embrace economic and non-economic benefits. Economic benefits include access to US defence technology and the US defence market and the economic benefits of a UK defence industrial base (e.g. jobs; technology; exports and import-savings). The non-economic benefits might be valued more highly and include international status and prestige associated with a presence on the UN Security Council, a leading role in NATO and in the various economic summit meetings. Of course, these claimed benefits need to be critically assessed. What would happen if the UK did not have a world military role? The challenge for the next Strategic Security Review is to identify the *additional* benefits from the UK's world military role and to place a valuation on these benefits¹⁰.

Conclusion

12. Nations cannot avoid the defence economics problem reflected in the continued need to make difficult defence choices. Typically, these choices will be made on the basis of national interests and they will reflect the influence of national military, industrial and political pressure groups. Prospective defence cuts will encounter myths, emotion and special pleading. Examples include claims that 'force X is absolutely essential for national defence; that the loss of capability Y means that we shall no longer be able to intervene in some specific part of the world; and that we are losing our world influence.' These claims need to be subject to critical appraisal.
13. Since 1945, the UK has experienced a continued series of defence reviews leading to smaller defence burdens. Inevitably, cuts in defence spending mean a reduced military capability. The next Strategic Security Review needs to address the case for defence: what are the benefits of UK defence; how highly are they valued; and is UK defence a worthwhile investment?
14. The next Review also needs to recognise and apply the economic principle of *substitution*: there are alternative means of providing defence. Duplication of armed forces is costly. Typically, the private sector uses capital, including technology, to replace labour (machinery replacing labour). Applied to defence, the UK needs to

¹⁰ A study of the UK estimated that the total economic impact of a reduction in homicides, violent crime and public disorder in the UK in 2012 was valued at £124 billion: *UK Peace Index 2013*, Institute for Economics and Peace, New York. Such studies might be used to indicate the valuation placed on the benefits of UK defence spending.

explore the extent to which capital-intensive Armed Forces can replace labour-intensive forces. The price of introducing new equipment might be labour substitutions either within each Service or between Services. Examples include the nuclear deterrent replacing conventional forces and the capital-intensive RAF and RN replacing the labour-intensive Army. Other examples of possible substitutions include attack helicopters replacing tanks; maritime patrol aircraft replacing naval frigates in anti-submarine roles; UAVs and cruise missiles replacing manned strike aircraft; and reserves replacing regulars, including the possible use of reservists in flying roles (c.f. other nations use of reserve forces).

25 April 2013

Dr Alexandra de Hoop Scheffer, Dr Nicolai von Ondarza and Charles Grant CMG, – oral evidence (QQ 1-13)

Dr Alexandra de Hoop Scheffer, Dr Nicolai von Ondarza and Charles Grant CMG, – oral evidence (QQ 1-13)

[Transcript to be found under Charles Grant CMG](#)

Dr Alexandra de Hoop Scheffer – written evidence

I. Introduction and Summary

- I.1. Since December 2011, I have been the Director of the Paris Office of the German Marshall Fund of the United States (GMF), where I have been developing new programs in foreign policy and security, in particular a *Transatlantic Security Task Force*, which brings together a small group of around 20 high-level American and European officials, security experts and strategic thinkers and serves as a forum to stimulate and organize a much-needed transatlantic security dialogue on looming threats and explore the security priorities for transatlantic cooperation in the years to come. Prior to joining GMF, I served as Advisor for U.S. foreign policy and transatlantic relations at the Policy Planning Department of the French Ministry of Foreign and European Affairs (2009-2011). I am also an associate professor at the *Institut d'Etudes Politiques de Paris*, where I conduct research in international affairs, and a former student of the King's College London's War Studies Department. Both my academic and professional experiences have shaped my interest and specialization in defence and transatlantic issues, and this is why I am honoured to provide the Committee with my views about the future of UK foreign policy in the EU and transatlantic frameworks; and on the French-British strategic cooperation in the context of the U.S. 'pivot' to Asia and increasing strategic moderation. The request from the Joint Committee to testify is particularly timely and important as **both France and the UK are currently conducting a revision of their defence and national security strategies**. Sir Peter Ricketts' (British Ambassador to France) participation as a member of the French White Paper Commission on National Security and Defence, is among many a concrete sign of the excellent quality and high level of French-British cooperation in these areas.
- I.2. Faced with an increasingly complex and uncertain geostrategic environment and economic constraints, the **UK's foreign policy, along with its European partners' foreign policies, is undergoing a profound transformation**. The need for strategic adaptation has become even more urgent as change is rapidly occurring in Europe's neighbourhood, in particular in the MENA region, which raises important questions about the strategic future of the EU and transatlantic cooperation. There is a general consensus that the combined pressure of geopolitical change and defence budget cuts makes cooperation between European countries and with the United States more necessary than ever.
- I.3. However, **the strategic framework remains up in the air**: in which institutional arrangement does the future of security and crisis management in these key strategic areas for Europe lie? Is it in the EU; in NATO; in bilateral relations (France-UK): in a reinforced trilateral cooperation (such as United States.-UK-France, with others such as Weimar being imaginable); or in *ad hoc* coalitions of the "willing and the able", in which Germany remains conspicuously absent and where other willing European states — such as the Nordic countries and Poland — can increase their strategic relevance? To summarize, what transatlantic partners question today is whether the existing security structures are adapted to anticipate and efficiently

respond to increasingly unpredictable and multidimensional threats. If NATO is still considered as the bedrock of UK defence, facts show that in times of crises, bilateral relations are always preferred to promote both the respective national agendas and the core European and transatlantic agenda.

- I.4. Any forward-looking reflection about the future of the UK's foreign policy and influence cannot be dissociated from **two main trends: the EU's increasing strategic retrenchment and U.S. strategic moderation**. These two trends have revived long-standing tensions over security issues: while Europeans are concerned about the strategic vacuums created by a slowly retrenching U.S. in the MENA region and to a lesser extent in Central Europe, the Americans frame this trend as an opportunity for the Europeans to reinforce their military capabilities, coordinate their defence policies and "lead from the front" in their neighbourhoods. Actually, the new U.S. strategic posture, which reminds us in many aspects of the 1990s post-Somalia "reluctant sheriff" syndrome, converges with a European recurring desire to see a lower U.S. military profile, especially in the MENA region where an interventionist U.S. policy has proved to be a destabilizing rather than a stabilizing one.
- I.5. **The UK, along with France, has demonstrated on many occasions that it is willing to take the lead, or co-lead with allies, while the U.S. plays a supporting role** (Libya, Mali, Syria). As Washington "rebalances" toward the Asia-Pacific region, its interest in more equitable burden-sharing with European allies — a goal broadly shared by London and Paris — will likely grow. The strengthening of the French-British partnership would actually be a step towards satisfying American expectations. Despite this larger strategic context and projected cutbacks, the U.K. and France will retain the most capable, deployable and full-spectrum forces (including their nuclear deterrents) of the European allies. Combined, they account for around half of European military spending, and they share a sense of global responsibilities and a willingness to use military force when necessary. However, both France and the UK understand that the management of key security issues is closely tied to U.S. policies and capabilities – especially the niche capabilities that the U.S. provided in Libya, such as intelligence and aerial surveillance via American drones; air to air refuelling; and electronic warfare. Our two countries also understand that they lack the American power of attraction and leadership to build strong coalitions to support their actions.
- I.6. Finally, the UK's involvement in the EU must be understood not only in the European context, but within the broader network of alliances and institutions where the UK enjoys a central position (NATO, G8, G20, Commonwealth, UN Security Council). **The future of British foreign policy lies in a flexible network of alliances and partnerships**. The EU is not the only framework within which the UK pursues its national security interests, but that doesn't mean that the EU is not a central piece of it. The paradox of EU defence, or rather the absence of it, lies in the fact that the two countries that possess the most capacities to foster it are in reality the less willing to do so: the British are clear about it, while the French posture is much more ambiguous. Following the footsteps of their British ally, the French Minister of Foreign Affairs was quick to declare that in terms of its policy choices in Syria, France "is still an independent country".

II. The Future of the UK's Strategic Cooperation with its European Partners and the United States

II.1. Context

II.1.1. **A growing British scepticism about the EU, US and transatlantic relations.** Every year, the GMF publishes the [Transatlantic Trends](#) report, which explores how Americans and Europeans view the transatlantic relationship and a number of growing challenges facing the world. The 2012 edition shows particularly striking data about British public opinion *vis-à-vis* the EU, the U.S. and the state of transatlantic relations. Compared to previous polling, British public opinion has grown much more sceptical about the UK's key allies and their capacity to cooperate efficiently on global issues, but continue to believe that a strong EU and American leadership in world affairs is necessary:

- Only **25% of UK respondents think that the security and diplomatic partnership between the EU and the United States should be strengthened.** In comparison, 33% of the total EU respondents would like this partnership to be stronger. The French opinion (34%) also shows a greater willingness to deepen the transatlantic partnership on these issues.
- 38% of people in the UK think that Europe and the U.S. have such different values that cooperation is impossible. This is the highest rate among all the EU member states (only 22% of the French respondents share the same opinion).
- **56% of UK respondents desire a strong EU leadership in international affairs.** This remains relatively limited compared to the 76% approval in France and 86% in Germany.
- **62% of the British public believes that American leadership in the world is desirable,** the second highest of any country surveyed in the EU after the Netherlands (65%).
- The number of British respondents with an unfavourable view of the EU rose by 14 points to 49%, compared to the 2011 results. Only 40% of British respondents believed that EU membership was good for the domestic economy, with 52% saying membership was bad (whereas 73% of the German respondents and 69% of the French respondents declared that their membership to the EU had been beneficial so far). The British opinion is the most critical towards to the EU among all the EU members.

II.1.2. **An increasingly multi-tiered and flexible EU.** Looking at events and trends in a prospective fashion, it is safe to say that the EU will have neither disintegrated, nor will it have fostered “an even closer union” within the next 20 years. But in order to avoid this looming disunion, the EU is headed towards a more flexible and adaptable format of integration. The Eurozone is a perfect example of this flexible integration: it is solving its internal problems

through further integration and market reform, while at its periphery exist a number of countries with varying levels of integration. The binding factor of this two-speed integration is access to the single market framework.

II.2. **This trend is nothing new: varied patterns of participation in different policy areas have existed for years.** The EU treaties provide for enhanced cooperation in many fields, with other member states entitled to stand aside, as seen in Libya and Mali. More than a problem of EU disunion, Libya and Mali showed that the real problem lied in the lack of capacities of the European countries to actually support the French initiative and act quickly, some countries arguing – and rightly so - that they were still engaged in Afghanistan (Germany, Poland) and that this limited their capacity to deploy military assets elsewhere.

II.3. **The UK's membership and role in the EU is key to preserving its influence in the world.** This should be done by developing strategic cooperation with its European neighbours and shaping its own security priorities. As clearly stated in the *Securing Britain in an Age of Uncertainty: The Strategic Defence and Security Review*, “the UK membership of the European Union is a key part of our international engagement and means of promoting security and prosperity in the European neighbourhood”. The UK's role in EU foreign policy has always been and will remain key (counter piracy in the Horn of Africa, sanctions against Iran, securing the Balkans, etc.), especially as the multiplicity and complexity of transnational (or borderless) challenges will increasingly require common responses. Indeed, there exists a set of global issues (environment, energy, food security) that will require much greater international cooperation.

Instead of listing the top 5 European security priorities, it may appear more relevant to highlight only one security imperative: **securing the periphery**. The dialogue should therefore focus on a common understanding of what constitutes the Southern and Eastern peripheries, and of how we can collectively guarantee their stability. This would be, in that sense, the best answer to the American recurring criticism of European “security infantilization”.

II.4. **The UK's “special relationship” with the United States is closely linked to its EU membership.** U.S. President Barack Obama and senior figures in his administration have expressed their preference for a strong Britain in a strong EU. The UK's strengths will continue to lie in its ability to constitute a bridge for transatlantic partners.

III. **Responsibilities and Solidarity in a Time of Crises**

III.1. **French-UK solidarity has taken on a new significance in the aftermath of the Lancaster agreement signed in 2010:** Libya was a catalyst for the French-UK Defence treaty, which was a principal factor in the British commitment to provide direct support to the French operation in Mali. The UK would hope to have similar support from France in situations where the balance of security concerns, interests and security lay with the UK. Shrinking budgets, a less interventionist US, and European diminishing military clout in the world have prompted the two countries to work together.

- III.2. Indeed, **one of the main challenges today is to define the notions of responsibility and solidarity.** What does solidarity mean, and what are we ready to do for each other? The case of Mali, once again, offers an interesting illustration of the confusion that clouds these issues, as the French have been disappointed by the reaction of their transatlantic partners. These issues apply both to the transatlantic community as a whole and to those who compose it: thus, solidarity also needs to be rethought within the European Union, and within NATO. Should the latter be imagined as the privileged actor for carrying out hard power operations, as is the case today? What does the intervention in Libya teach us about the future of NATO? How could the most capable allies within the alliance have access to Command & Control and other operational assets? The traditional Pooling & Sharing policy may not fit the changing reality of budget cuts that has only confirmed the trend of a widening discrepancy between European and American military capabilities. The central role of NATO in transatlantic relations is not questioned, but both its use, and the fundamental terms of the alliance must be re-evaluated in depth.
- III.3. **Expectations and perceptions also need to be harmonized in a clear understanding of the idea of cooperation.** The Libyan experience of 'leading from behind' should be discussed in depth, as it is still unclear whether it will constitute a new normal or a one-case scenario. Similarly, the French intervention in Mali creates new tensions as divergences have immediately emerged regarding the role and the unity of the transatlantic community. More theoretically, we need to understand how to deal with middle-range crises, such as Libya and Mali, in the future, and more clearly define the conditions of what should trigger a collective intervention. As regionalization of security becomes more apparent – i.e. transatlantic powers tending to think less of their security beyond their own 'neighbourhood' – it is nevertheless important to reach a mutual understanding of the roles and responsibilities when it comes to multi-stakeholder military missions in certain areas. For instance, defining the role of the transatlantic community in the MENA region is vital to prevent clashes between transatlantic partners in the future.

IV. Recommendations

- IV.1. **Moving beyond institutional debates.** It has become routine to say that we have to try to fix what we already have, i.e. institutions (EU, NATO, etc.), despite how difficult and slow the reform process might be. However, discussions that begin by underlining the salience of current institutions risk underestimating the importance of discussions held outside of or beyond the conventional remit, for example the current U.S.-U.K.-France strategic dialogue, which is often described as a more fertile environment for out-of-the-box strategic thinking than NATO or the EU. The new transatlantic security discussion will likely evolve toward less formal mechanisms, which in fact may become the norm. The circle of international decision-making will be wider and potentially more multilateral. We are already seeing new systems of influence develop where countries share interests and goals which are outside the traditional international architecture. The G20 has replaced the G8 as the main forum for international economic co-operation. The G8 will continue, though it will increasingly focus on foreign policy and development. Other structures, regional organizations and informal groupings may grow in influence.

- IV.2. **Reinforce the UK-French strategic cooperation and use it as leverage for a more unified European foreign policy.** Bilateral cooperation and clusters should be used as a means to exchange best practices and therefore foster a more unified European foreign policy based on better information about the European countries' military and diplomatic capacities. This necessary assessment would allow European partners to better anticipate their response to middle-range crises, and create the conditions of an agreement over major issues of international security – terrorism, nuclear proliferation, energy security, cyber security, climate change, etc.).
- IV.3. **The UK should continue to play a central role in 21st century cooperation in Asia and the MENA.** At a time when attention is focused on both Asia and the MENA region, the future of UK influence lies in its ability to be a strong European and transatlantic partner in these two regions: the UK must accompany the US pivot to Asia by relying on its historical links with Asian and Pacific powers (India, Australia, Hong Kong); while in the MENA region, the UK has taken the lead with France in managing the consequences of the Arab revolts. The MENA and Africa as a whole might constitute the geographic cornerstone of UK-French strategic engagement, as the U.S. will depend less on the region's natural resources in the years to come and therefore reduce its footprint. Therefore, the 'pivot' to Asia implies that the UK and France think harder about how they collaborate with (or without, in certain cases) the US on military operations in other key regions where the US will be less involved. Indeed, both Mali and Libya have exposed the EU's strategic shortcomings and overreliance on American military capabilities.
- IV.4. As the two European members of NATO with nuclear weapons, **the UK and France should expand their cooperation and strengthen deterrence as a contribution to overall European security.** Both the UK and France will be making major decisions in the near future on their nuclear forces (e.g. replacement nuclear-armed submarine), and this should not lead to an increasing over-reliance on the US strategic nuclear umbrella, but rather to a deeper nuclear cooperation between the UK and France - even though it will remain limited as long as the UK and France will want to retain independent deterrent forces, and the United States is committed to maintaining its privileged nuclear links with its British ally.

April 2013

Professor Anatol Lieven, Professor Michael Cox and Xenia Dormandy – oral evidence (QQ 31-49)

Professor Anatol Lieven, Professor Michael Cox and Xenia Dormandy – oral evidence (QQ 31-49)

[Transcript to be found under Professor Michael Cox](#)

Sir David Manning, HM Ambassador to the United States 2003-07 – written evidence

How would you characterise the relationship between the UK and the US?

The exceptionally close relationship between the UK and US is based on shared history, values, contacts, and outlook. But we in the UK need to be careful not to assume that this means that our views and interests are bound to coincide. The US is not the UK on steroids. As Britons can sometimes be surprised to discover, once the shock of recognition has worn off (we all watch the movies, wear the jeans, eat the Big Macs), there are striking differences. The US political system, with its reverence for a semi-sacred Constitution providing for the separation of powers between the Executive, Legislature and Judiciary, contrasts sharply with our own. Popular attitudes to social issues, from abortion to socialised medicine, from gun ownership to the death penalty, are often very different. The UK/US relationship undoubtedly qualifies as special but it matters more to us than it does to the US. It should not serve as an alibi for the UK to downplay or discount the importance of our other relationships whether bilateral, or with our partners in the EU, or in the Commonwealth.

How much influence does the UK have on the US?

British influence in the US stems from our particularly close defence and intelligence links; the investment and commercial relationship; cultural affinities; and networks of contacts both official and unofficial. Our voice is listened to; our international engagement valued. But we should not exaggerate our influence; nor should we assume that pursuing UK interests will be easy whether in the White House, in Congress or through the labyrinths of the US federal system. In a country of powerful lobby groups, we have to be highly effective lobbyists ourselves. We also need to remember that the US has other close partners whom they consult, and whose interests may not coincide with ours. UK influence is also subject to important variables including the personal chemistry between leaders (Cameron/Obama looks less consultative than eg Thatcher/Reagan or Blair/Clinton or Blair/Bush). Differences in our respective political systems complicate the relationship eg the White House may be more receptive to UK arguments than the Congress – see the tortuous arguments over the UK/US Defence Trade Treaty. UK influence in Washington is also a function of the role we are willing to play internationally: and that, in turn, is affected by the strength of the UK economy. If we want to be heard in Washington, and be part of the US debate, we need to be economically successful, have persuasive arguments, and have something relevant and tangible to contribute.

What do both sides gain from the relationship?

Both sides gain from the bilateral trade and investment relationship: the numbers are huge. They gain, too, from the security partnership which dates from the Second World War (although the UK's contribution has diminished and continues to do so). The exceptional intelligence relationship and the close cooperation over the nuclear deterrent are valuable to both countries, but disproportionately so to the UK. There is, too, the easy bilateral intimacy built up between two countries that have been working closely together since the

Second War to promote democratic governance and open markets. We share and test ideas to a degree that is exceptional in international relations.

How is the relationship likely to evolve over the next two decades?

The evolution of the relationship will depend on a multiplicity of developments, both domestic and international. Personal contacts between UK and US leaders will need to be close if the bilateral relationship is to be sustained: leaders on both sides will need to invest time and effort. The trade and investment relationship will continue to weigh heavily in the balance. A new transatlantic Free Trade and Investment Agreement would help underpin economic relations and reinforce bilateral (and transatlantic) consultative and cooperative reflexes. The relationship will also be determined by how far the UK remains a capable partner for the US. Washington will downgrade the importance and relevance of the UK if we are unwilling to allocate significant resources to defence (at least 2% of GDP) and intelligence. The US will also assess the relationship in the context of whether we remain a Nuclear Weapon State maintaining a Continuous at Sea Deterrent (CASD) capability; whether we retain our membership of the UN Security Council; and whether we remain a member of the European Union.

What would be the impact on that relationship of:

(a) the UK's decisions on its relationship with the EU?

The US wants an EU that is a natural partner for the US in a multi-polar world, one that is a political and security partner - outward-looking, internationally engaged, and a champion of free trade. It believes that this is much more likely if the UK is a full EU member. If we opt out, or choose some sort of semi-detached status, our relevance to Washington will diminish significantly and the US will turn more to Berlin and Paris. In Washington's view, the EU and NATO have transformed Europe in the last fifty years into a safe, stable and prosperous region. Any weakening of the EU or NATO as a result of a diminished UK commitment to either organisation would be a source of concern and regret to the US who would see it as jeopardising both the fabric and future of the transatlantic relationship.

(b) The UK's response to any measures taken against Iran (whether by the US or Israel)?

Much depends on the context. If the US took military action against Iran, having exhausted efforts (with the UK and others) to find a negotiated solution to the Iranian nuclear issue (and perhaps against the backdrop of Iranian support for an Assad regime using chemical weapons in Syria), the UK would very probably be supportive. We should find it harder to back the US if action were taken before we had agreed that negotiations had failed. Reluctance, or failure, to support the US (whenever it took action) would be badly received in Washington. It would be seen as unwillingness to back the US in dealing with a rogue regime that was flouting its UN obligations under the Nuclear Non Proliferation Treaty (NPT) and putting the very survival of the NPT at risk. This would feed doubts about the UK's continued willingness to play a global role. The situation would be fundamentally different if Israel took unilateral action against Iran. The Israelis would act in the hope of forcing Washington's hand and, by doing so, would almost certainly end any prospect of a negotiated solution. An Israeli attack would risk provoking asymmetric retaliation by the Iranians. This could have a serious impact on UK interests in the Middle East and perhaps world-wide. The UK's least bad option might then be to work closely with the US (and

other allies) to craft an internationally co-ordinated response to the crisis unleashed by Israeli action.

(c) Scottish Independence?

The US will treat the referendum on Scottish independence as an internal UK affair. But privately many Americans, both inside the Administration and out, would view the break-up of the United Kingdom with concern. They would see it as weakening a key ally. As a federal nation, the US would wonder why a new settlement devolving further powers to Edinburgh was not a better solution, particularly since Scottish independence might encourage de-stabilising separatist ambitions elsewhere in the EU, eg Spain. The US would worry about the economic viability of an independent Scotland; and would also be concerned about the difficulties that would arise if Alex Salmond made good on his threat to expel the UK Trident fleet from its base in Faslane.

(d) Any change in the role or importance of NATO?

NATO has proved more cohesive and resilient in Afghanistan than some expected. But post Afghanistan, the rationale and role of the Alliance is likely to provoke considerable debate. There will be doubts about whether the European members, many of whose economies are mired in borrowing and budget crises, will be willing to allocate sufficient resources to sustain it as a credible military alliance, one with the capacity to support the US in out-of-area operations. There is a risk that the US will conclude that, with most Europeans spending less than 2% of GDP on defence and leaving it to the Americans to bear more than their fair share of the burden, the alliance is no longer worth the time, effort and money (See Secretary of Defense Bob Gates' stark warning in a speech in Brussels in June 2011; and Hilary Clinton's remarks in Brussels earlier this month – May 2013). As far as the UK is concerned, the US will be privately sceptical that a British army reduced to 84,000 men, and heavily reliant on reserves, will any longer be a credible partner across the full spectrum of military operations (although UK Special Forces will continue to be held in high regard). There will be US scepticism, too, about the future of a Royal Navy reduced to less than twenty destroyers and frigates. This may be assuaged to some extent if the two new carriers are built and deployed. (If maintaining two carriers proves beyond us, we should consider operating one of them jointly with the US and make it part of our commitment to NATO). Any decision by the UK not to proceed with Trident modernisation would also be seen in the US as evidence that the UK no longer sees itself as a global security player and is content to leave France as the only European nuclear power. Many in the US would find our security rationale hard to understand when the threat of nuclear weapons proliferation is growing (Iran, North Korea); and when the US is making the necessary Trident technology available to the UK at a very favourable price, particularly when amortised over thirty or forty years.

How important is the US shift to Asia/Pacific?

There are threats to Asia's uneasy equilibrium. These include the economic and military rise of an increasingly nationalist China; territorial disputes between China and its neighbours including Japan, South Korea and the Philippines (partners and allies of the US); and the provocative and reckless behaviour of a nuclear obsessed and maverick North Korea. The Obama Administration's response has been the 'pivot to Asia', increasing US military capability in Asia and giving the region greater political priority. This trend is likely to

continue as China seeks to increase its influence at the expense of the US; and as the US seeks to establish a relationship with China that ensures regional stability and helps transform China into a status quo power. The Obama Administration has sought to 'pivot to Asia' while simultaneously drawing down in the Middle East (Iraq and Afghanistan) but, as the crisis over Iran's nuclear ambitions, the civil war in Syria, and the repercussions of the 'Arab Spring' all demonstrate, there is no easy or early prospect of US exit from the region. Despite weariness at home with foreign entanglements, and the pressures on the defence budget as a result of sequestration, the US will in Madeleine Albright's words remain the 'indispensable superpower', essential to efforts to resolve international crises and to maintaining peace and security just about everywhere. It is greatly in the UK's interests that it should continue in this role and not retreat wearily from global involvement. 'Indispensable', but as Madeleine Albright added, 'insufficient'. The US cannot do it all alone. The more that the UK and other European partners help to take the strain and invest in their bilateral relations with the US, the more attention we can expect the US to give to the UK and Europe, despite domestic problems and the insistent demands of Asia and the Middle East.

May 2013

Dr Robin Niblett, The Royal Institute of International Affairs (Chatham House) – written evidence

Introduction

Responding to the terms of reference laid out by the Joint Committee on the National Security Strategy, this paper focuses on three strategically important challenges facing the Atlantic alliance over the next five years: the search for a new focus for NATO following the withdrawal of ISAF from Afghanistan, including Russia's reaction to NATO's return home; the implications of the rebalancing of America's foreign policy towards Asia; and the impact of the eurozone crisis.

My conclusion is that NATO will remain of fundamental strategic value to its members on both sides of the Atlantic for the foreseeable future. However, these developments will pose a number of strategic challenges for the UK, the United States and other NATO members.

- After NATO's withdrawal from Afghanistan, the idea of returning to a more singular focus on NATO's Article V guarantee to each ally's territorial defence is not likely to be sustainable. If NATO's focus returns to its core mission of security in the Euro-Atlantic area, this risks complicating relations with Russia.
- US foreign policy is undergoing an important rebalancing process to reflect the rising economic and political weight of the Asia-Pacific. This shift will diminish the day-to-day relevance of NATO to US security.
- European states do not share the range of interests and obligations that the US has in Asia, which raises questions as to whether aspects of a transatlantic security partnership towards Asia can ever come to fruition, whether through NATO or bilaterally. However, there may be opportunities to cooperate with the US in specific areas, including on cyber security and climate change.
- The euro crisis has important implications for NATO. In the short term, there will be growing pressure on diminishing European defence budgets. Attempts to specialise and share capabilities to make EU defence more cost effective will face political difficulties, exacerbated by the euro crisis.
- In the longer-term, Europe's comparative defence expenditure will decline compared to many emerging economies. The politics of a more economically robust EU and eurozone in 2030 under de facto German leadership may leave less space for a robust, proactive NATO. And a more integrated core Europe is unlikely to become more security conscious or capable.
- Under these circumstances, NATO will likely become more an important insurance policy of last resort rather than an asset that its members can use in order to enhance their day-to-day security.

Searching for NATO's purpose

NATO's purpose will come under renewed scrutiny over the course of the next five years. Once NATO forces return home from Afghanistan, the alliance will lack either a clear enemy or an active political-military mission for the first time in its history. The gap between the collapse of the Soviet Union and Warsaw Pact (the threat that brought NATO into existence) and the response to the attacks of 9/11 (which gave the impetus for NATO's twelve-year operation in Afghanistan) was bridged by interventions in the Balkans, and the push to enlarge NATO and to engage Russia within a post-Cold War security architecture for Europe. What will NATO's purpose be for the next five to ten years?

Persisting with the idea of what out-going US Ambassador to NATO Ivo Daalder called a 'global NATO', or even aspiring to delivering 'security through crisis management', as elaborated in NATO's 2010 Strategic Concept, seem unrealistic propositions, given the lack of shared US and European interests in military engagement around the world and the reality of ever-declining European defence capabilities.¹¹

For some European NATO members, the next five years offer an opportunity instead to re-focus NATO on its core mission: providing collective defence within the Euro-Atlantic space. In this regard, the re-election of President Putin in 2012 has already re-awakened fears among central European and Baltic members that Russia's military modernisation might provide muscle to a more assertive approach to its relationship with its European neighbours. From this perspective, Russian military capabilities are part of Russia's armoury of intimidation, alongside its growing financial muscle within national European politics and communications.

For its part, Russia will not appreciate the idea of NATO 'returning home' if this means a return to some of the unfinished business of the post-Cold War period, such as new negotiations over conventional forces in Europe, further NATO enlargement, and moving forward with deploying a NATO missile defence shield.

Russia has long championed the notion of creating a new European security architecture in which Russia would form an integral part. However, neither President Putin, his close advisers, nor the Russian military believe that they will ever be equal partners alongside the US and its NATO allies, or that the latter take their security concerns seriously.

At the same time, European leaders now appear to be converging in their attitudes and approaches to Russia. The nature of President Putin's 2012 election victory and his subsequent crack-down on political opponents and non-governmental groups have united the EU around a more sceptical outlook towards Russia. This outlook echoes more closely the views held in Washington, which has seen US relations with Russia enter another difficult period following President Obama's second term election victory.

This being said, no party has an interest in seeing relations deteriorate too far. President Putin's foreign policy aims to balance other world powers. While he may seek to develop

¹¹ See Ivo Daalder and James Goldgeier, 'Global NATO', *Foreign Affairs*, Vol. 87, No. 5, September / October 2006, <http://www.foreignaffairs.com/articles/61922/ivo-daalder-and-james-goldgeier/global-nato>; and NATO, *Active Engagement, Modern Defence: Strategic Concept for the Defence and Security of the Members of the North Atlantic Treaty Organization* (Brussels: NATO, 2010), http://www.nato.int/strategic-concept/pdf/Strat_Concept_web_en.pdf.

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closer relations with China as a counterweight to the US, for example, he must also be careful not to rely upon a relationship that is so economically and demographically unbalanced. In this context, keeping lines and means of communication open with the West, via NATO if needs be, makes perfect sense.

And the US is likely to continue to need to engage with Russia on a range of issues of common interest, from Syria's future to Iran's nuclear programme and coordination on counter-terrorism.

So, while NATO's return home after Afghanistan will put its relations with Russia closer to the front of the agenda, the idea of returning to a more singular focus on NATO's Article V guarantee to each ally's territorial defence is not likely to be sustainable.

Instead, conscious that it currently shoulders the lion's share of NATO defence spending, but must now start to cut those outlays, the US may push its NATO allies to emphasise the alliance's provision of collective security. Under this approach, the US would maintain an important military footprint in Europe, but with the principal view of having these forces forward-deployed for operations outside the Euro-Atlantic space and at a reduced level which requires Europeans to take up a larger share of the responsibility for policing their own neighbourhood.

This has already been the US approach to Libya and Mali. The US's core conventional and nuclear capabilities continue to ensure that NATO serves as a credible insurance policy against the re-emergence of a major external threat to European security. But Europeans are expected to take the lead in safeguarding their day-to-day security environment, including in such 'non-traditional' military domains as combatting extremists and delivering cyber and energy security, while the US 'enables' them to do this through the provision of support functions.

Those European allies that share security interests with the US beyond the Euro-Atlantic area can support the US on security missions on a coalition basis, using NATO command structures and the lessons of military interoperability learned in Afghanistan alongside an enhanced role for new NATO partners.¹² In essence, the US would 'forward-partner' with its European allies.¹³

Dealing with the US focus on Asia

A key question is whether this shift of emphasis for NATO could support the dominant foreign policy initiative of the Obama administration's first term: its 'pivot' of US diplomatic effort to the Asia-Pacific region. At the heart of this approach was the need for the US to

¹² See R. Nicholas Burns, *Anchoring the Alliance* (Washington, DC: Atlantic Council, 2012), which proposed creating a 'Pacific Peace Partnership' involving countries such as Australia, Japan, New Zealand, Singapore and South Korea
http://www.acus.org/files/publication_pdfs/403/051412_ACUS_Burns_AnchoringAlliance.pdf.

¹³ See Hans Binnendijk, 'Rethinking U.S. Security Strategy', *New York Times*, 24 March 2013, <http://www.nytimes.com/2013/03/25/opinion/global/rethinking-us-security-strategy.html>; and Frank G. Hoffman, 'Forward Partnership: A Sustainable American Strategy', *Orbis*, Vol. 57, No. 1, Winter 2013, pp. 20-40, http://ac.els-cdn.com/S0030438712000762/1-s2.0-S0030438712000762-main.pdf?_tid=40105a90-a5e5-11e2-8a4f-00000aab0f27&acdnat=1366041661_3f774fb86904e6e774bc676afe83335d.

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respond to the growing political and economic influence of China across the region, given America's own growing economic interests there and long-standing security commitments to its allies, from Japan to South Korea and Australia. What US National Security Adviser Tom Donilon has recently called the 'rebalancing'¹⁴ of US foreign policy reflects a long-term shift in the centre of gravity of geopolitics and geo-economics.

The Asia-Pacific region combines burgeoning economic growth that is reshaping the structure of the global economy with an environment riven by historical grievances, territorial disputes and inadequate security structures. America's ability to remain the world's leading power will be contingent on how successful it is in helping manage this environment, even as it continues to protect and promote its own economic interests across the region.

The US adjustment to this new geopolitical environment is ongoing. Planned military re-deployments, especially a substantial increase in the proportion of the US navy deployed to the region and adjustments to US diplomatic commitments and internal bureaucratic organisation, are still under way. Recalibrating US foreign and security policy towards managing China's rise in the Asia-Pacific region will remain a dominant feature of President Obama's second term and for at least the first term of the next President.

For the past ten years at least, US officials have sought to engage their European counterparts in a more strategic debate over security in Asia. There has been some appetite for such a debate at a bilateral level, not surprisingly from British and French officials. And EU High Representative Catherine Ashton sought to create a closer EU-US linkage with then-Secretary of State Hillary Clinton on political issues in Asia during the latter part of the first Obama term in office.¹⁵

Still, it is unlikely that bolstering security in the Asia-Pacific region will be any more of a fruitful base for transatlantic cooperation in the second Obama term than it was in the first. European nations do not have the same range of interests and commitments in the region as the US. Collective European security horizons remain limited principally to Europe's Southern and Eastern neighbourhoods. And national military capabilities and strategies, even in the UK, appear to downplay the potential for partnership with the US in the Asia-Pacific region, aside from disaster response and some contributions to joint exercises.¹⁶

Attempts by the Chinese leadership to develop a foreign policy commensurate with the country's growing regional and global weight are more likely to stimulate closer US and European cooperation in non-NATO policy areas.

¹⁴ See Thomas Donilon, 'The United States and the Asia-Pacific in 2013', 11 March 2013, <http://www.whitehouse.gov/the-press-office/2013/03/11/remarks-tom-donilon-national-security-advisory-president-united-states-a>.

¹⁵ This was highlighted in the joint statement by Catherine Ashton and then-US Secretary of State Hillary Clinton after their meeting in Phnom Penh on 12 July 2012 to exchange views on developments in the Asia-Pacific region, <http://www.state.gov/r/pa/prs/ps/2012/07/194896.htm>.

¹⁶ In a speech in Washington, DC in July 2012, UK Defence Secretary Philip Hammond noted that, 'For the UK, the defence relationship with the US will always be paramount. But in order to support your rebalancing, we will seek to work more closely with our neighbours in Europe, particularly France and Germany, to enhance the capabilities of our own region, for homeland defence and for intervention abroad.' See Philip Hammond MP, 'Address to the Center for a New American Security', 18 July 2012, <https://www.gov.uk/government/speeches/2012-07-18-address-to-the-centre-for-a-new-american-security>.

For example, if the US and the EU can complete their planned comprehensive trade agreements with Japan, this would send an important signal to China of transatlantic support for Japan at a time when the two countries remain in a stand-off over their dispute over the Senkaku/Diaoyu Islands. The trade deals might also strengthen Japan's capacity to resist economic pressure applied upon it by the Chinese side should Sino-Japanese relations deteriorate further in the future. Similarly, completion of the US-EU Transatlantic Trade and Investment Partnership in the next couple of years would strengthen considerably US and Europe's ability to promote a transparent and rules-based approach to international trade and investment.

US and European governments could also take a more coordinated transatlantic approach to resisting the growing number of cyber-attacks emanating from China that are targeting each side's economic interests.¹⁷ The UK's new 'Cyber Security Information Sharing Partnership' could serve as a template for new levels of information sharing by the US and European private sectors alongside governments on either side of the Atlantic.¹⁸

And President Obama's commitment to re-engage the United States in international negotiations to combat climate change¹⁹ (combined with the more flexible approach towards cutting carbon emissions now being sought by some EU governments in the context of restoring economic growth) could provide a further avenue where closer US and European positions might help engage China more effectively.

But, whether these parallel transatlantic steps are successful or not, they will not alter the fact that the US shift of strategic focus to Asia will diminish the day-to-day relevance of NATO to US security.

This shift will also pose an important challenge to the UK-US relationship. On the one hand, the UK should adjust its own security outlook towards Asia to reflect changes in the balance of economic power. Although it does not have the same level of security commitments to the region, the UK is trying to remain one of the world's leading trading nations through a reinforced commercial diplomacy. It cannot achieve this goal without raising its interaction in the Asia-Pacific region considerably.

As a Permanent Member of the UN Security Council and as a signatory to the Five Power Defence Arrangement, however, it is unrealistic to suppose that the UK could sit by if the

¹⁷ See, for example, Mark Mazzetti and David Sanger, 'Security Chief Says U.S. Would Retaliate Against Cyberattacks', *New York Times*, 12 March 2013, <http://www.nytimes.com/2013/03/13/us/intelligence-official-warns-congress-that-cyberattacks-pose-threat-to-us.html>.

¹⁸ See Francis Maude MP, 'Remarks on the Cyber Security Information Sharing Partnership', Chatham House, 27 March 2013, <https://www.gov.uk/government/speeches/cyber-security-information-sharing-programme>.

¹⁹ This commitment has been reiterated on numerous occasions since President Obama's re-election in November 2012. See, for example, Barack Obama, 'Inaugural Address', 21 January 2013, <http://www.whitehouse.gov/the-press-office/2013/01/21/inaugural-address-president-barack-obama>; Barack Obama, 'State of the Union Address', 12 February 2013, <http://www.whitehouse.gov/the-press-office/2013/02/12/remarks-president-state-union-address>; and John Kerry, 'Address at the University of Virginia', 20 February 2013, <http://www.state.gov/secretary/remarks/2013/02/205021.htm>.

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security situation in some part of the Asia-Pacific region were to deteriorate.²⁰ While standing ‘shoulder-to-shoulder’ with the US there may prove very difficult politically and in terms of resources, the UK should be planning today to assess in what ways it could support the US under such a scenario. Being able to pick up temporarily a few key responsibilities from the US in safe-guarding other vulnerable regions, such as the Persian Gulf, Indian Ocean or the Eastern Mediterranean, would be a valuable form of support.

The US has tried to pivot away from the Middle East during President Obama’s first term. However, a number of challenges will all serve to keep a large part of America’s political and military focus on the Middle East and, therefore, on Europe’s and the UK’s neighbourhood. These include the conflict in Syria, instability across North Africa and the Levant, the very real risk of conflict with Iran over its nuclear weapons programme, and the growing inter-linkages between groups in the Arabian Peninsula and the Sahel affiliated to al-Qaeda.

Clearly, it would be more efficient if the UK were able to offer such support to the US, whether in Asia or the Middle East via a NATO that had prepared for such contingencies. But how open will European NATO members, including the UK, be to such contingency planning?

The impact of the eurozone crisis in the near-term

Over the next five years, members of the eurozone and, indeed, the EU as a whole, are likely to experience a period of slow or flat economic growth. Eurozone countries whose loss of economic competitiveness was exposed by the 2008-2009 financial crisis have no alternative other than to undertake profound structural reforms and reduce the cost of labour before they have any hope of rekindling their growth rates. The close economic interdependence between all EU economies means that the effects of this reform programme, exacerbated by simultaneous deficit-cutting programmes, will have a depressive effect upon the more robust eurozone members and non-eurozone members alike.

There are two implications for NATO. First, the need to cut government spending will lead to further cuts in European defence spending over the coming years. Only 3 European members of NATO currently spend over 2% of GDP on defence in 2012 – the United Kingdom, Greece and Estonia.²¹ By 2018, this number could be zero. Complaints from US leaders that it is unacceptable that the US continue to account for 70% of NATO defence spending will likely fall on deaf ears.²² After all, some \$115 billion of the \$650 billion US

²⁰ The main mechanism through which the UK maintains a military commitment in Asia is through the auspices of the Five Power Defence Arrangement (FPDA). The alliance dates back to 1971, when the UK withdrew from the region following the Suez crisis. FPDA is a loose consultative arrangement between Malaysia, Singapore, Australia, New Zealand and the UK which came together for the primary purpose of protecting Malaysia and Singapore from external aggression. The FPDA provides no legal obligation to military action, but commits members to consultation. Today, the FPDA members hold joint military exercises as the agreement continues to provide justification for UK presence in Southeast-Asia. For more information, see Carlyle A. Thayer, ‘The Five Power Defence Arrangements: The Quiet Achiever’, *Security Challenges*, February 2007, <http://www.securitychallenges.org.au/ArticlePDFs/vol3no1Thayer.pdf>.

²¹ See Anders Fogh Rasmussen, ‘Secretary General’s Annual Report 2012’, 31 January 2013, http://www.nato.int/cps/en/natolive/opinions_94220.htm.

²² For an example of these complaints from the US side, see Robert Gates, ‘The Security and Defence Agenda (Future of NATO), Brussels, 10 June 2011, <http://www.defense.gov/speeches/speech.aspx?speechid=1581>.

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defence budget in 2012 reflected the operational costs of US engagement in Afghanistan and, residually, in Iraq – military operations which carry little political or public support across Europe.²³ In the eyes of many Europeans, these operations have undercut the logic that higher levels of defence spending help to deliver a safer security environment abroad or improved security at home. As the US enters a period of forced defence cuts as part of the ‘sequester’ process, discussion of military burden-sharing within the Atlantic alliance will return once again.

Recognising that defence spending is unlikely to rise in the coming years, absent a new external military threat, European defence ministries and NATO staff are proposing that European members of NATO adopt a ‘smarter’ approach to their defence investments. For the majority of NATO members with smaller defence budgets, this means pursuing options to integrate particular defence capabilities between members and to specialise in others, while letting go of those capabilities that are not central to a particular country’s defence needs.

As logical as this approach is, the politics of voluntarily giving up particular defence capabilities is difficult. European states may lose the capacity to undertake military operations individually and may find they have political differences with partners upon which they come to rely for joint operations or niche capabilities.

The reservoirs of political goodwill between EU member states that will be essential to move forward with the concept of smart defence and a coordinated approach to cuts in defence spending are being seriously depleted by the mistrust arising out of the eurozone negotiations. Is defence specialisation – the reliance by certain EU members upon the capabilities of others – credible at a time when deficit and creditor members of the eurozone feel there is a ‘devil take the hindmost’ attitude to each other’s economic security? Franco-German cooperation across multiple areas of EU decision-making appears to be weakening. Certainly, the decision by the German government to block the proposed merger between EADS and BAE SYSTEMS was a sign of a more self-interested, nationalist approach in Berlin than might have been expected five years ago.

The eurozone crisis is also one of the factors driving Prime Minister David Cameron to reconsider the UK’s relationship with the EU. While the outcome of the referendum pledge is hard to predict at this time, it is clear that the UK will not form part of the closer political union on monetary and financial that seems likely within the eurozone. The question then is whether the UK can retain influence in key areas of non-monetary European coordination, such as defence integration or Common Security and Defence Policy, when it is no longer part of the mainstream business of European integration.

It is also possible that the US will take a different approach to its EU relations, relying increasingly on relations in Berlin rather than in London in order to try to influence EU decision-making. This shift in US attention need not affect the ‘special’ aspects of the US-UK relationship, such as cooperation in intelligence, counter-terrorism, nuclear weapons programmes and military operations. However, it may affect the underlying strength of the political axis between Washington and London within NATO.

²³ For more information, see US Department of Defense, *Summary of Performance and Financial Information: Fiscal Year 2012* (Washington, DC: Department of Defense, 2013), http://comptroller.defense.gov/citizensreport/fy2012/2012_report.pdf.

The longer-term impacts of the eurozone crisis

There will also be longer-term implications for the Atlantic alliance as a result of the euro crisis. Most worrying is that the emergence of a more economically robust EU and eurozone in 2030 may leave little space for a robust, proactive NATO at the same time.

Slow economic growth across the eurozone countries will not only lead to stagnant or declining European defence budgets. Europe's process of structural economic adjustment will also accelerate the process of global economic rebalancing which has accelerated dramatically in recent years. Relative levels of defence spending between Europe and other parts of the world are already changing markedly. Saudi Arabia already spends more on its defence than Germany.²⁴ Russian defence spending once again exceeds that of France and Germany, while Chinese defence spending is second only to the US.²⁵

The challenges that these changes in defence capability mean to security not only in Europe, but more profoundly in the Middle East and Asia, will shift the US focus firmly towards those parts of the world where rising defence spending reflects underlying tensions which might lead to conflict and, from there, to economic dislocation. It will also accelerate the process whereby the US seeks out new regional partners or allies in these parts of the world (Indonesia, the Philippines) at the same time as investing more deeply into relationships with existing allies such as Saudi Arabia, Japan, Australia and South Korea.

In contrast, if an EU banking union is established, this will cement German leadership in Europe. But politico-economic leadership of this kind is highly unlikely to be accompanied by a rise in Germany's military capabilities or a change in its defence mind-set or geopolitical ambitions. It is hard to see Europe as a whole becoming more outwardly-focused and security conscious under this scenario. In place of formal consultation and action via NATO, the US may have to rely more on bilateral European security relationships and coalitions of the willing, such as in Libya, for proactive responses to security threats within and beyond the Euro-Atlantic area.

A big unknown will be how Turkey manages these developments. Even in fifteen or twenty years, Turkey is now unlikely to be a member of the EU. However, it is likely to be the second largest defence spender and have the second largest armed forces in NATO, after the US. With prospects of EU membership diminishing, and with the UK potentially sitting on the edge of Europe, it is possible that Turkey and the UK will develop a closer strategic relationship. At the very least, the US will ensure that it retains close security relationships with both and, in so doing, may contribute to bringing Turkey and the UK closer together. Another matter to consider in the longer-term is how the painful process of economic adjustment across Europe contributes to the continuing erosion of support for mainstream European political parties and how this might affect NATO. Membership of the Atlantic alliance has been a central point of reference for some of Europe's leading political parties, including the Conservatives in the UK, the CDU and SPD in Germany, Dutch Christian

²⁴ Saudi Arabia spent \$48.5 billion in 2011, while Germany spent c. \$44-46 billion. See IISS, *The Military Balance* (London: Routledge, 2013), <http://www.iiss.org/en/publications/military%20balance/issues/the-military-balance-2013-2003>; and SIPRI, *SIPRI Yearbook 2012: Armaments, Disarmament and International Security* (Oxford: Oxford University Press, 2012), <http://www.sipri.org/yearbook>.

²⁵ Russia spent c. \$60 billion in 2012, while Germany and France spent \$40.4 billion and \$48.1 billion respectively. China spent \$102.4 billion in 2012, roughly twice the spending of the UK, the third highest spender. See IISS, *Military Balance*, 2013.

Dr Robin Niblett, The Royal Institute of International Affairs (Chatham House) – written evidence

Democrats, and the centre right in Italy. Established political narratives were framed not only around traditional political ideologies of right and left, conservatism and social solidarity, but also around notions of being part of a West that was protected by NATO and the Atlantic Alliance against outside threats.

The rise of populist alternatives, with more local agendas, and the emergence of a more ‘liquid’ form of democracy²⁶ as a result of ubiquitous social media and greater online political activism are likely to undermine notions of membership of a formal alliance. This is also driven by the absence of the external threat which led to NATO’s formation, and the fact that new, global threats, whether from Asia or the Middle East, are of little immediate relevance to these parties’ political agendas.

In the EU’s case, it is unlikely that current forms of political leadership and oversight will persist without substantial further reform in the next decade or two. If the EU survives it will have done so by creating new interconnections between national parliaments and an increasingly powerful European Parliament whose membership is among the most combative to US leadership, whether in the realms of individual privacy, approval of scientific standards or human rights.

Conclusion

In a changing strategic environment, NATO faces important choices regarding its role and contributions to Euro-Atlantic security and defence. Ideas about a ‘global NATO’ now seem unrealistic. NATO’s focus after withdrawing from Afghanistan will face pressure to shift back towards its core mission of security in the Atlantic area, with the potential to complicate relations with Russia. At the same time, the United States will continue to push European states to bear a greater burden of defence expenditure and take the lead on operations in Europe’s neighbourhood. But this pressure is unlikely to prevail over the imperative to reduce government spending in the wake of the euro crisis.

In addition, US foreign policy is undergoing an important rebalancing process to reflect the rising economic and political weight of the Asia-Pacific region. This shift will diminish the day-to-day relevance of NATO to US security and defence. European states do not share the range of interests and obligations that the United States does across this region.

In the longer-term, Europe’s comparative defence expenditure will decline compared to many emerging economies. And a more economically robust EU and eurozone in 2030 may leave little space for a robust, proactive NATO or a more security conscious or capable EU.

Overall, if European NATO members are unable to make better or smarter use of their limited defence resources and take up more of the slack from a US which is increasingly a ‘primus inter pares’ in a multipolar world, then NATO will become more an insurance policy of last resort rather than an asset that its members can use in order to enhance their day-to-day security.

9 May 2013

²⁶ The ‘Mission Statement’ of the Pirate Party in Germany, which incorporates the concepts of ‘liquid democracy’ and ‘liquid feedback’. See ‘Liquid Feedback: Interactive Democracy’, <http://liquidfeedback.org/mission/#1>.

Dr Robin Niblett, Professor Mike Clarke and Sir Stewart Eldon – oral evidence (QQ 14-30)

Dr Robin Niblett, Professor Mike Clarke and Sir Stewart Eldon – oral evidence (QQ 14-30)

[Transcript to be found under Professor Mike Clarke](#)

Dr Nicolai von Ondarza, Charles Grant CMG and Dr Alexandra de Hoop Scheffer – oral evidence (QQ I-13)

Dr Nicolai von Ondarza, Charles Grant CMG and Dr Alexandra de Hoop Scheffer – oral evidence (QQ I-13)

[Transcript to be found under Charles Grant CMG](#)

The Polish Institute of International Affairs – written evidence

Joint submission from Lukasz Kulesa, Head of the Non-Proliferation and Arms Control Project, Roderick Parkes, Coordinator of the European Union Programme, and Marcin Terlikowski, Acting Coordinator of the International Security Programme, The Polish Institute of International Affairs

The Polish Institute of International Affairs (PISM) is a leading Central European independent think-tank that conducts original, policy-focused research. PISM provides advice to all branches of government and contributes to wider debates on international relations in Europe and beyond. Situated in between the world of policy and independent expertise on international affairs, PISM promotes the flow of ideas that inform and enhance the foreign policy of Poland.

Q1: What might the EU look like in 20 years' time and what questions does this raise for the UK?

- 1.1 Developments in the European Union will likely be defined by broader global trends. If the current situation is anything to go by, these will see western-style globalisation give way to global multi-polarity: economic and political power will disperse both between states and within them, and post-war international rules and institutions will be strained as they seek to accommodate new players, just at a time when new problems are emerging that require strong cross-border cooperation.
- 1.2 An advanced regional body and pole, one adept at producing new cross-border solutions, the EU seems a body well placed to deal with these changes. But it also one suffering from overstretch. The EU is, at heart, still the organisation that was forged in order to deal with a bipolar continent and to re-establish relations between mistrustful West European states in the face of a Soviet threat (hence 'internal' integration such as the single market). It has already had to strain to deal with the regional effects of the end of the Cold War (enlargement and neighbourhood policy) and then with western-led globalisation (global governance, trade and development).
- 1.3 As global unipolarity gives way to multipolarity, it must adapt again. Not only must the EU stretch to deal with new regions, it must quickly update its previous policies. At each level of its activities – the internal, the regional, the global, it finds itself embedded in a changed environment. Its internal rules are being picked apart by global competition. The neighbourhood in which it has bound itself is now the subject of interference from other large players. And its members are heavily represented in a system of global governance whose scope is fast shrinking.
- 1.4 As the EU is asked to act more decisively, more politically, and ever further afield, the agenda to emerge towards 2030 might therefore see a threefold approach. First, an attempt to deepen those pockets of EU integration that impinge most directly upon the outside world and which would re-establish the bloc as a pole of attraction, reduce its dependence on other powers and boost its international standard-setting capacity. Deepening and opening the internal market, the free

movement regime for workers and the energy market are obvious examples where the best locus for achieving international goals would be the internal EU level.

- 1.5 Second, the establishment of the EU's broader neighbourhood (Sahel, Horn of Africa, Arctic etc) as the base for its global role. This will see the formation of partnerships that combine the regional with the global, presumably with the US, which is demanding that the EU take comprehensive security responsibility in the neighbourhood in return for greater partnership on global matters, but also with Turkey, China and Russia which are heavily involved in the Western Balkans and the southern and eastern neighbourhoods, but are also key to the development of the broader international system. Trade, development support and conflict mediation will be the basis for the EU's role outside the neighbourhood.
- 1.6 Third, efforts to link global and regional governance. The prospects for global governance are today not good, but for a rule-based regional organisation like the EU, they are the only real means of ensuring survival. The breakdown of governance has been associated with the "regionalisation of multilateralism" - the growth of regional trade agreements and situations of unwanted local hegemony. One obvious channel of EU activity therefore lies in the "multilateralisation of regionalism" - encouraging rule-based region-building and the representation of regional organisations in the existing international bodies.
- 1.7 It will be exceedingly difficult for member state governments to invest in the EU as a means of overcoming these international challenges. Voters will certainly feel the negative effects of the international environment, but the complexity of the problems involved, not to mention of the EU itself, will make it very difficult to mobilise them. And, although the EU is a means of taking the edge off international competition, even when it functions properly it demands difficult sacrifices. Whilst on paper, therefore, the EU seems well suited to dealing with the new international environment, it may well emerge as a liability, magnifying global problems at home instead of solving them.
- 1.8 For the UK, this is something of a lose-lose situation. It is not willing or able to commit to the European Union as the main channel for its international affairs, preferring instead a freer hand and a reinvigoration of historical links to non-European powers. Yet, the UK presumably needs the EU to deepen its own internal cooperation so that the bloc can become more of a political player in its neighbourhood and beyond. This leaves the UK tied to a potential deadweight, unable to steer the EU's activities, or lend it its resources, but equally unable to extricate itself from the effects of the EU's actions and inaction.

Q 2: How might the EU's security policy (CSDP) develop in the future and what is the importance of UK for the CSDP?

- 2.1 The development of the EU's Common Security and Defence Policy (CSDP) is currently constrained by a number of factors. The fiscal and economic crisis prevents EU governments from investing in new common military capabilities, makes them reluctant to deploy significant forces in operations and leaves little appetite for discussing non-economic issues. Together with a lack of consensus on

what role the EU should actually play on the global arena, those drivers are pushing CSDP into a deep crisis. Its signs are clear. While in 2008 the Union established two large operations, a civilian EULEX Kosovo mission and a military EUFOR Chad/RCA operation, over the last three years it has launched only a handful of relatively small, technical assistance missions in Africa (in Sahel and the Horn of Africa).

- 2.2 The EU Battle Groups, designed as the flagship tool of CSDP – multinational military units capable to perform the most difficult tasks (“entry force” concept), is deteriorating. From 2012, there have been arrangements mostly for just one group on a 6-month stand-by instead of two, as originally envisaged. The EU member states are unwilling to revise European Security Strategy of 2003, even if there is a widespread belief that it is a dead document. Lastly, bilateral and regional vehicles for security and defence cooperation rise across the EU (e.g., French-UK partnership, the NORDEFCO), leaving no doubt as to their members’ indifference towards the future of CSDP. Paradoxically, a moderate success of EU’s “pooling and sharing” initiative, within which states seek common development/maintenance/operation of military capabilities, is a further proof of vision-less approach of EU members towards the CSDP. Hit by crisis, states try to use common projects as an excuse of further cuts in their armed forces and seek access to scarce capabilities on the expense of their partners. This approach leaves little room for genuine, pro-integration military policies.
- 2.3 It is very likely that defence budget austerity will remain a permanent feature in Europe for some years, and there will be no new common threat, which could reunite the EU members (like the rise of international terrorism a decade ago). Consequently, there is a strong possibility for an atrophy of CSDP. The EU will be organizing mostly smaller operations, with civilian rather than military personnel involved and a technical-assistance character. This way the EU may become a second-tier stabilizing force, performing supplementary tasks in support of the main stabilization efforts, undertaken by coalitions of willing (the case of Libya in 2011) or single states (the case of Mali in 2013). As such, the Union will depart far from its original aim of becoming a global actor capable to engage in a variety of crisis management scenarios.
- 2.4 This direction of CSDP development is widely seen as falling into the British vision of optimal European security architecture. With NATO at the forefront and ad-hoc coalitions, mounted with help of partners interested in solving a given crisis, Britain seem to achieve two goals at once. First, it aims to secure a sustained U.S. commitment to European security through a viable transatlantic link. Second, it seeks flexibility in its relations with European partners and the EU itself: the UK is arguably interested in using the CSDP with regards to some crises, while leaving other contingencies to be addressed by coalitions of willing (preferably) or NATO. This way the CSDP could be reduced to a “toolbox” of mostly civilian and technical assets, while the real warfighting capabilities will be developed by European nations – and used outside of the EU political, normative or procedural framework.

Q 3: How important is the EU membership to the UK’s national security?

- 3.1 Taken the current and likely future shape of the European Union, it cannot be considered as a crucial asset for the UK's security in the political-military dimension. EU's ability to agree and implement actions in the area of international security is limited both by scarce resources and by the unanimity-based character of its policy-making. It is unlikely that it would transform into an organization providing security guarantees backed by joint military planning and multinational command structures akin of NATO. National capabilities (in UK's case including also in the foreseeable future the nuclear deterrent), resilient NATO, and bilateral cooperation with the United States and other partners would provide more tangible protection of core security interests than the membership in the EU. In that respect, the UK's conceptualization of the hierarchy of security is mirrored by the Central European perceptions, especially the Polish and Romanian perspectives.
- 3.2 At the same time, if wider approach to security is utilized, the EU membership would continue to bring substantial benefits for its member states, the UK included. It would provide them with a useful framework to tackle the multi-dimensional, mostly non-military security challenges, from energy security, through migration control, border management, home and justice affairs, to the fight against international crime and terrorism. The efficiency of cooperation and its impact on national security will be enhanced if the networking potential of the European Union will be used in full to counter common challenges. Importantly from the UK's perspective, NATO is not likely to gain additional competences in these areas, while their importance for national security of the European states would most probably grow in time.
- 3.3 In the field of international military crises management, the United Kingdom should view the ability of the EU to conduct even the modest stabilization operations as a useful asset in pursuing its security policy. As a major EU member interested in the stability of international environment, the UK is and will be in a position to stimulate EU's involvement in the areas where its interests may be endangered. The involvement of the European Union also provides additional legitimacy to the operations initiated or conducted as unilateral or in the "coalition of the willing" format. So far, it can be judged that the U.K. has shown limited willingness to steer the CSDP's operational engagement, as compared to France, Germany, or Poland. If continued into the future, this policy of neglect will diminish the UK's importance for its EU partners and vice versa - the value of the EU for the UK's decision-makers. Such an outcome, in which the UK will be unable to make use of the EU's potential, is not predetermined, but may be a logical consequence of lack of attention and engagement in the development of the CSDP.

Q 4: What impact does UK's relationship with the EU have on other aspects of the NSS (e.g. on the relationship with the US and with NATO)?

- 4.1 The relative importance of the EU membership for the UK will depend to a large extent on the further development of the EU "international standing": its image in the eyes of other international players. If the EU is to be perceived as an economically ill, militarily insignificant and politically divided entity, it may play into the United Kingdom's advantage to distance itself from Brussels. In that case, the

UK can use its lack of involvement in the development of the EU's security policy as an asset, as it will allow it more freedom of manoeuvre in pursuing actions with other actors (such as the U.S.) or in other settings, such as NATO.

- 4.2 Yet, if choosing such an approach prematurely, the UK risks undermining the political cohesion not only of the European Union, but also of NATO and the relationship with the United States. A strategically divided Europe, unable to formulate and apply a common vision for its joint role on the global security arena, will be far less attractive for the U.S. Washington would probably prefer to avoid creating an impression that it is undermining the European project, even if it is *de facto* ready to cooperate closer with its more trusted partners, such as the UK, on a range of security issues.
- 4.3 Also, the UK may also find that strained relationship with the EU may weaken its weight in NATO. The security sphere would not be immune from the wider consequences of tensions over the future of UK's engagement in the EU. Other European partners may be more reluctant to support UK's initiatives at NATO if they would consider the UK as uncooperative or disengaged in the EU context. Additionally, if the EU overcomes its current crisis and establishes itself regionally and globally as a pole of attraction and influence in the neighbourhood, as outlined in Part I of this paper, its role in shaping the Euro-Atlantic and Euro-Asian security sphere would be more important than NATO's.

8 April 2013

Stiftung Wissenschaft und Politik (German Institute for International and Security Affairs) – written evidence

Joint submission from Professor Dr. Volker Perthes, Chairman and Director, Stiftung Wissenschaft und Politik (SWP), Dr. Nicolai von Ondarza, SWP Research Division EU Integration, and Dr. Tim Oliver, TAPIR Fellow, SWP Research Division International Security, German Institute for International and Security Affairs

Introduction

1. In Germany, the UK's 2010 National Security Strategy and Strategic Defence and Security Review has been seen as a welcome addition to the wider security debates throughout Europe and NATO. The definition of national security used was wide ranging covering everything from traditional military threats through to environmental risks. This continued the approach of earlier UK strategies of providing an ambitious and comprehensive overview of risks and threats facing the UK. In turn this allowed for a strategy focused on efforts beyond traditional security providers such as the Ministry of Defence.

2. The 2010 strategy and review, however, were not without their problems. In addition to the large number of concerns that the process was driven by budgetary concerns and a flawed risk assessment process, further questions have been raised as to whether the strategy neglects the importance of the EU to UK security. Indeed, the EU's importance is not immediately obvious from reading the national security strategy or SDSR. Yet one quickly realises its importance if one looks beyond traditional ideas of security such as military power: The EU is central to the UK's economic security, diplomatic power and cultural/soft power. Indeed, taken together the UK's relationship with the EU is its most important international relationship because it spans a comprehensive range of domestic and international matters and is pursued through a mix of bilateral and multilateral relationships. Yet the nature, importance and future of this relationship were not raised in the strategy. In comparison the importance of the relationship with the USA was more readily acknowledged. However, discussion of the nature and future of this relationship was also absent. Instead, the nature and future of both relationships appears to be taken as settled. Yet in 2010 the nature of these relations was changing fast and this remains the case today. The UK's national security strategy therefore fails to discuss the future of these relationships, their value to the UK and what ends Britain is pursuing in terms of the nature of the relationships. A new national security strategy and strategic defence and security review due in 2015 will only be taken seriously in the EU and around the world if it discusses the value of the EU for the security and the international status of the UK, and also discusses the UK's contribution to the further development of the EU and EU foreign and security policy.

3. The strategy's rejection of any shrinkage in UK influence and to the maintenance of an ability to respond to an extremely wide range of security challenges is admirable. However, from the perspective of Germany this clashes with the appearance of a UK increasingly willing to isolate itself from the EU. This presents a number of problems for both the UK and the EU, especially at a time when the EU is in a state of flux and when its

members need to think more geo-strategically about their security. The UK-EU relationship could turn stagnant, a development that would be to the detriment of the security of the UK, the EU and the transatlantic alliance.

The value and importance of the EU for the UK's security

4. In Germany, the EU is viewed as one of two major pillars for its national security, with NATO and the transatlantic alliance forming the second pillar. Although the EU does not provide for territorial defence, and its military crisis management operations have been small in size in comparison to NATO, it provides a very important framework even for large member states like Germany by addressing a wide range of foreign and security policy issues.

5. The EU provides a forum for joint action by its member states both in the diplomatic arena within the Common Foreign and Security Policy (CFSP) and with civilian or military operations in its Common Security and Defence Policy (CSDP). On the diplomatic side, recent examples include the EU-3+3 talks with Iran, led by the EU High Representative on behalf of the international community. In a similar manner, the EU is currently leading the negotiations between Serbia and Kosovo with the full backing of its 27 member states as well as in close cooperation with the US and the United Nations, thereby playing a crucial role in stabilizing the Western Balkans. A particularly important diplomatic tool for the EU have also been the use of economic sanctions, e.g. in the cases of Libya, Syria or Belarus. As a large member state with a permanent seat in the UN Security Council, the UK plays a particularly influential role in determining the EU's position in such joint diplomatic actions.

6. On the operative side, CSDP provides the EU and member states a framework for planning and conducting civilian, civil-military and military operations. Since 2003, the EU and its member states have launched over 25 operations focusing on the Western Balkans, Sub-Saharan Africa and the fight against piracy on the coast of Somalia. Although theoretically the EU aims to be able to field high intensity operations with up to 60.000 troops, in practice the majority of CSDP operations have been civilian in nature and often of an only symbolic size. From a German perspective, the most notable success has been the counter-piracy operation Atlanta, which contributed significantly in safeguarding trade and transport of humanitarian aid. In addition, both CFSP/CSDP provide member states with ample flexibility and control by safeguarding national vetoes and leaving the decision to participate in EU operations fully in the sovereign hands of the member states. The latter is particularly important not only for the UK but also for Germany as it ensures the viability of the Bundestag's control over the deployment of German armed forces.

7. The EU provides the UK and other member states with a permanent coordination forum on all questions of international affairs and security. The regular consultations both in Brussels, where the Political and Security Committee meets at least twice a week, as well as within international organisations such as the UN allows EU member states to consult in a secure and timely environment. This coordination by no means guarantees a joint position in questions of high politics such as the recognition of Palestine in the UN General Assembly. Nevertheless it has so far provided the member states at the least with a clear picture of their respective positions and the means to act together if a compromise can be found.

8. The role played by the EU in UK security - as a forum, a means of cooperation or in operations - can be seen in each of the three tiers of grouped risks identified by the 2010 national security strategy. For example, the EU plays a key role in tackling organised crime (tier two), illegal immigrants and illicit goods crossing UK borders (tier three), disruption to the supply of energy, food and resources (tier three). With regard to tier 1, the highest priority risks, the EU's role can be identified as follows:

- 8.1. International terrorism: The importance of the EU to the UK and other EU member states intelligence and security communities is often underappreciated. Clearly the intelligence sharing relationship with the USA, Australia, Canada and New Zealand remains central for the UK. In comparison relations between the UK, France and Germany are still somewhat limited by issues of trust. Nevertheless, the EU has enabled the development of wider bilateral and multilateral relationships between the UK and its closest neighbouring states. This cooperation allows the UK to draw on expertise connected to a wide range of states and threats throughout the world, for example French experience in West Africa and Syria. The UK's experiences are also central to enhancing wider EU efforts to counter terrorist and criminal activities. The EU has been an important factor in facilitating the political relationships necessary to build links between various intelligence communities in the EU, limiting the potential for division.
- 8.2. Hostile attacks on UK cyber space: The EU has played a leading role in coordinating European efforts in this area with efforts now underway to develop an EU cyber security strategy. A wider mix of efforts across Europe within the Council of Europe, NATO, through bilateral relations and through links to the USA show this area to be one where national security efforts alone are clearly insufficient requiring instead a pooling of resources, ideas and strategies. Such efforts are vital given how even with pooled efforts the EU and USA together can find it difficult to shape international cyber-security policy.
- 8.3. A major accident or natural hazard requiring a national response such as severe coastal flooding or an influenza pandemic: On matters of civil emergencies within the UK the EU itself plays a limited role. However, if assistance was required it would be to neighbouring NATO and EU states the UK would turn. Any European level response beyond an immediate military one organised by NATO would inevitably involve the EU providing the means by which the UK could coordinate any non-military response to the economic and social consequences of such an event. The EU also plays a central role in the UK's efforts to limit the effects of global warming which could make such natural hazards as coastal flooding a more frequent occurrence. There has also been discussion of efforts at an EU level to stockpile the necessary drugs – or provide the necessary production facilities across the EU – for dealing with pandemics.
- 8.4. An international military crisis between states, drawing in the UK and its allies as well as other states and non-state actors: While the UK currently faces no direct traditional military threat the national security strategy and SDSR commit the UK to intervening militarily where its interests or values require it to do so, for example on humanitarian grounds or to ensure regional stability. Through the relationship with the USA and to a lesser extent the UN the UK could find itself involved in military crises throughout the world. Of more direct concern to the UK will be

developments in Europe's near abroad such as North Africa or the Middle East. In these areas the work of the EU in its neighbourhood policies and in wider aid, development, stabilisation and political relationships is key, especially in dealing with non-traditional security problems such as crime or displaced persons.

9. The UK's National Security Strategy highlights the emergence of an increasingly multipolar world. In doing so the UK is not the only EU state to identify this development as a security challenge or struggle to deal with the implications. Germany itself is pursuing deeper economic links with states such as China and Brazil, links often far larger than those of the UK. The relative decline of Europe and increasing appeal of these markets is therefore noted by all EU member states and increasingly by the institutions of the EU. As noted above the EU provides a means by which EU states can coordinate their response. Indeed, the idea the EU can provide a collective European voice more powerful than the voice of individual members is nothing new. During the Cold War efforts at political cooperation between EU states were sometimes aimed at asserting Western Europe's interests vis-à-vis the then superpowers of the USA and USSR. Despite this the emergence of a multipolar world is placing mounting pressure on the EU's ability to provide such an effective forum. Competition between EU member states for economic relations with emerging powers can be a healthy way of ensuring Europe remains competitive. However, it also holds the potential for conflicts of interest between EU member states to clash and for other powers to exploit internal EU divisions. There is also the possibility of relations and in particular defence sales, presenting difficulties in relations with the USA, especially in Asia.

10. Mounting pressures from a changing global balance of power have led to calls for a renewed European Security Strategy. The EU has not produced a strategic vision since the 2003 European Security Strategy, a document which owed a great deal to UK input. At the time it showed the EU was able to discuss such issues despite the then political tensions surrounding the Iraq War. In setting out shared goals in international affairs it provided a framework for wider efforts in CFSP. The document has now outlived its time and is in need of revision. Such a document would bring together changes within the EU such as the Euro crisis and connect them with the geopolitical challenges faced. In addition to questions about emerging powers it would also have to address the USA's pivot to Asia and the need for Europe – UK included – to take more responsibility for its own security. The UK should be in the lead on such efforts to redraft this document.

11. While the EU might lack an up to date overall security strategy it does have a number of strategies on individual policy areas which the UK has been keen to push forward. A good example here is the EU's Energy Strategy which has pushed forward the internal market on energy, promoted research into and use of new technologies, enhanced solidarity and improved coordination in the EU's external energy relations with states such as Russia. The importance to the UK of cooperating with the EU on energy policy might become more apparent in future if the US achieves independence in energy supplies allowing it to take less of an interest in the security of regions such as the Middle East or Central Asia which are still important for the EU's energy supplies.

12. A UK withdrawal would impact negatively on the EU's power and security by placing outside the EU one of its largest member states, one of its two leading military powers and a state with a strong geo-political sense of international security. A UK withdrawal could reinforce existing opinions around the world of Europe as divided, weak and in decline. The loss of such an outward looking state as the UK might encourage a more inward looking EU.

The EU and UK would still need to find ways of cooperating given that a British withdrawal would not end the wide range of shared security concerns such as over Iran's nuclear programme or environmental security. The UK would, however, find itself outside the formal EU frameworks facilitating cooperation on such matters. The security of both the UK and the EU would therefore suffer from a UK withdrawal.

UK-EU relations and cooperation with NATO and the transatlantic alliance

13. With European defence spending in free-fall there exists the possibility of the emergence of a Europe without a viable defence. The conflict in Libya highlighted not only political differences within the EU but also how limited Europe's defence capabilities are along with a continuing and potentially growing military dependence on the USA. The EU is central to efforts to strengthen European defence and thus NATO. The 2010 national security strategy makes clear UK support for EU military and civilian action in defence but clearly stresses the primacy here of NATO. In this regard the UK is not alone in seeing the EU as secondary to NATO. However, the EU is central to efforts to shore up the economic foundations of European defence. The maintenance of a viable European defence industrial base is tied to wider European investments in research and industrial innovation. The European Defence Agency remains an often underappreciated and underused forum for achieving this. The failure of the EADS-BAE deal highlights how it is not just strong national and political sensitivities in the UK that limits defence cooperation. Overcoming or better managing such sensitivities will be essential if the EU, Europe and NATO are to have a sustainable defence in future.

14. NATO struggles to provide a forum for discussion on the economic security of Europe or wider transatlantic relations beyond defence. While it has provided a forum for some discussions it has failed to provide an adequate forum for a US-EU strategic dialogue. Within Europe there is a growing network of defence agreements and forums. While these are facilitating discussion and in some areas progress in European security and defence cooperation the growing complexity of these arrangements creates the risk of having numerous overlapping forums.

15. Regarding the UK's membership in the EU, it is clear that the UK is a much more valuable ally to the United States but also to Germany if it retains its influential position within the EU. It is often overlooked that in its relations with the USA the UK has sought to ensure the USA remains committed to European security. The EU and USA would be losing their interlocker, albeit not one that couldn't be replaced: The UK tends to overlook how other EU states hold close relations with the USA, too. Furthermore, a large part of the transatlantic agenda today and in the foreseeable future touches on questions that can at best be only partially addressed within NATO such as cyber-crime, international terrorism, trade or the relations with emerging powers. In all of these areas, the EU is an important bilateral partner for the United States, thereby making a UK able to influence the EU a valuable ally to the USA.

16. The 2010 national security strategy and strategic defence and security review placed a great deal of emphasis on military power as the ways and means of securing British ends. This also reflects in large part the importance in UK security of the military relationship with the USA. Even though the strategy identified risks and threats requiring the use of economic, diplomatic and soft-power in addition to military power, the British government insisted not to reduce Britain's military punch because this would have lessened the leverage

the UK holds in the USA. This focus meant the EU's role was played down and that of the US appeared more central despite the security strategy identifying a range of risks and threats the EU would appear to be a more suitable actor to work through in tackling.

17. Finally, the implications of the US pivot to Asia are something the UK and many other EU member states have only begun to think through. Unlike the USA, European states do not see an existential threat from Asia. The challenge from a rising China is felt, but it is not seen as a direct threat to Europe's security or power. A common concern throughout the EU, however, is over the implications of a decline in US interest in Europe's security. While this can be overplayed, both the EU and the European arm of NATO are yet to fully come to terms with the need to focus more on the defence of Europe.

Implications of the EU's development for UK security

18. The ongoing financial and debt crisis has opened new debates about the further development of the EU. After years of expanding to a Union of soon to be 28 member states with a common market and joint policy in areas such as energy policy, economic regulation or justice and home affairs, the debt crisis in the Eurozone has the potential to be a marked turning point. Four developments are already apparent as are the implications of each for the UK.

19. First, the persistent and successive outbreak of the debt crisis in a large part of its member states and the inability of the EU to effectively contain the crises have already led to significant reductions in public trust and support for the European project. In order to be sustainable across all its member states, the EU will have to both win back trust of its citizens and strengthen its democratic legitimacy. Secondly, during the debt crisis differentiation in the EU has been expanded enormously through such projects as the Fiscal Compact, the Euro-Plus-Pact, the financial transaction tax or the up-coming single supervisory mechanism for banks. In all of these areas, the UK has chosen to remain outside. Thirdly, the internal crisis of the EU has capped the appetite for further enlargement of the Union in the foreseeable future. Besides Croatia (to join in 2013) and Iceland, even the current accession candidates in the Western Balkans and Turkey will most likely not be admitted to the EU in the next decade. This dampens the soft power of the EU in its own neighbourhood. Last but not least, the necessary focus on economic and political reform within the Eurozone has already turned the political attention of the EU institutions and most of its member states to internal, European issues. With further reform steps on the agenda, including the difficult question on the future of the UK in the EU, this focus on internal issues to the detriment on playing an active global role is set to continue.

20. On-going structural problems in the Eurozone show no signs of ending. Although tools like the European Stability Mechanism (ESM), the actions of the European Central Bank and not least the reform programmes in many EU member states have stabilised the situation, further reforms both for Eurozone governance and within individual countries will be necessary. This will also impact on the foreign, security and defence policy of the EU. In this regard, three scenarios are on the horizon:

20.1. Muddling Through: The EU and the Eurozone could continue on the current path of 'muddling through' which would satisfy or relieve the immediate pressure on national finances but fail in strengthening the economic and political fundamentals of the Eurozone. In this case Europe as a whole – including the UK – would lack the ability

or will to pursue anything but quite limited security aims. Europe would suffer a severe relative economic and political decline on the global stage. Further large cuts in defence spending would be inevitable.

- 20.2. Integration Eurozone-Only: As pressure on the Eurozone gains in strength, its member states could also agree on a significant step in economic integration that would also have major political and in turn security implications. After the model of the Fiscal Compact and Banking supervisory mechanism, it can be expected that such an integration would be open to countries committed to join the Eurozone such as Poland (planning to join between 2017-2020), Latvia and Lithuania (2014 resp. 2015) or even Denmark and Sweden. This would put the UK into a third tier of the EU at least in economic integration and with the potential to limit its influence over all other EU policy areas. If such an integrated approach succeeded in stabilising the EU economically then further steps towards integrating foreign, security and defence cooperation would move up the agenda. The UK would gain from the economic stability of the EU but potentially lose through exclusion from the core decision making arenas that emerged as a result and which will likely shape the development of the EU including on security matters.
- 20.3. Partial or full break-up of the EU and/or the Euro: Such a scenario would be catastrophic for German national security. It would threaten the very existence of the EU, an organisation Germany has invested considerable time and which has been fundamental to the political order and security of Europe since the Second World War. It would have devastating economic effects on all European countries including the UK and other non-Euro members. Its political implications for European countries on the global arena would be equally powerful. For the UK the collapse of the Eurozone would have an immediate effect by creating turmoil within its main economic market. This could also create widespread social unrest. Even if the UK were able to somehow shield itself from any immediate economic shock from such a collapse in the long-run it could not avoid the effects of the fall-out in terms of the long-term power and security of Europe. European power would be dealt a severe blow both in economics and in terms of prestige. European unity would be put under intense strain. Coordination of Europe or leadership of it would become more difficult or impossible.

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